Vanquis Banking Group

# Delivering **caring banking** so our customers can make the most of life's opportunities

**Annual Report and Accounts**

for the year ended 31 December 2024

# Our purpose is to deliver caring banking so our customers can make the most of life’s opportunities

**Making the most of life’s opportunities means different things to different people. It could mean borrowing for a significant purchase like a car. Or improving their credit score so they have more borrowing options at better rates. For some, it's simply about managing their finances more effectively during tighter months.**

## Delivering caring banking

Customers remain at the heart of everything we do.

- We care about our customers’ needs
- We earn our customers’ trust
- We empower customers to make healthy financial choices
- We support our customers when it matters most

More on page 3

## The Vanquis Way

We created The Vanquis Way to guide our decisions and remind us of what’s important when working with our customers, communities, and each other.

- We care about people
- We pull together as a team
- We find a better way
- We get the right things done

More on page 49

## Our strategy

Our customer-led strategy is steeped in a rich, detailed understanding of the lives and needs of those we serve.

- Customer centricity
- Insightful risk management
- Efficient organisation
- Digital, tech, data and analytics
- A great people proposition

More on page 11

## Contents



Find out more on our website: vanquisbankinggroup.com

## Headlines

**2024 was a pivotal year in the turnaround of Vanquis Banking Group. Having laid out our strategy in March 2024, we made substantive progress in the transformation of the business. A new experienced leadership team was put in place and progress made to deliver a refreshed customer proposition, with an expanded product range and enhanced capabilities, including AI tools, which improved efficiency, scalability and overall customer experience.**

The balance sheet was cleaned-up and the Gateway technology transformation programme, which will drive meaningful further improvements, remains on track. Our focus continues to be on building a business model that delivers enduring value for customers, colleagues, and shareholders.

**Adjusted ROTE**
(7.0)%
FY23: 1.9%

**Statutory ROTE**
(31.7)%
FY23: (2.8)%

**NIM**
18.4%
FY23: 18.6%

**Adjusted cost: income**
65.9%
FY23: 62.6%

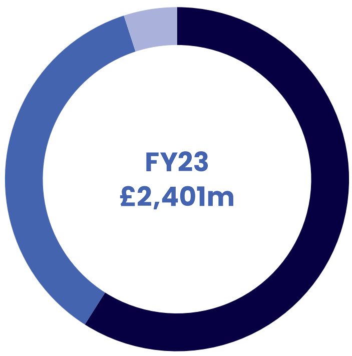
**Statutory cost: income**
88.1%
FY23: 68.6%

**Tier 1 ratio**
18.8%
FY23: 19.9%

**Retail funding**
92.1%
FY23: 83.7%

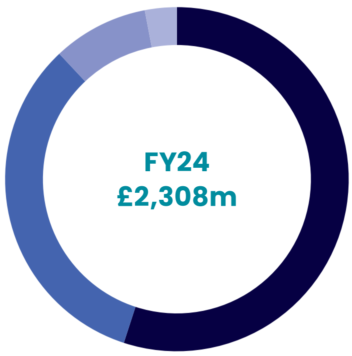
**Gross customer interest earning balances composition (£m)**

| | |
|---|---|
| Secured: | **36%** |
| Unsecured: | **54%** |



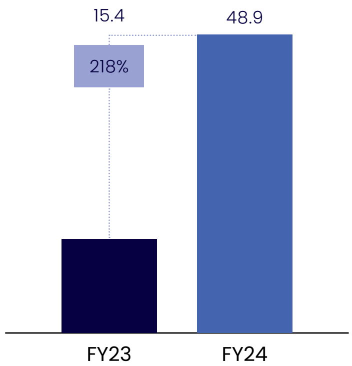

| | |
|---|---|
| Cards | 59% |
| Vehicle Finance | 36% |
| 2CM | 0% |
| Loans | 5% |

| | |
|---|---|
| Secured: | **43%** |
| Unsecured: | **57%** |

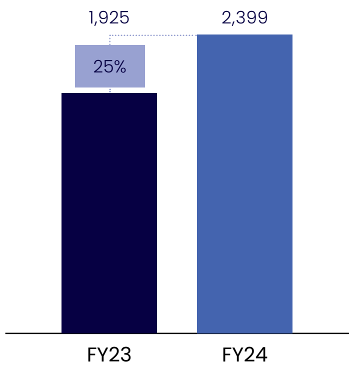



| | |
|---|---|
| Cards | 55% |
| Vehicle Finance | 33% |
| 2CM | 9% |
| Loans | 3% |

**Transformation cost savings (£m)**




**Retail deposits (£m)**




### Customer proposition

**Credit, savings and money management products**

| | Credit | | | | Savings | Money management |
|---|---|---|---|---|---|---|
| | Credit Cards | Vehicle Finance | Second Charge Mortgages | Personal Loans | Savings | Snoop |
| Number of Customers | 1,267k | 110k | 3.7k | 24k | 57k | 293k |
| Gross customer interest earning balances / Retail deposits | £1,278m | £765m | £217m | £49m | £2,399m | |

Who we are

# Vanquis Banking Group is a specialist bank with a strong social purpose

## Our purpose

Read more on pages 11 and 12

**To deliver caring banking so our customers can make the most of life's opportunities.**

## Our business model

Read more on pages 12 and 13

To offer our chosen target customers differentiated credit, savings and money management solutions, with lending predominantly funded by retail deposits.

| Credit | Savings | Money management |
|---|---|---|

We put our customers at the heart of everything we do + We create differentiated solutions that meet our customers' needs + We meet our customers where they are + We serve our customers efficiently and well + We deliver attractive returns to all our stakeholders

## Our customers' core needs

Read more on page 12

| Help me borrow healthily | Help me build a financial safety net | Help me feel in control of my everyday spending |
|---|---|---|

## Our ESG priorities

Read more on page 18

| Customers | Colleagues | Communities | The environment |
|---|---|---|---|
| Ensuring that every decision we take, from proposition development through to in-life management, is guided by a clear understanding of how it will benefit our customers. | Creating and sustaining an inclusive, supportive workplace where colleagues feel well, engaged, and empowered to deliver their best work and reach their full potential. | Improving the lives of children and young people in the communities where our customers live and work by providing them with access to education, social and financial inclusion, and economic development opportunities. | Ensuring that climate-related risks and opportunities are integrated into our business strategy and decision making in areas such as operational resilience, customer service, supply chain management and, where appropriate, capital allocation. |

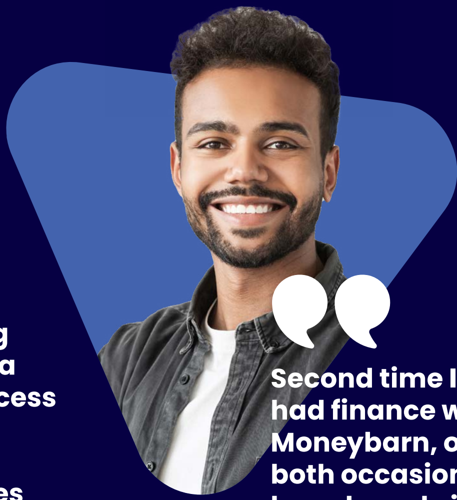
# Customers

**To deliver caring banking so our customers can make the most of life's opportunities.**

Find out more on our website:
vanquisbankinggroup.com

**Vanquis Credit Card is an excellent choice for rebuilding or improving your credit score. With a simple application process and a focus on helping customers with limited credit history, it provides a solid starting point.”**

Vanquis customer



**Second time I've had finance with Moneybarn, on both occasions they have been brilliant. Kept me up to date with the application and explained everything.”**

Moneybarn customer

**Amazing help and support from the company to help me buy the car I needed, will highly recommend to friends, family and anyone in future.”**

Moneybarn customer

**Fantastic app! Brilliant company! Thanks so much for helping me with all my finances!”**

Snoop customer

## Our customer proposition

### Credit Cards
We provide Credit Cards tailored to customer needs, offering a range of APRs and credit limits.

### Vehicle Finance
We finance used vehicles through Conditional Sale Agreements with fixed APRs and no ownership fees.

### Second Charge Mortgages
Through partnerships we enable homeowners to borrow against their property.

### Savings
We offer a range of competitive, easy-to-manage savings accounts.

### Snoop
Snoop leverages AI and open banking to help customers save on household bills, targeting up to £1,500 in annual savings.

Chairman's statement

# Building a leading bank for those who need us most

## Overview

As a financial services provider to close to 1.7 million customers, largely in the underserved credit market, we play a vital role in the UK financial system. We are uniquely positioned to fulfil our purpose, 'to deliver caring banking so our customers can make the most of life's opportunities', while delivering long-term, sustainable returns for shareholders.

This year, we reset our strategy, made significant progress in transforming the business and position the bank for future success. Our customers remain at the heart of everything we do – whether they're facing financial challenges, making important purchases, or managing everyday expenses. With one-third of UK adults (up to 24 million people) financially stretched, our strong social purpose aligns with a significant market opportunity, and we are building a bank for those that need us most.

## Strategy and transformation

During the year we made significant strides in transforming Vanquis into a more customer-focused, efficient, and resilient business. We are shifting from a product-led approach to a needs-driven, integrated model that better serves customers and supports sustainable growth.

A key part of this transformation is strengthening our customer proposition. Through a differentiated approach, we address three core needs: borrowing healthily, controlling spending, and building a financial safety net.

By expanding direct channels, strengthening partnerships, and leveraging Snoop, we aim to serve more customers. Our 'not yet' approach to credit helps those who aren't eligible today but could be in the future - providing financial management support until the time is right.

At the same time, our technology transformation is creating a more integrated, scalable platform that enables faster, lower-cost delivery. These changes will drive greater customer loyalty, lower acquisition costs, and deepen relationships, supporting a more sustainable growth strategy.

These strategic shifts lay the foundation for sustainable income growth, a leaner cost base, and strong shareholder returns. While short-term challenges remain, in particular with unmerited complaints from Claims Management Companies (CMCs), disciplined execution will ensure Vanquis becomes a more resilient, customer-centric, and high-performing business, delivering long-term value for both customers and shareholders.

## Strategic progress

Under Ian McLaughlin's leadership and a refreshed executive team, we have made solid early progress in executing our strategy, making difficult but necessary decisions to secure long-term success.

Key areas of focus during the year were the diversification of our product offerings, refining our approach to enhance value for customers who really need us, marketplace developments and strategic partnerships – expanding access for underserved customers through new distribution channels.

Alongside product expansion, we have taken out significant costs and made advancements in our risk management, ensuring portfolio resilience to drive sustainable, risk-adjusted returns. Our technology transformation programme, Gateway, is progressing well, creating a scalable, efficient and customer-centric platform.

As a result of the progress made, I am confident that 2024 will be remembered as a defining year in Vanquis' transformation.

With a clear strategic direction and enhanced financial stability, we are confident in our ability to generate long-term value. Our focus remains on serving our customers, strengthening our lending portfolio, and creating sustainable returns for shareholders.

## Commitment to customers

Our customers rely on us because they are underserved by mainstream lenders, and we take this responsibility seriously. Customer satisfaction remains strong, reflected in over 36,000 Trustpilot reviews with a 4.2-star 'Great' rating – of which 80% are 5-star reviews.

Demand for our products remains strong, reflecting the trust our customers place in us. For them, making the most of life's opportunities means different things; whether they are borrowing for key purchases, looking to improve their credit scores or navigating financial difficulties with greater confidence, we will continue to broaden our product offering, expand distribution channels and ensure innovation and accessibility remain at the heart of our strategy.

## Industry developments

Throughout the year, management has remained focused on addressing misconduct by CMCs and, since 4Q24, ensuring clarity on motor finance commissions.

The unchecked rise in CMC activity has led to a surge in unmerited claims, placing undue pressure on financial institutions, often resulting in poor outcomes for customers and overburdening the Financial Ombudsman Service (FOS). This undermines the purpose of consumer protection frameworks, inflating costs and delaying resolutions for customers with genuine concerns. I therefore welcome the FOS's introduction of a £250 case fee for CMCs - a necessary step towards deterring opportunistic claims and restoring fairness to the redress process.

Vanquis fully supports a fair and transparent complaints system that ensures customers receive appropriate redress when justified. However, while the introduction of case fees is a positive first step, further oversight and accountability of CMCs are required to prevent continued abuse. Addressing these challenges will be critical in ensuring a balanced system that protects consumers while maintaining trust and integrity across the industry.

## Capital management and dividend

2024 has been a challenging year as we have sought to direct capital towards future growth whilst addressing unwarranted complaints and historical issues. As a result, the Board has decided not to declare a dividend for 2024 (2023: 6.0p per share).

However, the Board intends to revisit the capital allocation framework and dividend policy following full delivery of the strategy in 2026.

With a clear strategic direction and enhanced financial stability, we are confident in our ability to generate long-term value. Our focus remains on serving our customers, strengthening our lending portfolio, and creating sustainable returns for shareholders.

## Culture

A sound culture and strong people proposition are essential to this commitment. In 2024, the Board actively engaged with colleagues across the business to better understand their experiences and the role of culture in shaping their work environment. While colleague engagement was understandably impacted by the uncertainty of the operational turnaround, colleagues continue to view Vanquis as an inclusive, safe, and respectful place to work. More broadly, at Vanquis, financial inclusion is embedded in our products, services, and community initiatives. Through our Foundation, we support social mobility, creating opportunities for children and young people. Equally, we are committed to fostering an inclusive workplace where colleagues can grow their careers and celebrate high performance in an environment that reflects our core values.

Our remuneration framework aligns with our strategic objectives, ensuring a clear link between performance and sustainable shareholder returns.

For more information see pages 91 to 113

## Directors

Over the past several months we have taken the opportunity of our operational turnaround and organisational changes to refresh and reposition the Board. I would like to thank Andrea Blance, Elizabeth Chambers and Margot James, who stepped down as independent non-executive directors in 2024, for their leadership and guidance as we repositioned Vanquis as a specialist bank. At the same time, I was pleased to welcome Karen Briggs, Oliver Laird, and Jackie Noakes as independent non-executive directors, effective 27 March 2024. Their combined expertise in financial services, banking, governance, risk, and compliance strengthens our Board as we drive business and cultural change.

More recently, Angela Knight and Paul Hewitt stepped down at the end of January 2025, after serving since July 2018. I extend my sincere gratitude to them for their significant contributions over the past six and a half years. With these changes Michele Greene has assumed the role of Chair of the Board Risk Committee and Senior Independent Director, succeeding Angela Knight, and Oliver Laird has taken over as Chair of the Board Audit Committee, succeeding Paul Hewitt.

For more information see page 57

## Summary

I would like to close by expressing my gratitude to the executive team, my fellow Board members, and especially to all our colleagues across Vanquis Banking Group. 2024 was a year of challenges and operational turnaround and I am incredibly proud of how our colleagues have supported one another, served our customers and made a positive impact in our communities, all while driving the changes necessary for our long-term success.

Looking ahead to 2025, the Board will continue to work closely with the executive team to ensure we maintain a steadfast focus on customer needs, drive measured, sustainable growth and deliver long-term value for shareholders.

While much work remains, I am confident that Vanquis is on a stronger, more sustainable path to driving consistent shareholder returns while continuing to serve and support our customers.

**Sir Peter Estlin**
Chairman
13 March 2025

Chief Executive Officer's review

# A pivotal year in the turnaround of Vanquis

## Introduction

2024 was a defining year for Vanquis – a year of strategic clarity and operational turnaround. While we faced challenges, we also made significant progress in repositioning the business for sustainable, profitable growth.

Since unveiling our new strategy in March 2024, we have focused on stabilising the business and laying the foundations for long-term success. This progress has been underpinned by stable credit quality and the financial resilience of our customers, reinforcing our confidence in the future.

## Developing our customer proposition

Throughout the year, we expanded and diversified our customer proposition to meet a broader range of their needs. In Credit Cards, we repriced our portfolio and introduced new balance transfer products to attract and retain customers. We have significantly enhanced the granularity of our customer cohorts by risk profile, vintage and acquisition channel, and are focused on measured growth to drive a sustainably profitable portfolio.

In Vehicle Finance, we also repriced our portfolio and, significantly, we completed a review of Vehicle Finance Stage 3 receivables. Although this resulted in a write down of the value of these receivables in the year, it gave us much greater clarity on the cost of risk of the portfolio and better informed our aspirations for this business.

Supported by a forward flow agreement with Interbridge Mortgages and an expanded partnership with Selina Finance, our Second Charge Mortgages proposition continues to gain momentum; I was particularly pleased with the portfolio's growth, with £217m in balances by the end of 2024 (2023: £3m).

We also advanced our marketplace and partnership development through agreements with H&T Pawnbrokers and Fair Finance. These collaborations broaden our ability to help fulfil more of our customers' needs while driving innovation and growth.

In Savings, we enhanced our ability to provide cost-effective funding with an expanded product range that included retail notice accounts, easy access accounts, and a new, innovative savings proposition from Snoop. Deposit balances grew 25% to £2.4bn by the end of 2024, representing over 92% of our total funding. Our retail funding platform continues to provide a strategic cost advantage over wholesale alternatives, enabling the sustainable growth of our lending propositions.

Snoop has firmly established itself as a strategic enabler, with active users growing 25% during the year to 293,000, of which 13% were Vanquis customers. Its credit score feature has been well received by users, while the seamless integration of its bill-switching capability into the Vanquis app enhanced convenience and engagement. These developments underscore our commitment to growth, innovation, and customer centricity across our portfolio. Additionally, key members of Snoop's leadership team have taken on senior roles across the Group, bringing their expertise to strengthen our technology capabilities, drive innovation, and accelerate our digital transformation.

## Financial performance

Gross customer interest earning balances stabilised in the second half of the year with managed, profitable growth resuming in the fourth quarter. Balances stood at £2,308m at the end of 2024, compared to £2,401m at the end of 2023. While new customer acquisition remained strong, the overall reduction in receivables was driven by proactive volume management to support profitable growth, along with higher repayments from Credit Card customers.

Although growth in Second Charge Mortgages partially offset the decline, lower balances were further impacted by the Vehicle Finance Stage 3 receivables review and a reduction in Personal Loans. Importantly, receivables stabilised in the second half of 2024.

A Net Interest Margin (NIM) of 18.4% (2023: 18.6%) reflected the growth of lower-risk Second Charge Mortgages, which naturally yield a lower margin. This impact was partially offset by repricing initiatives in Credit Cards and Vehicle Finance.

While stable underlying credit performance and lower originations helped to mitigate impairment charges, impairments increased 15% to £191.0m, primarily due to the non-repeat of prior year provision releases and reclassification of Vehicle Finance Stage 3 receivables to post-charge-off assets and the absence of IFRS 9 provision releases in 2023.

The early-stage implementation of our strategy has been carefully managed, requiring necessary – and at times difficult – decisions to position the business for long-term success. By the end of 2024, these efforts delivered over £64m in transformation cost savings, exceeding our £60m commitment. We remain on track for an additional £15m of savings in 2025.

Despite the trebling of FOS fees to £25m, primarily due to the increase in unmerited CMC complaints, adjusted operating costs for 2024 reduced 1% to £(302.3)m (2023: £(306.0)m).

The Group recorded an adjusted loss before tax of £(34.8)m (2023: profit of £17.3m), primarily due to one-off costs related to the operational turnaround and higher FOS fees. The statutory loss before tax was £(136.3)m (2023: £(12.0)m), including the accounting write-off of Moneybarn goodwill and one-off transformation costs.

For more information see the Financial Review on page 35

## Strategic execution

Driven by a passionate and talented leadership team, we are executing a comprehensive strategy to transform our business, achieve profitable growth and deliver sustainable shareholder returns.

## Leveraging technology and enhancing customer experience

Throughout 2024, we leveraged technology to improve customer experiences, integrating powerful money management tools into our apps to drive convenience and engagement. We also implemented a new telephony system across all product areas, enhancing customer and colleague interactions while driving operational efficiencies.

## Strengthening risk management

We made significant advancements in risk management, recalibrating our risk framework to ensure long-term, risk-adjusted returns. Our risk appetite framework underwent a thorough refresh, while a review of credit reference agency data strengthened our underwriting capabilities. In Vehicle Finance, we launched the Zoot credit decision system, further refining risk management tools. To support portfolio sustainability, we executed debt sales in Credit Cards as part of a forward flow arrangement and completed two Vehicle Finance debt sales in the second half of the year, enhancing our debt management strategy.

## Operational efficiency and cost savings

Disciplined cost management enabled us to achieve over £64m in transformation cost savings by the end of 2024. Our offshoring programme is now delivering run-rate cost efficiencies. We also integrated AI into complaints handling, automating complaint logging and reducing unprocessed complaints to 5,600 at year end, down from 14,400 in December 2023.

## Technology transformation

Our technology transformation programme, Gateway, is progressing as planned and remains on track for completion by mid-2026. This unified, customer-centric platform will enhance operational scalability, efficiency, and customer experience. Gateway is expected to generate £23–28m in annual cost savings, strengthening our financial performance. Additionally, we are looking to deploy AI across key areas, including fraud prevention, collections, and customer interactions, to drive further automation and efficiency.

## Culture and leadership development

We are committed to making Vanquis a great place to work, fostering a culture that empowers employees to deliver empathetic, purpose-driven service. In 2024, we strengthened our leadership team, making 22 key hires, including a Chief Commercial Officer, Group General Counsel, and Head of Operational Resilience. To enhance colleague engagement, we introduced weekly CEO vlogs, Stay Connected live events, and ExCo roundtables, alongside leadership development programmes. This contributed to improved 'Great Place to Work' survey results at the end of the year, which demonstrate our positive momentum on culture.

## Complaints and Court of Appeal judgment

The conduct of certain CMCs remained a significant challenge in 2024. While we welcome the new FOS CMC fee structure we will closely monitor its impact and continue working with regulators to combat the most egregious CMC practices and reduce consumer harm.

We welcomed the Supreme Court's decision to hear an appeal against the Court of Appeal's judgment in three motor finance cases involving Close Brothers and FirstRand Bank. We fully support a proportionate and fair resolution by the Supreme Court.

As previously stated, Vanquis is not subject to the current FCA Motor Commissions Review that has been focused on discretionary commission arrangements (DCAs), which Vanquis did not participate in.

Vanquis believes its position is differentiated on a number of grounds versus the three cases subject to the judgment and all customers signed a pre-contractual document that confirmed a commission "will" be paid.

In accordance with IAS 37, the Group has not provided for this matter, but has recognised a contingent liability.

For more information see the Contingent Liabilities note to the financial statements on page 193

## Outlook

Vanquis combines a strong social purpose with a customer-first strategy, underpinned by a deep understanding of underserved markets and the evolving financial landscape. While challenges persist, our focus remains on building a customer-centric business that delivers long-term value for all stakeholders. We will continue to prioritise continuous improvement and sustainable profitable growth, and we are on track to achieve our financial targets for 2025, including a low single-digit ROTE.

## Outlook continued

We are well progressed in strategically reshaping business, through optimising pricing and portfolio mix. We will continue to deploy capital effectively to drive sustainable, profitable receivables growth and expand capital-light, fee-based income through marketplace developments and new partnerships, delivering growth, quality, and returns for shareholders. The headwinds we have faced mean we now expect to achieve our goal of sustainable mid-teens ROTE in 2027 and to deliver double-digits ROTE in 2026.

We are excited about the opportunities that lie ahead and remain committed to making a meaningful positive impact on the lives of our customers. I would like to thank all my colleagues for their unwavering dedication and hard work in transforming our business, and our shareholders for their continued trust and support. Together, we will build a stronger future for Vanquis and the communities we serve.

**Ian McLaughlin**
Chief Executive Officer
13 March 2025

## Investment case

### The transformation of the business

Despite a challenging year as management executed the operational turnaround of our business, we have taken meaningful action to deliver customer benefits, efficiency gains and laid the foundations for sustainable, profitable growth in 2025 and beyond.

**1**

**We have a compelling social purpose.**

We know that financial security is a challenge for many people, and that this has become a more acute issue in recent years. Supporting our customers with a holistic proposition is central to fulfilling our purpose.

Read more on pages 11 to 13

**145**
**years' experience in consumer finance and supporting communities**

**2**

**Serving customers in an underserved part of the consumer lending market.**

The consumer lending market is undergoing considerable change, marked by economic headwinds, digital innovation, regulatory evolution and a socially motivated drive towards financial inclusion. We are well placed to capitalise on these trends given limited competition.

Read more on pages 9 and 10

**Customer numbers**
**1.69m**

**Target addressable market in consumer lending**
**24m consumers**

Source: Experian (Financial Strategy Segments tool). This figure is the number of individuals aged 18+ in the segments which comprise VBG's chosen target market.

**3**

**We have unique competitive advantages.**

We benefit from a differentiated approach to our target customers and have carefully developed propositions to respond to their needs. Assets to help us meet these needs include the Snoop money management app and lower funding costs driven by the business being primarily funded through retail deposits.

Read more on page 13

**94%**
**of users would recommend Snoop**

Source: Snoop app survey.

**92%**
**funded by retail deposits**

**4**

**Our management team is implementing our new strategy at pace.**

We have strengthened our leadership team with a number of key hires. The resized Executive Committee has streamlined decision making and aligned leadership with organisational goals.

Read more on pages 59 to 61

**22**
**Senior Leadership Team hires in 2024**

**5**

**We have potential to deliver substantial returns to our key stakeholders.**

We will measure our success through a series of customer-focused and financial measures. We project an increase in ROTE to low single digits in 2025, low double digits in 2026 and mid-teens in 2027.

Read more on pages 11 to 15

**2027 ROTE target:**
**'mid-teens'**

# UK economy

**In 2024, UK consumers faced financial strain as higher interest rates, increased tax burdens, and inflation above historical norms continued to challenge household budgets. Despite these pressures, consumers demonstrated remarkable resilience, adapting their spending habits and financial strategies to navigate a difficult environment.**

Insights from the Vanquis Financial Wellbeing Index - a quarterly report analysing the real cost of living for workers earning up to £40,000 per year - highlight the financial challenges faced by this key demographic and Vanquis' target market. Over the past two years, income for this group has grown by 17%, while living expenses have risen by 16%.

Encouragingly, recent trends show a shift towards a quarterly surplus, with disposable income improving to 2.9% in Q4 2024, up from a -2.8% deficit in Q3 2024. However, financial pressures remain high, with 58% of income allocated to essential costs, leaving little room for savings or unexpected expenses. As the cost of essentials continues to rise, tailored financial solutions are crucial to supporting financial stability for those most affected by the cost-of-living crisis.

Looking ahead to 2025, the UK economy is forecast to experience modest growth, supported by easing but still persistent inflationary pressures and a stable labour market. Consumer behaviour is likely to remain cautious, reflecting ongoing adjustments to the cost of living. While elevated borrowing costs may challenge households early in the year, anticipated interest rate reductions should provide relief, supporting spending capacity and resilience.

## Harnessing digital innovation

The consumer finance market continues to undergo significant transformation, and digital innovation remains pivotal in reshaping consumer finance. Advances in AI, machine learning, and open banking are delivering more personalised and effective customer experiences. These innovations are helping households manage rising expenses, offering tools that improve financial outcomes, detect fraud earlier, and streamline customer journeys.

## Regulation

The regulatory landscape has evolved significantly in recent years, with a focus on consumer protection and responsible lending. The FCA's Consumer Duty framework, introduced between 2022 and 2024, remains a priority, with regulatory authorities now shifting their focus from implementation to supervision. This provides an opportunity for Vanquis to further embed high standards in its operations.

## Vehicle finance commission disclosures matter

In October 2024, the Court of Appeal ruled that motor dealers acting as credit brokers owe a fiduciary duty of loyalty and impartiality to their customers. The judgment, which stemmed from the cases of Johnson v FirstRand Bank Ltd, Wrench v FirstRand Bank Ltd, and Hopcraft v Close Brothers Ltd, raised the standard for disclosing and obtaining consent for commissions beyond existing FCA regulations. This introduced significant regulatory uncertainty, pending a Supreme Court appeal.

In January 2025, ahead of the Supreme Court hearing scheduled for April 2025, the Government intervened, highlighting concerns over the potential economic impact. With 80% of new vehicles in the UK purchased on finance, the Treasury warned that the Court of Appeal's decision could restrict credit availability and harm the UK's reputation as a stable regulatory environment. The Government emphasised the need for proportional remedies to mitigate economic harm while balancing consumer protection with the vital role of the vehicle finance sector.

## Financial inclusion

Financial inclusion is an important element of a well-functioning economy, ensuring that individuals have access to essential financial products and services, such as banking, credit, savings, and insurance. The Government has created a Financial Inclusion Committee to support this goal. The Committee's objectives are to develop, coordinate, and implement interventions that enhance financial inclusion across the UK and advise the Government on its broader financial inclusion strategy.

**I have been with Vanquis for a number of years. They are generous with credit limit increases, providing you handle your account responsibly. Its customer service reps are knowledgeable, helpful and kind. Thank you, Vanquis, for being a great credit card company!"**

**Vanquis customer**

## Market overview continued

### Financial inclusion continued

Its focus areas include:

- digital inclusion and access to banking services;
- savings;
- insurance;
- affordable credit and problem debt; and
- financial education and capability.

The financial sector plays a key role in fostering financial inclusion by expanding access to responsible credit, particularly for consumers with non-prime credit histories. This effort is supported by innovative underwriting models, tailored forbearance options, and partnerships with Community Development Finance Institutions (CDFIs) and credit unions.

Vanquis remains committed to advancing financial inclusion through our purpose-driven approach. By providing responsible credit solutions and supporting our customers' financial resilience, we aim to help more people actively participate in the economy and build long-term financial stability.

### Market opportunity

The retail banking sector is navigating a challenging environment, balancing regulatory changes, compliance demands, and customer expectations, while transforming business models and adopting new technologies. Against this backdrop, government and industry discussions have emphasised the importance of improving access to credit, building savings, and enhancing financial resilience – objectives that are central to Vanquis' mission.

The non-standard credit market represents a significant opportunity, with £2bn in unmet credit demand (source: L.E.K Insights). As financial vulnerability increases, Vanquis is well-positioned to address these needs through its differentiated approach to credit, savings, and money management solutions. Our lending activities are predominantly funded by retail deposits, offering a stable and sustainable foundation for growth.

Vanquis' customer-centric strategy focuses on identifying and profiling key customer groups based on shared financial needs. This approach not only enhances our understanding of existing customers but also enables us to refine our offerings, strengthening areas where we have strong market penetration. Additionally, it highlights opportunities for market development where Vanquis has both the expertise and a clear competitive advantage.

By expanding into multi-product solutions and leveraging targeted innovation, we aim to meet evolving consumer needs and drive sustainable growth. Our focus on financial inclusion ensures that we remain aligned with our customers' needs while helping them build resilience. This strategy positions Vanquis to adapt effectively to market dynamics, support underserved communities, and create long-term value for all stakeholders.

The chart below summarises our approach:

| | Existing products | New products |
|---|---|---|
| Existing markets | **Market penetration**<br>Consolidating existing strengths | **Product development**<br>Building a holistic proposition |
| New markets | **Market development**<br>Growing our customer footprint | **Diversification**<br>No current plans |

**This is the best money I've spent on an app. I love data and I really appreciate the different filters and views available. Easy decision to renew my subscription next year."**

**Snoop Plus customer**

Strategy

# Our customer-led strategy is based on our detailed understanding of the lives and needs of those we serve.

We acknowledge and celebrate the diversity and individuality of modern society, and have come to appreciate that, amid this complexity, we can identify sizeable cohorts of consumers who have core needs in common. Three such core needs are:

- help me borrow healthily;
- help me feel in control of my everyday spending; and
- help me build a financial safety net.

Our ethnographic studies, other qualitative research, surveys, benchmarking and data science have together helped us establish existing strengths to consolidate, areas to develop and opportunities for business growth.

This has led us to the following articulation of our Group purpose: 'to deliver caring banking so our customers can make the most of life's opportunities'.

We are working with customers to design future solutions and improve their experience, using insights from experts across the Group.

## Our five strategic themes and objectives

| Strategic themes | 2024 highlights | Focus for 2025 |
|---|---|---|
| Customer centricity | › Expanded lending propositions and launched innovative Savings products to attract and retain customers.<br>› Achieved a 4.2 Trustpilot rating, with 80% of reviews at 5 stars. | › Further refine targeted customer propositions.<br>› Grow customer engagement to drive Credit Card utilisation.<br>› Improve customer experience. |
| Insightful risk management | › Recalibrated risk framework for sustainable, risk-adjusted returns.<br>› Strengthened underwriting with improved credit reference agency data. | › Further invest in our risk management capability to differentiate in the market. |
| Efficient organisation | › Achieved greater than £60m in transformation cost savings by the end of 2024.<br>› Integrated AI-automated complaint logging and the Genesys telephony system to reduce backlog and improve efficiency. | › Optimise capital and liquidity management.<br>› Execute cost transformation.<br>› Continue enhancing operational excellence, with a focus on collections and fraud. |
| Digital, tech, data and analytics | › Transformation programme, Gateway, on track for mid-2026 completion.<br>› Enhanced digital banking experience through scalable tech solutions. | › Continue with the technology transformation.<br>› Execute data and analytics transformation with the benefit of Snoop functionality. |
| A great people proposition | › Improved 'Great Place to Work' survey results. | › Progress our collective 'one Group' culture.<br>› Create an enabling environment that is supportive of the strategy. |

Delivery of these themes will be underpinned by a set of progressive principles which contrast markedly to the industry norms, creating an organisation that is intrinsically differentiated.

### Market status quo

- Parent/child relationship
- Banking jargon
- Customer feels judgement and bias
- Bank's timeframes
- Customer as a profit source

### Our principles

- Coach and empower
- Simple language
- Customer feels supported towards resilience
- Respect customers' time
- Customer integral to purpose

Business model

# We are driven by our customer-centric approach

## Understanding our customers' needs

Our business model is the way that we generate financial and non-financial value for customers and broader stakeholders and starts with a deep understanding of our customers' needs, preferences and behaviours, gained from extensive market research and data analysis. This approach ensures that every decision we take, from proposition development through to in-life management, is guided by a clear understanding of how it will benefit our customers.

The comprehensive analysis undertaken has revealed the core needs of consumers and will allow us to build a tailored proposition. This continuously deepening understanding positions us more favourably to become the preferred partner for our target customers.

Here is a glimpse into the work we have undertaken on the core needs of those we serve:

**Core needs:**

### Help me borrow healthily

We understand that healthy borrowing is based on establishing quality, long-term relationships with customers. Banking can often be filled with jargon, creating a trust gap with customers who may feel judged in difficult situations.

We can help to bridge this gap by communicating with customers in a language they understand, helping them grasp their commitments so they can successfully manage their debts over time. We encourage customers to reach out to us if they need assistance, providing options, flexibility, and a supportive environment where trust can be built without fear of judgement.

### Help me feel in control of my everyday spending

We understand that money is simply a tool, and we recognise that our customers may be managing tight finances or seeking to maximise opportunities while prioritising peace of mind, short-term goals, and quality interactions. Long-term goals can often seem unattainable.

We can help by recognising that our customers' emotional needs are just as important, and we strive to offer tools and services that provide customers with guidance and personalised insights. Our aim is to simplify day-to-day financial decisions and help customers achieve peace of mind in their everyday lives.

### Help me build a financial safety net

We understand that money is tight for many people, with often little or no savings to fall back on when an unexpected household expense hits. This can lead to increases in indebtedness and take some time to recover from.

We can help people be prepared for the unexpected by building a savings buffer, guiding them to unlock hidden opportunities to save money, and offering motivation to get started and keep going.

## Our customer proposition

Building on our purpose to deliver caring banking so our customers can make the most of life's opportunities, we care about our customers' needs, earn their trust, empower them to make healthy financial choices and support them when it matters.

Here is how we look to make a difference for our customers at each stage of the journey:

### Customer centricity: our customer journey

**1 Awareness**
We create awareness by meeting customers' core needs.

**2 Consideration**
We have a differentiated value proposition that is designed around customers' core needs rather than being product led.

**3 Conversion and onboarding**
We aim to provide a frictionless first contact and onboarding journey, leveraging our evolving systems capability and emerging technologies.

**4 Addressing customers' core needs**
We empower our customers to borrow healthily, feel in control of their everyday spending and build a financial safety net.

**5 Support when it's most needed**
We are committed to being there for our customers in challenging times as well as good ones.

**6 Deepening relationships**
We present solutions which address our customers' needs and encourage longer and deeper relationships.

**7 Advocacy**
We have a genuinely positive impact on our customers, so they are much more inclined to recommend us.

Our needs-led approach is naturally inclusive of anyone who has the needs we have identified. We are open to receiving custom from a diverse group and our target market has a wide income range.

**Underpinned by our values:** We care about people · We pull together as a team

The common denominator for the lending customers we aim to serve is that they are susceptible to low financial resilience, have relatively low levels of disposable income and savings, and are using their opportunities to the limit due to circumstances or priorities. Long-term goals often feel so hard to reach that we observe people prioritising short-term goals.

Our lending customers generally do not aim to accumulate wealth, but to have comfort, stability and peace of mind and to live life to its fullest. These customers simply want 'enough' to remove some of the barriers and burdens they face and to feel they have the space to truly live, rather than just get by.

Ultimately, they are striving for peace of mind. Money is intrinsically related to their goals as an enabler - it is a means to an end for them.

We believe deeply that our customer proposition and solutions can serve to empower the millions of people in this position to get closer to achieving their goals by borrowing healthily, feeling in control of their everyday spending and building a financial safety net.

Our customer proposition is carefully designed and developed to achieve success in our chosen markets, leveraging our existing capabilities and adopting enhancements and continuous improvements we make on the basis of customer and colleague feedback.

Furthermore, we are capitalising on our ongoing investments in technology to bolster our capabilities, drive process efficiencies and add further value for our customers. Collectively, these will move us to a position of clearer differentiation and improved market positioning.

## Our core products

- 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.
- Budgeting and money management – via Snoop.

We are also developing a marketplace proposition where we partner with like-minded companies so customers can access products and services our core product suite does not meet. This includes:

- partnering with H&T Pawnbrokers and Fair Finance to support 'not yet' customers - those not eligible for credit today but could be in the future; and
- white-label partnerships where Vanquis acts as the introducer but does not underwrite the loans.

## Our strengths

Our success in the marketplace will be determined by the strength of our business model and the relative advantages that are intrinsic to our organisation.

These strengths provide value to our customers, colleagues, regulators, shareholders, suppliers and communities, while reaffirming our commitment to quality and innovation:

### Lower funding costs

We benefit from lower funding costs compared to many competitors, which is achieved through the strategic use of retail deposits, thereby enhancing our price competitiveness.

### Financial efficiency

Our robust retail deposit base equips us with the capability to align lower-cost deposits with lending volumes, ensuring financial efficiency in the matching of assets and liabilities.

### Risk-based pricing

Our organisation has extensive credit experience and capability in the markets we serve.

### Broad product portfolio

Our broad product portfolio caters to a spectrum of needs within our target market, providing comprehensive financial solutions and fostering opportunities for cross-purchase.

### Snoop

Snoop, a unique capability, empowers our customers to manage their finances effectively and realise tangible savings.

### Established brands

Our Vanquis and Moneybarn brands have earned a strong reputation and trust within our target market, reinforcing our market presence.

We find a better way

We get the right things done

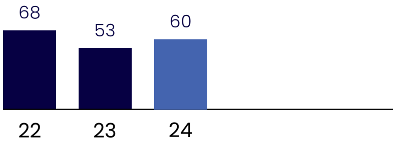
# Key performance indicators

**The key performance indicators (KPIs) represent the principal metrics reported to Group management on a monthly basis to support the strategic decision making. Key performance indicators have been updated to better align with areas of guidance.**

## A great people proposition

### 1 Colleague engagement score (%)

**60%**



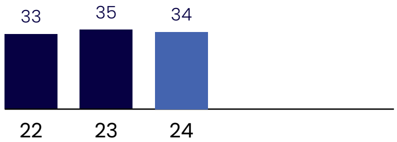

**Definition**
A metric used to gauge colleagues' engagement, motivation and commitment towards their work.

**Strategic focus**
To continuously monitor and take action to maintain and improve colleague engagement.

**Comment**
The survey conducted in December 2024 reflects an improvement YoY, although the score continues to be reflective of the extent of change in the year.

### 2 Senior management gender diversity (%)

**34%**



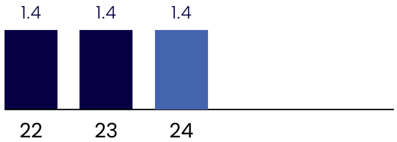

**Definition**
The percentage of the Group's senior management who identify as female.

**Strategic focus**
Committing to the Women in Finance Charter by achieving 40% target by 2026 through delivering signatory actions to create a more equal, inclusive and gender diverse workplace.

**Comment**
We continue to drive actions to support better gender balance.

### 3 Community investment (£m)

**£1.4m**




**Definition**
The cash cost of contributions provided to community projects or charities.

**Strategic focus**
Investments in the communities we serve to improve our customers' lives.

**Comment**
We continue to invest in our Foundation partners to address the wide range of social and financial inclusion issues that are relevant to our customers and the communities where we operate.

**Key**

Certain alternative performance measures (APMs) have been used in this report.

See pages 197 to 199 for an explanation of their relevance, definition and method of calculation. In the current year, the updated management team has revised its focus to the APMs presented below; there have been no changes to these APMs in the year.

Vanquis on Trustpilot
4.2

**When a friend stands by you in a moment in need, you never forget. Vanquis did that when all other credit facilities were unavailable to me. Thank you, Vanquis."**

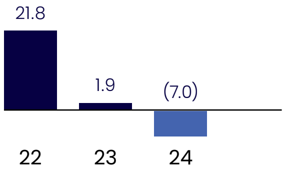
Moneybarn on Trustpilot
4.4

**I can't thank you enough for helping me purchase my new car. Will definitely be recommending you to family and friends. 5* service, thank you."**

## Insightful risk management - Efficient organisation - Digital, tech, data and analytics

### 4 Adjusted ROTE (%)

**(7.0)%**




**Definition**

Adjusted return on tangible equity (ROTE) is defined as adjusted profit after tax as a percentage of average tangible equity for the 12 months ended 31 December.

**Strategic focus**

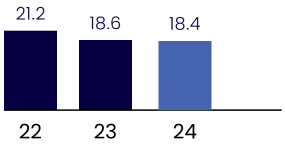
Demonstrates how well the Group's returns are generated from its tangible equity.

**Comment**

The reduction reflects the adjusted loss in 2024. In 2025 and going forward, this KPI will change to statutory reported ROTE and the Group is guiding to a low single digits percentage ROTE in 2025, a low double digits percentage ROTE in 2026, and a mid-teens percentage ROTE in 2027.

### 5 Net interest margin (%)

**18.4%**




**Definition**

Interest income less interest expense for the 12 months ended 31 December as a percentage of average gross customer interest earning balances.

**Strategic focus**

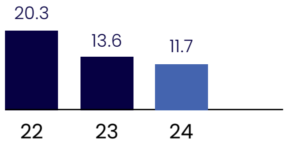
Demonstrates the interest income generated less interest expense.

**Comment**

The decline reflects the higher interest expense in 2024 given the higher interest rate environment. The Group is guiding to greater than 17% NIM in 2025 and greater than 16% NIM in 2026 driven by the continued mix effect from growth in Second Charge Mortgages.

### 6 Risk-adjusted margin (%)

**11.7%**




**Definition**

Total income, less impairment charge for the 12 months ended 31 December as a percentage of average gross customer interest earning balances.

**Strategic focus**

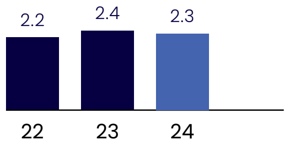
Demonstrates the total income after impairment charges.

**Comment**

The decline reflects higher impairment charges and higher interest expense in 2024 given the higher interest rate environment.

### 7 Gross customer interest earning balances (£bn)

**£2.3bn**




**Definition**

Interest earning amounts receivable from customers.

**Strategic focus**

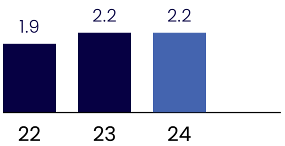
Amounts receivable from customers.

**Comment**

Gross customer interest earning balances reduced year-on-year driven by proactive volume management to drive sustainable, profitable growth, along with subdued customer spending and higher repayments from Credit Card customers. The Vehicle Finance Stage 3 receivables review and reduction in Personal Loans also reduced balances, which was partially offset by growth in Second Charge Mortgages.

### 8 Net receivables (£bn)

**£2.2bn**




**Definition**

Amounts receivable from customers as reported on the balance sheet representing gross receivables less impairment provision calculated in accordance with IFRS 9.

**Strategic focus**

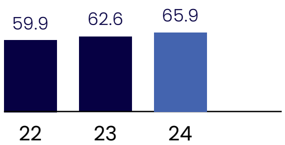
Amounts receivable from customers net of provisions.

**Comment**

Net receivables were broadly stable year-on-year with the reduction in gross receivables offset by the reduction in impairment provision driven by the Vehicle Finance Stage 3 receivables review.

### 9 Adjusted cost: income ratio (%)

**65.9%**




**Definition**

Adjusted operating costs as a percentage of total income.

**Strategic focus**

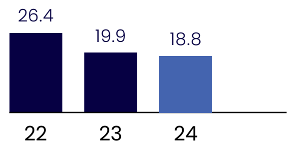
Efficiency of the business expressed as the adjusted cost base as a proportion of income generated.

**Comment**

The rising trend reflects reduced income partly offset by lower costs. In 2025 and going forward, this KPI will change to statutory cost: income ratio and the Group is guiding to a high 50s percentage cost: income ratio in 2025, a low 50s percentage ratio in 2026, and a 49% or lower ratio in 2027.

### 10 Tier 1 ratio (%)

**18.8%**




**Definition**

The ratio of the Group's Tier 1 capital to the Group's risk-weighted assets measured in accordance with the Capital Requirements Regulation (CRR).

**Strategic focus**

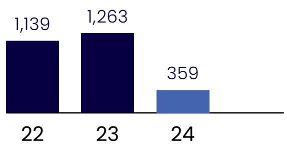
Demonstrates the Group's capital resources relative to regulatory minimum levels.

**Comment**

The Group maintained a robust capital position with a CET1 ratio of 18.8%. The Group is guiding to a Tier 1 ratio of greater than 17.5% in 2025.

### 11 Liquidity coverage ratio (%)

**359%**




**Definition**

A regulatory measure that assesses net 30-day cash outflows as a proportion of high-quality liquid assets (HQLA).

**Strategic focus**

Demonstrates the Group's ability to meet its short-term liabilities.

**Comment**

The Group continues to hold a significant level of excess liquidity.

Sustainability

# Our stakeholders

## This section provides an overview of Vanquis' key stakeholders, how we engage with them and the issues/themes that matter to them.

Effective engagement with our stakeholders enables our business to understand their views and concerns, and ensure that these are factored into our decision-making processes. This enables us to provide our customers with products and services that meet their needs, deliver on our purpose and generate value for all stakeholders.

Details relating to how the Vanquis Banking Group plc Board has sought to ensure that it has factored stakeholder views and inputs into its decision making are set out in the Section 172(1) Statement on pages 44 and 45 of this report.

### Customers

**Through the provision of responsible and sustainable products and services, our aim is to support the everyday spending of our customers, help build their savings and promote healthy borrowing.**

#### How we engage with customers

Customer surveys and focus groups; market research and data analysis; applications and other website tools; customer complaint processes; engagement with money/debt advice partners; and proposition development.

#### What matters to our customers

Customer service; affordability and price; data protection; flexibility; convenience and ease of experience; and help when things go wrong.

### Colleagues

**The long-term success of the Group requires us to attract and retain the best talent by providing a workplace culture that is meritocratic, supportive and inclusive.**

#### How we engage with colleagues

Colleague forums; colleague engagement surveys; wellbeing surveys; diversity and inclusion affinity groups; all colleague events; team meetings; internal communications channels; training and development; and engaged line management.

#### What matters to our colleagues

Career development opportunities; health, safety and wellbeing; reward and recognition; diversity and inclusion; positive workplace culture; and communication.

### Regulators and Government

**As a dual regulated firm, it is important that we maintain proactive, open and constructive dialogue with our regulators and policymakers so they understand the needs of our customers and the role the Group plays in their lives.**

#### How we engage with regulators and Government

Regular supervisory meetings; trade association membership; participation in multi-stakeholder forums; contributing to public consultation; and engagement with charities, NGOs and other partners.

#### What matters to our regulators and Government

Ongoing regulatory compliance; control and supervision; delivering fair customer outcomes; payment of taxes; financial inclusion; and community investment and social mobility.

**Easy to apply for, quick reply and once your application has been approved your card comes through really quick. The app is easy to use, and you are kept up to date on your spending and payments and all you need to know."**

**Vanquis customer**

More on page **38**

Find out more on our website: vanquisbankinggroup.com

### Shareholders

**Our institutional and retail shareholders are the owners of Vanquis, and we aim to provide them with clear and accurate information on our strategy and business model, and deliver sustainable, profitable growth based on our understanding of our customers.**

#### How we engage with shareholders

Annual Report and Accounts; results announcements, trading updates and presentations; investor meetings; conference attendance; and engagement with rating agencies.

#### What matters to our shareholders

Financial performance; growth potential; new product/ partnership opportunities; cost management; risk management and reporting; and accessible information.

### Suppliers

**Our suppliers play a key role in the way we operate and in the delivery of products and services to our customers, so it is important that we build strong relationships with them.**

#### How we engage with suppliers

Due diligence processes; supplier relationship management framework; and ongoing supplier feedback.

#### What matters to our suppliers

Financial performance; prompt payment; regulatory compliance and data protection; and working with a sustainable and responsible company.

### Communities

**Our purpose inspires us to support children and young people in the communities we serve through colleague volunteering, community investment, and long-term partnerships.**

#### How we engage with communities

Charitable and community partnerships; engagement with schools and colleges; colleague volunteering; and participation in conferences and seminars.

#### What matters to our communities

Sustainable community investment; financial and social inclusion; volunteering; and communication.

**"Haven't been with Vanquis for long but from my early experience it's been great. Instant approval, decent mobile app and credit limit increases far quicker than I expected. If used responsibly this card is brilliant."**

**Vanquis customer**

More on page
38

Find out more on our website:
vanquisbankinggroup.com

Sustainability continued

# Our sustainability strategy

## Our sustainability strategy, which is aligned with our purpose to deliver caring banking, ensures that we manage and report on the Environmental, Social and Governance (ESG) issues that are most material to our business activities.

As such, a key priority of this strategy is to operate our business of providing our customers with products and services in a responsible manner. This ensures that we are focused on delivering great outcomes for our customers, from proposition development, through to in-life management, and in the event they experience financial difficulties. The second area of our sustainability strategy relates to acting responsibly and sustainably in all our other stakeholder relationships. This underlines our commitment to: create an inclusive and engaging workplace for our colleagues; support the communities we serve through the Vanquis Banking Group Foundation; ensure that we treat our suppliers fairly; conduct our business activities in an ethical manner; and take action on climate change.

Our purpose to deliver caring banking so our customers can make the most of life's opportunities is at the heart of why our business has existed for almost 145 years. It underpins our customer-led strategy which is born out of a detailed understanding of the lives and needs of the 1.69 million customers we serve. So, whether it's helping people to borrow healthily, enabling them to control their spending or supporting them to build a financial safety net, we empower customers to make the right financial choices and support them when it matters. It also places great emphasis on the importance of the ESG agenda, in particular, ensuring that we focus on 'social' and respond to the needs of our colleagues and communities."

**Ian McLaughlin**
Chief Executive Officer

### Materiality assessment

To help us to identify and prioritise the ESG risks/issues that are most material to our business and our key stakeholders we periodically undertake a materiality assessment. Our most recent assessment was undertaken to support the internal organisational changes that were implemented throughout 2024. This exercise determined the importance of supporting our customers, colleagues and communities, and affirms our decision to ensure that the focus of our sustainability strategy is on the 'S' in ESG.

### Our policies

To support our business activities and the embedding of our sustainability strategy, we have a range of corporate policies in place which set the codes of conduct, controls, processes, and requirements for all colleagues, suppliers, and contractors within and working with our Group. These cover issues such as inclusion and diversity, modern slavery and human rights, and environmental management and can found, along with other policies, at www.vanquisbankinggroup.com.

### Our sustainability performance at a glance

| | Measure | 2024 performance |
|---|---|---|
| Customers | Level of customer satisfaction (Trustpilot score) | Credit Cards: 4.2/5 (2023: not available). Vehicle Finance: 4.4/5 (2023: not available). |
| | Total number of customer complaints | Total number of complaints: 87,561 (2023: 69,609). |
| Colleagues | Workplace culture and colleague engagement | Great Place to Work Trust Index score: 60% (2023: 53%). |
| Communities | Amount invested to support our communities | £1.4m invested to support our Foundation (2023: £1.4m). |
| Suppliers | Prompt payment of suppliers | 97% of suppliers paid within 30 days (2023: 92%). |
| The environment | Absolute scope 1 and 2 GHG emissions 2024 | Scope 1 and 2 GHG emissions: 500 $tCO_2e$ (2023: 806 $tCO_2e$), a reduction of 38%. Total scope 1 and 2 (and associated scope 3) GHG emissions: 647 $tCO_2e$ (2023: 1,039 $tCO_2e$), a reduction of 38%. |
| | Climate-related financial disclosure | Refer to pages 22 to 34 for more information. |

## Supporting our customers

Through our commitment to ensure that every decision we take is guided by a clear understanding of how it will benefit our customers, no matter where they are on their customer service journey with us, we recognise that we have a responsibility to support them if they find themselves in financially challenging situations. This is why we ensure that our customer-facing colleagues are trained in recognising signs that might indicate a customer could be classified as 'vulnerable', or may be facing financial difficulty, whether in the short or long term.

We are also able to draw on the expertise from the longstanding relationships we have developed over the years with organisations in the money advice and financial education sectors. By supporting these organisations, our customers can also access free independent and personal financial advice and support if they are facing financial strain.

### Working with Plain Numbers

Vanquis Banking Group joined Plain Numbers, an organisation dedicated to supporting customers' who struggle with numbers, as an Implementation Partner in March 2023. Together, we work on improving consumer outcomes through the provision of clear and understandable financial communications. Throughout 2024, colleagues have continued to participate in Plain Numbers' practitioner training, which brings to life the numerical struggles much of the public must contend with when making financial decisions. We also partnered with TV mathematician and National Numeracy Ambassador Bobby Seagull to launch a series of simple video guides for the most misunderstood financial terms, such as compound interest, AER and APR. The guides were launched on National Numeracy Day on Wednesday 22 May 2024 and were certified by Plain Numbers.

### Working with The Money Charity

The Money Charity specialises in improving financial capability. It does this by providing information, advice and guidance to people of all ages, so that they can manage their money well and increase their financial wellbeing. Vanquis has partnered with the charity since 2013, and during this time our funding has enabled it to deliver 3,056 hours' worth of financial education workshops to almost 76,500 young people. Throughout 2024, our support for The Money Charity enabled it to deliver 306 workshop hours to 6,560 young people with over half of these delivered to groups of 'disadvantaged' young people. The aim of these workshops, aligns with our purpose, as they provide young people with building blocks to sound money management, helping them to develop the skills, knowledge, attitudes and behaviours they will need so they can make the most of their money throughout their lives.

## Treating suppliers fairly

Vanquis is committed to the prompt payment of our suppliers, and endeavours to pay all invoices within agreed terms and in accordance with requirements of the UK Government's Prompt Payment Code. We have been a signatory to this Code for almost a decade and are committed to paying all suppliers within 60 days of receiving an invoice, and paying 95% of invoices from small suppliers within 30 days.

| | |
|---|---|
| Percentage of suppliers paid in 60 days in 2024 | 100% |
| Percentage of suppliers paid in 30 days in 2024 | 97% |

We are also committed to engaging with all our suppliers in a responsible manner and are opposed to slavery and human trafficking in both our direct operations and the indirect operations of the supply chains we have. As such, the Group will not knowingly support or do business with any organisation involved in slavery or human trafficking. Our most recent modern slavery statement, as well as our Group-wide Human Rights and Modern Slavery Policy, can all be found on www.vanquisbankinggroup.com.

## Colleagues

### A more diverse and inclusive workplace culture

At Vanquis, we want our colleagues to feel they belong, be themselves and reflect the customers and communities we serve. This is not only good for our business, but also the right thing to do for society.

Our diversity and inclusion programme is driven to large extent by our five affinity groups which are led by our colleagues and focus on the following themes: disability, LGBTQ+, gender balance, ethnicity and social mobility. In 2024, these groups collaborated to deliver various events and activity. Notably, the Gender Balance Group worked with Jayne-Anne Gadhia to host a 'Time to Talk' session on International Women's Day which emphasised the importance of inclusion for everyone. In response to the summer riots, our Ethnicity Group sought to support colleagues affected by the events they witnessed in their communities and on television. Throughout the year, the Disability Group provided valuable advice to the business on creating an inclusive workplace for colleagues with disabilities and long-term conditions. Additionally, we hosted a webinar with the Bank Workers Charity during Carers Week, highlighting the challenges faced by carers and the support available through the charity.

Our commitment to improve gender diversity across the Group is underpinned by our commitment to the HM Treasury Women in Finance Charter. We became a Charter signatory, a government initiative to improve gender diversity in senior positions within the financial services sector, in March 2019, and committed to having 40% female representation in the Group's senior management population by December 2026. As of 31 December 2024, we had 34% female representation in this population. The annual bonus scheme for our executive directors is linked to our performance against our Women in Finance Charter target (see our Directors' Remuneration Report on pages 91 to 113 for more information). Further diversity and inclusion information which relates to the FCA's Listing Rules 6.6.6(9) and 6.6.6(10) is set out in the Nomination Committee Report on pages 79 to 81.

# Our sustainability strategy continued

## Colleagues continued

### A more diverse and inclusive workplace culture continued

As of 31 December 2024, we had the following gender split:

| | Total | No. of women | % of women | No. of men | % of men |
|---|---|---|---|---|---|
| Board membership | 10 | 4 | 40% | 6 | 60% |
| Executive committee | 7 | 2 | 29% | 5 | 71% |
| Senior leaders | 110 | 37 | 34% | 73 | 66% |
| All Group colleagues | 1,269 | 587 | 46% | 682 | 54% |

We engage with our colleagues on an annual basis to collect information on other diversity and inclusion categories[1]. This information is summarised below:

- 16% (2023: 18%) of colleagues informed us that they had a disability or long-term health condition.
- 17% (2023: 18%) of colleagues informed us that they come from a Black, Asian, other White or minority ethnic background.
- 5% (2023: 5%) of colleagues informed us that they were part of the LGBTQ+ community.
- 15% (2023: 11%) of colleagues have caring responsibilities.

1 This data is based on colleagues' voluntary self-declaration via our December 2024 Great Place to Work colleague engagement survey which accounts for 81% of the Vanquis Banking Group workforce.

During 2024, Vanquis Banking Group was awarded the Silver Standard for LGBTQ+ Diversity, Equality and Inclusion (DE&I) excellence in financial services in its first assessment by LGBT Great. In addition, the Group is a member of the Business Disability Forum and has completed its Disability Smart Audit to identify areas for prioritisation and focus with a view to improving disability inclusion across the business.

### Engaging our colleagues

We keep our people engaged and informed via regular Group-wide leadership and colleague communications and broadcasts. Alongside this, colleagues are encouraged to develop a sense of community using a variety of tools, including our 'Stay Connected' intranet site. This enables them to host a range of events, from quizzes to book clubs, and baking sessions to wellbeing talks.

In December 2024, we, again utilised the Great Place to Work model in our annual colleague engagement survey. The key score from this is as follows:

- 60% (2023: 53%) Great Place To Work Trust Index score

While this score shows improvements compared to 2023, they continue to reflect the levels of uncertainty and change that colleagues have experienced during 2024.

## The Vanquis Banking Group Foundation

Vanquis is committed to improving the lives of children and young people in the communities where our customers live and work by providing them with access to education, social and financial inclusion, and economic development opportunities. We deliver on this commitment through the Vanquis Banking Group Foundation which we launched in 2023.

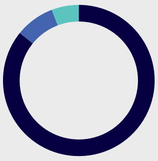
The vision for the Foundation is to build a future where every child and young person in the UK is supported to achieve their full potential, contributing to a brighter future. During 2024, we did this by focusing on three key strategic pillars:

| Education | Community | Financial inclusion advice |
|---|---|---|
| We back programmes that boost literacy and numeracy rates and offer insights into the world of work and the skills needed to secure opportunities. | We support social and financial inclusion in the communities where we operate. | This work funds a range of money advice, debt management and financial education organisations which support our customers and other consumers to make the most of their financial options. |

In 2024 Vanquis invested £1.4m in the communities we serve via our Foundation.

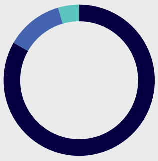
### 2024 community investment figures

**2024**



| | |
|---|---|
| Cash | £1,171,597 |
| Management costs | £114,549 |
| Value of colleague time | £77,271 |
| Total | £1,363,417 |

**2023**



| | |
|---|---|
| Cash | £1,152,579 |
| Management costs | £169,231 |
| Value of colleague time | £62,225 |
| Total | £1,384,035 |

## Supporting children and young people to develop literacy, numeracy and employability skills

We believe that by supporting the education agenda we can help the children and young people who live and work in the many communities we serve across the UK to make the most out of life's opportunities. Through our Foundation, we have developed an education programme to help children and young people to acquire or boost their skills and aspirations in order to participate in society and progress in education, the workplace or the communities they live in.

Throughout 2024, we worked with and supported organisations such as School-Home Support, National Numeracy, the Social Mobility Business Partnership, Leading Children and others to: provide support for programmes to boost the literacy and numeracy of children, young people and other groups; and offer children and young people insights into the world of work and the skills that will help them secure opportunities, including employment.

## National Numeracy Day 2024

On 22 May 2024, we were a Lead Supporter of National Numeracy Day, which aims to showcase numeracy in everyday life and help the nation to build confidence when working with numbers, for the seventh year running. On the day itself, and throughout May, our colleagues engaged in a range of activities which highlighted how essential numeracy skills are for navigating modern life, from managing personal finances to excelling in the workplace. This included engaging with schools to deliver numeracy assemblies and classroom activities to support children to think and be more confident about using numbers in the real world, building on our long-standing relationship with the Professional Darts Corporation to link up with National Numeracy to deliver a Bullseye Maths Challenge in honour of the day to schoolchildren at The O2 in London, and teaming up with National Numeracy Ambassador Bobby Seagull to create some videos which helped to explain some common financial terms. We also hosted a 'Big Number Natter' for our colleagues which provided them with an opportunity to talk about their experience with maths, and get advice and support on becoming more confident with numbers.

## Ensuring children are able to be in school, ready to learn

We are incredibly proud of the partnership we have with School-Home Support (SHS), whose work we have funded in Bradford and Kent since 2016. Our funding has enabled SHS practitioners to work with both parents/carers and children to make an assessment of the key challenges they are facing, and which are acting as a barrier to children attending school. The approach that the practitioners take looks beyond the school gate and works with families to understand and overcome the root causes of absence and improve attendance and participation levels. Our partnership has also sought to support families who face financial hardships as a result of the ongoing cost-of-living crisis, coupled with increasingly stretched local services. Through the School Uniform Fund we established with SHS in 2022, its practitioners can provide a child with all the clothing they need to feel comfortable at school.

The work that SHS delivers is transformative and delivers lasting impacts for children, young people and families. This is why we were delighted that our partnership was highly commended under the Banks and Financial Services category at this year's Business Charity Awards 2024.

## Supporting students with work insight and skills

Through our longstanding partnerships with the Ahead Partnership and Social Mobility Business Partnership, and the relationships we have with schools and colleges in the communities surrounding our offices in Bradford, Chatham, London and Petersfield, we have delivered a number of sessions which engage with young people who face barriers or are underrepresented within our workforce, to build their aspirations, skills and careers knowledge and support them to think about what steps they could take towards realising their future job prospects. During the year, over 60 colleagues supported almost 200 students by working with our partners to deliver sessions on the roles that exist within our sector, goal setting and action planning, interview preparation and practice and CV writing.

## Community investment

We aim to support local community groups to address a wide range of social and financial inclusion issues that are relevant to our customers and the communities where we operate. We do this via the community foundation partnerships we currently have with Bradford District Community Foundation, Hampshire and Isle of Wight Community Foundation, Kent Community Foundation and London Community Foundation. By working with our community foundation partners, we have the confidence that we are directing our funding to the places where it is needed the most. In 2024, through our four partnerships in Bradford, Kent, London and Hampshire, we provided grants of between £2,500 to £10,000 to grass roots community organisations. The grants will help organisations to address a wide range of complex issues, such as reducing inequality, exclusion and disadvantage for children and young people.

## Bradford 2025 City of Culture

Having been based in Bradford since 1880, we are proud to support the district in its capacity as the UK's City of Culture in 2025. We were named as the first official delivery partner for Bradford 2025 back in 2022, and this will see us support the development of the cultural programme and ensure that it leaves a legacy for years to come. The impact that this designation will have on the Bradford district cannot be underestimated, in terms of driving inward investment, boosting local economic growth and delivering a lasting social and cultural legacy, particularly for young people, and that's something we are really proud to be part of.

# Our sustainability strategy continued

## The Vanquis Banking Group Foundation continued

### Colleague volunteering

All our colleagues can take two days' volunteering leave every year which helps them to engage with our purpose to deliver caring banking and support the causes they care most about as well as the community initiatives that are supported by the Group. Throughout the year, colleagues volunteered 2,546 hours (2023: 1,696 hours) in support of a range of community projects and initiatives. This has enabled our colleagues to give up their time to volunteer as charity trustees and treasurers and Parent Teacher Association members or to take part in tree planting initiatives. It also gives our colleagues the opportunity to take part in team challenges which are facilitated by the business. For example, during 2024, 15 colleagues from our technology and change team volunteered 109 hours to build a new adventure play area at Clayton Village School in Bradford and 30 colleagues from our Vehicle Finance business in Hampshire volunteered around 200 hours to redecorate Connor's Toy Library, a resource at St. Mary's Hospital, Portsmouth, which provides support for families with children with Down syndrome.

### Our Foundation plans for 2025

Throughout 2024, as our focus has been on progressing the turnaround of our business and delivering cost savings, we took the opportunity to make some changes to the Vanquis Foundation. We will continue to support children and young people through our existing education partnerships to develop the literacy, numeracy and employability skills they need to achieve their potential. However, we will, in 2025, reduce the number of community foundation partnerships we support from four to one. This will see us continue to support the Bradford District Community Foundation to fund grass roots community organisations across the Bradford district to address a range of social inclusion issues. We will also continue to engage in colleague volunteering and fundraising activities.

## Climate-related disclosures

Playing our part in tackling climate change is aligned with our purpose to deliver caring banking which is why we are committed to ensuring that we understand the risks and opportunities that climate change presents to our business and key stakeholders.

We recognise that the growth and sustainability of our business depend on the resilience of our operations, our supply chains, and the communities where our customers and colleagues live and work. As such, we aim to minimise our environmental impacts and work with others to take action on the issue of climate change. Our commitment to do this is underpinned by our ambition to achieve net zero carbon dioxide emissions from 2021 levels by 2040. In doing so, we acknowledge that it is not possible for anyone to get to net zero alone. Interventions by Government in terms of policy and to support the development of new technologies and initiatives are vital to creating a low carbon economy and enabling everyone to transition to net zero in a fair and just way. Without good progress on these issues, achieving our climate ambitions will be challenging. Companies from all sectors and all their stakeholders must work in concert in order to make this transition a reality.

### Climate-related financial disclosures compliance summary

Vanquis Banking Group plc confirms that it has made climate-related financial disclosures for the year ended 31 December 2024 that it believes are consistent with the four pillars and 11 recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) (as defined in the FCA's Listing Rule 6.6.6(8), the Climate-related Financial Disclosure (CFD) Regulations 2022 and the UK Companies Act (that is, sections 414CB(2A)(a to h)). The text and table below and overleaf outlines how the 11 recommendations have been addressed within the Strategic Report.

| TCFD pillars | TCFD recommended disclosures | Strategic Report section where disclosures comply with the Companies Act | Strategic Report section where further details comply with the FCA's Listing Rules |
|---|---|---|---|
| Governance – Disclose the organisation's governance around climate-related issues and opportunities. | Describe the Board's oversight of climate-related risks and opportunities. | Climate governance (see pages 23 and 24)<br>Effective stakeholder communication (see pages 70 to 74)<br>Non-financial sustainability information statement (see pages 46 and 47)) | Governance – How the Board oversees the assessment and management of climate-related risks and opportunities (see page 23) |
| | Describe management's role in assessing and managing climate-related risks and opportunities. | Climate risk management (see pages 31 and 32)<br>Risk management and principal risks (see pages 48 to 55) | Governance – Management's roles and responsibilities in assessing and managing climate-related risks and opportunities (see page 24) |

| TCFD pillars | TCFD recommended disclosures | Strategic Report section where disclosures comply with the Companies Act | Strategic Report section where further details comply with the FCA's Listing Rules |
|---|---|---|---|
| Strategy – Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy and financial planning where such information is material. | Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. | Our sustainability strategy (see page 18)<br>Non-financial Sustainability Information Statement (see pages 46 and 47) | Our climate strategy, time horizons, and climate-related risks and opportunities explained (see pages 22, 24 and 25) |
| | Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning. | Climate-related risks and opportunities (see pages 24 and 25) | Our climate strategy and business impacts (see pages 22, 24 and 25) |
| | Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario. | Climate-related scenario analysis (see pages 26 to 30) | Scenario analysis and the resilience of our strategy (see pages 26 to 30) |
| Risk management – Disclose how the organisation identifies, assesses and manages climate-related risks. | Describe the organisation's processes for identifying and assessing climate-related risks. | Climate risk management (see pages 31 and 32)<br>Risk management and principal risks (see pages 48 to 55) | Risk management – Our processes for identifying and assessing climate-related risk (see pages 31 and 32) |
| | Describe the organisation's processes for managing climate-related risks. | Climate risk management (see pages 31 and 32)<br>Risk management and principal risks (see pages 48 to 55) | Risk management – Our processes for monitoring and managing climate-related risk (see pages 31 and 32) |
| | Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management. | Climate risk management (see pages 31 and 32)<br>Risk management and principal risks (see pages 48 to 55) | Risk management – How we integrate climate-related risks into our risks management policies and processes (see pages 31 and 32) |
| Metrics and targets – Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material. | Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | Our sustainability performance at a glance (see page 18)<br>Climate-related metrics and targets (see pages 32 and 33)<br>Non-Financial Sustainability Information Statement (see pages 46 and 47) | Metrics and targets – Overview of our metrics (see pages 32 and 33) |
| | Disclose scope 1, scope 2, and, if appropriate, scope 3 greenhouse gas emissions (GHG), and the related risks. | Metrics and targets – Our scope 1,2 and 3 GHG emissions (see page 33) | Metrics and targets – Our scope 1,2 and 3 GHG emissions (see page 33) |
| | Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | Our sustainability performance at a glance (see page 18)<br>Climate-related metrics and targets (see pages 32 and 33) | Metrics and targets – Overview of our metrics (see pages 32 and 33) |

## Governance

### How the Board oversees the assessment and management of climate-related risks and opportunities

The Vanquis Banking Group plc Board has ultimate accountability for all risks, including climate-related risks and opportunities. It also has overall accountability for the delivery of the Group's ESG strategy and regularly reviews performance in accordance with this strategy. The Board fulfils this accountability by receiving annual updates at its meetings. It is also supported by the Board's other committees (see below). The Board has a range of environmental experience, as set out on page 75 of the Vanquis Banking Group plc Annual Report and Financial Statements 2024, with 90% of the Board classified as having skills and experience in this area.

| Board | Audit Committee | Remuneration Committee | Risk Committee |
|---|---|---|---|
| The Board is responsible for promoting the long-term success of Vanquis Banking Group and delivering sustainable value for our shareholders. This includes reviewing the Group's climate change objectives as part of a broader review of the Group's purpose/ESG strategy and setting the Group's risk appetite, which includes risks related to climate change. | Supports the Board in reviewing the climate-related disclosures made by the Group in its Annual Report and Financial Statements. | Assists the Board in its oversight of its remuneration policies and practices in relation to any ESG-related metrics, including those that relate to the climate change agenda. | Assists the Board by taking an active role in defining risk appetite, and monitoring the risk management and internal control systems across the Group. This includes any climate-related risks. |

# Our sustainability strategy continued

## Governance continued

### Management's roles and responsibilities in assessing and managing climate-related risks and opportunities

The Group's CEO is accountable for management oversight in relation to the progress being made by the Group in managing its strategic ESG objectives, including those that relate to climate change. In addition, other Executive Committee members, have responsibilities for delivering specific activities which support the Group to assess and manage climate-related risks and opportunities. For example, the Group's Chief Risk Officer chairs the cross-functional Climate Risk Committee (CRC) which provides guidance and direction, on an annual basis, for the identification, assessment and management of climate change-related risks and opportunities that are material to the Group and its stakeholders. This supports the business in meeting its reporting obligations.

### Internal audit

Our Internal Audit function periodically reviews the controls that are in place to manage and/or mitigate climate related risks. This was last done in 2023.

### Remuneration

The remuneration of our executive directors continues to be partly linked to our progress in meeting climate risk-related reporting requirements and working towards the setting of longer-term carbon reduction targets, via their annual bonus plan. There is also an ESG underpin in the Group's Restricted Share Plan (RSP), whereby awards are granted annually to executive directors in the form of conditional awards or options. For more information, refer to the Directors' Remuneration Report on pages 91 to 113.

## Our climate strategy

Our strategy is to ensure that climate-related risks are integrated into our business strategy and decision making in areas such as operational resilience, customer service, and supply chain management, and, where appropriate, capital allocation. In order to deliver on our strategy, our approach is to identify climate-related risk factors and opportunities which have potential to impact our business activities over short-term, medium-term and long-term time horizons. In doing this, we consider the climate-related risks and opportunities in the context of the products and services we provide to our customers, as well as those that relate to our operation and infrastructure.

### Our time horizons explained

We use the following time horizons to classify climate-related risks and opportunities, aligned to our strategy and business plans. These time horizons are consistent with other risks that we manage; however, we acknowledge that the time horizon over which climate-related risks will manifest themselves may be a significantly longer time horizon than we experience with other risk types:

- **Short term: Zero to one year** – Accounts for any climate-related risks and opportunities that are deemed material to our annual reporting cycle and associated operational activities.
- **Medium term: One to five years** – Accounts for the financial and operational planning we use, as well as the goal date for the science-based targets we set in January 2024.
- **Long term: Five or more years** – Takes account of whether the transition to net zero is progressing or failing, and whether exposure to any physical risks is being adequately priced in.

### Climate-related risks

We continue to use two major risk categories: physical risks (which include acute, extreme weather events, and chronic, long-term climate shifts in the UK), and transition risks (which relate to regulatory changes, technological innovations and customer demand changes that may occur while transitioning to a low-carbon economy).

| Risk type | Description and business impact | Time horizon(s) |
|---|---|---|
| **Physical (acute)** | Specific weather-related events (e.g., heavy rain, high winds or periods of drought) could result in flooding, storms or wildfires which could have an impact on infrastructure, causing damage to buildings and other assets, leading to wide-scale disruption to service delivery. The successful delivery of our strategy is dependent on the protection of our colleagues, customers, and business infrastructure and processes. | Short and medium term |
| **Physical (chronic)** | Chronic climate-related events, such as rising sea levels, coastal changes and higher average temperatures and rainfall, could impact regions and infrastructure that are material to our own facilities/business premises, as well as the operations of the organisations in our direct and indirect supply chains. Such physical risks could lead to indirect economic and social impacts through supply chain disruptions, subsequent impacts from infrastructure damage (e.g. in relation to transport, communication and manufacturing processes) or market shifts (such as increases in insurance premiums). | Long term |
| **Transition (policy/legal)** | New or additional climate-related laws, regulations or contractual commitments (e.g. those that apply to energy usage, business travel or GHG emissions) may result in increased compliance costs, taxes on emissions, penalties or restrictions that relate to our business models and our stakeholders. | Medium and long term |
| **Transition (reputation)** | Our customers, colleagues, investors, regulators and other stakeholders expect us to take appropriate measures to reduce our contribution to climate change. Our brand is essential to the growth and success of our business. Damage to our reputation as a result of poor environmental performance, including the failure to meet any climate-related commitments or regulatory expectations, could result in negative media attention and may impact customer or investor demand or result in a loss of existing talent or the inability to attract new talent. | Short, medium and long term |

## Climate-related opportunities

We have also identified two opportunities that are likely to arise as result of the transition to a low-carbon economy which we anticipate manifesting in the short, medium and long term. These relate to meeting the needs of our customers as climate-related policies are implemented and continuing to improve the energy and resource efficiency of our operations and infrastructure.

| Opportunity type | Description and business impact | Time horizon(s) |
|---|---|---|
| **Products and services** | We continue to monitor opportunities to adapt our business models whereby we can develop and introduce new products and services which meet both the needs of our customers and the requirements of emerging climate-related policies (e.g. in relation to the financing of battery electric vehicles (BEVs)). See page 29 for more information. | Medium and long term |
| **Resource efficiency and resilience** | We continue to identify opportunities by which we can improve the energy efficiency of our operations and infrastructure to ensure that we reduce their carbon intensity and that they are resilient. During 2024, this has involved complying with Phase 3 of the Energy Savings Opportunities Scheme (ESOS). | Short, medium and long term |

## Scenario analysis

Scenario analysis is a key tool to identify the potential impact of climate-related risks and opportunities on our business, strategy and financial planning. Our analysis makes use of the Group's financial forecasts, operational footprint, customer data, supply chain information and environmental data, to create a representation of Vanquis Banking Group. To support this, the three climate scenarios developed by the Network for Greening the Financial System (NGFS) set out below have been used for a second year to support the assessment of the risks we have identified, which categorise climate scenarios into the following three transition types, which provide a plausible representation of future climate based on potential trajectories of future levels of greenhouse gas emissions: Orderly, Disorderly, and Hot House World.

### NGFS scenarios

| NGFS Net Zero 2050 (Orderly) | NGFS Fragmented World (Disorderly) | NGFS Current Policies (Hot House World) |
|---|---|---|
| Global warming is limited to 1.5°C through the introduction of stringent climate policies and innovation, reaching net zero $CO_2$ emissions globally around 2050. Carbon Dioxide Removal is used to accelerate the decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Physical risks are relatively low but transition risks are high. Therefore, we have selected this scenario as it aligns with the Group's ambition to achieve net zero GHG emissions by 2040. | This scenario illustrates the adverse consequences of delayed and divergent climate policy ambitions globally which lead to high physical and transition risks. Countries without net zero targets follow current policies, while other countries achieve them only partially (e.g. 80% of the target). Climate scenarios in the Disorderly case can limit warming to <2°C, resulting in low physical risks, but may demonstrate higher transition risks compared to the Orderly scenario. This scenario has been selected as it describes the mitigations required across the economy to limit warming to <2°C. | This scenario assumes that only currently implemented climate policies are maintained, with no further strengthening. Global GHG emissions grow until 2080, leading to about 3°C of warming and irreversible changes such as higher sea level rise. It is considered the best suited to assessing physical risks according to the NGFS. This scenario is being used because there is potential for the Group and its key stakeholders to be impacted by the physical risks associated with climate change that could occur as a result of there being limited or no economy-wide mitigation measures in place. |

In analysing the results of our scenario analysis, we have used a financial impact to represent the estimated loss to the Group's revenues over the next five years assuming that no mitigating action is taken. This impact has been rated in the following way: high (a loss impacting the income statement by more than 20% and/or by more than £20m); medium (a loss impacting the income statement by between 10% and 20% and/or between £5m and £20m); and low (a loss impacting the income statement by between 5% and 10% and/or by between £1m and £5m).

# Our sustainability strategy continued

## Our climate strategy continued

### The impact of climate-related risks and opportunities on our businesses, strategy and financial planning

| Physical risks | Acute risks | | Chronic risks |
|---|---|---|---|
| Scenario | Orderly | Disorderly | Hot House World |
| | NGFS Net Zero 2050 | NGFS Fragmented World | NGFS Current Policies |
| **Description** | In this scenario global warming is limited to 1.5°C through stringent climate policies and innovation, with the goal of reaching net zero $CO_2$ emissions around 2050. It assumes that ambitious climate policies are introduced immediately. In this scenario, physical risks, which broadly encompass the quantification of a company or country's exposure to natural catastrophes that could be reliably tied to climate change and a warming environment, are relatively low. However, transition risks are high. | This scenario assumes a delayed and divergent climate policy response among countries globally, leading to elevated transition risks in some countries and high physical risks everywhere else due to the overall ineffectiveness of the transition to a net zero economy. | This scenario works on the basis that only current enacted policies continue, resulting in increased physical risks. Emissions will continue to rise until 2080, leading to approximately 3°C of warming and acute and chronic physical risks encompassing irreversible changes such as heightened sea levels and severe drought in a range of geographical locations. |
| **NGFS risk rating** | Low | Medium | High |
| **Financial impact/ risk to Group** | Low | Low | Medium |
| **Time horizon** | Short and medium term | Medium and long term | Long term |
| **Impact** | In this scenario, there is likely to be an increase in the instances of extreme weather events such as heavy rain, high winds and heatwaves. For Vanquis, the impacts of these events are likely to be minimal. | While climate-related physical risks also increase in this scenario, the impact caused by, for example, extreme weather patterns, is much smaller than in the Hot House World scenario. This is because this scenario assumes that global climate policies in some countries and sectors are partially successful in lowering global GHG emissions, which mitigates the most extreme changes in the climate. This is likely to result in more vulnerable parts of the world being exposed to the impacts of the long-term changes in climate and weather patterns. In the UK, there would likely be significant regional variability in flooding impacts but it should be noted that, according to the Flood Re scheme, large areas of the country are not materially impacted by flood risk. However, it is likely that this scenario would result in more instances of extreme weather events, such as heatwaves, heavy rainfall and high winds, which could disrupt work environments and routines. | The greatest impact in physical risk is seen in this scenario as the cost of damage caused by inland and coastal flooding, high winds and subsidence is expected to increase as the global mean temperature rises. This could pose a threat to the Group's properties and infrastructure which, in turn, could impact our insurance or reinsurance costs, as insurance companies could face higher payouts due to climate-related damages. This scenario could also have the greatest consequences in terms of colleagues' productivity as extreme weather events may disrupt work environments and routines which could have implications for our customers. |

| Physical risks | Acute risks | | Chronic risks |
|---|---|---|---|
| Scenario | Orderly | Disorderly | Hot House World |
| | NGFS Net Zero 2050 | NGFS Fragmented World | NGFS Current Policies |

**Mitigation measures**

Vanquis continues to adopt the following actions in order to mitigate against the physical risks described above: continuing to maintain and test business continuity plans to ensure the continuity of our operations in a range of situations, including those where an extreme weather event occurs; implementing measures to improve energy efficiency across the Group on an ongoing basis; and shifting to more sustainable, low-impact resources and having a series of targets to achieve this aim (for example, to ensure that we use 100% renewable energy across the Group).

In terms of Vanquis Banking Group's exposure to physical risks, although it is accepted that extreme weather events will increase in number and severity compared to the present, they are unlikely to be as severe as those expected under the 'Current Policies' scenario. Also, the direct financial impacts associated with these events are considered to be minimal for the Group because its four main offices are leased, and insurance is in place to help mitigate the impacts of such physical risks. We will continue to monitor the exposure of our main offices to surface water flooding and river/sea flooding using resources made available by the Environment Agency. According, to the Agency's National Flood Risk Assessment (NaFRA) data (January 2025), which uses bespoke software to integrate detailed local flood risk models – both its own and those of local authorities – into a national picture, the long-term flood risk relating to our four main properties is as follows:

| | Surface water flooding | | River and sea flooding | |
|---|---|---|---|---|
| Property | Yearly chance of flooding | Yearly chance of flooding between 2040 and 2060 | Yearly chance of flooding | Y% o |
| Bradford | Medium | High | Very low | Very low |
| Chatham | Very low | Very low | Very low | Very low |
| London | Very low | Very low | Very low | Very low |
| Petersfield | Very low | Very low | Very low | Very low |

While NaFRA data indicates the long-term risk of surface water flooding in the area where our Bradford-based head office is located is high, it should be noted that there have been no incidents of flooding since the premises were built in 2010. Further, in 2025, we will relocate our Bradford office to an area where the risk of surface water flooding is low and the risk of river flooding is very low. We will continue to monitor the Environment Agency's NaFRA data to assess the exposure of the Group's main premises to long-term flood risk.

# Our sustainability strategy continued

## Our climate strategy continued

### The impact of climate-related risks and opportunities on our businesses, strategy and financial planning continued

| Transition risks | Policy and legal risks | | |
|---|---|---|---|
| Scenario | Orderly | Disorderly | Hot House World |
| | NGFS Net Zero 2050 | NGFS Fragmented World | NGFS Current Policies |
| **Description** | Policy and legal risks that are associated with climate change continue to evolve. The actions that relate to this risk category seek to achieve two key objectives: limit and, ultimately, stop the activities that contribute to the effects of climate change and promote actions that support adaptation to a changing climate. This will necessitate the switching to alternative sources of energy such as solar, wind or nuclear, as well as the deployment of carbon, capture and storage (CCS). In addition, deployment of Carbon Dioxide Removal (CDR) technologies will compensate for the GHG emissions by removing carbon from the atmosphere. The above scenarios use three different models to provide estimates of uncertainty. In the medium term, the amount of $CO_2$ emissions under the 'Current Policies' scenario differs considerably. There are also different estimates for when net zero $CO_2$ emissions must be reached in order to limit warming to 1.5°C. A significant shift towards emissions-neutral alternatives in all sectors is needed to replace fossil fuels and carbon-intensive production and consumption. In order to facilitate this transition, policymakers will increase the implicit cost of GHG emissions. In the meantime, climate policies may result in higher costs due to the prolonged development and deployment of alternative technologies. According to the NGFS scenarios, higher carbon emissions imply strict policies, and a carbon price of around \$160 per tonne would be needed by 2030 to encourage a transition to net zero by 2050. In addition, the Bank of England's scenario work indicates the price of carbon would need to increase from where it currently is, at \$32 per tonne, to \$150 per tonne by 2030, rising to \$900 per tonne by 2050. It should also be noted that governments in other jurisdictions are enforcing strict policies which bring different costs and benefits. | | |
| **NGFS risk rating** | Medium | High | Low |
| **Financial impact/ risk to Group** | Low | Low | Low |
| **Time horizon** | Medium and long term | Long term | Medium and long term |
| **Impact** | This scenario assumes a decline in total global GHG emissions, with advanced economies leading the way, met through a combination of policy and legal interventions resulting in the rapid deployment of clean energy technologies, energy efficiency and consumer demand reduction for carbon intensive products and services. In this scenario, it is anticipated that carbon removal costs are predicted to be volatile which could have implications for Vanquis in terms of its ability to achieve its net zero by 2040 ambition. As such, the uptake and costs associated with carbon removal will continue to be monitored. Further, if the price of carbon increases as expected in this scenario, there is scope for the costs associated with our operations and travel and transport to increase which could have implications for the Group's revenues. Our current analysis indicates that the Group's exposure to this risk is low as, despite the anticipated increasing carbon price, the costs associated with our scope 1 and 2 GHG emissions remain below the financial impacts (see page 25) which are used to estimate the loss to the Group's revenues over the next five years assuming no mitigating action is taken. | This scenario assumes a delayed and divergent climate policy response among countries globally. This sees countries with net zero targets partially achieving them and the other countries continuing with current policy and legal interventions. In these circumstances, carbon prices and amounts of investment are different across geographies, with some countries' ambitious efforts being undermined by limited action in some others. At the same time, climate policies differ significantly across sectors; the transport and buildings sectors experience carbon prices three times as high as the rest of the economy. The combination of these misaligned efforts across countries and sectors leads to higher transition risks which could contribute to decreasing the Group's revenues. | In this scenario, we would not see the impact of transition risks, but we would expect to see the impact of physical risk in the long term. However, as discussed above, we would expect an adverse overall economic outcome, but do not consider it possible to accurately quantify these impacts. |
| **Mitigation measures** | The actions the Group will adopt in order to mitigate against these transition risks and ensure that our strategy responds to any potential opportunities include: analysing the impact of the price of carbon on our operations and travel and transport activities on an annual basis to determine whether there are any revenue implications; continuing to engage with our customers on the benefits of using our Vehicle Finance products to purchase BEVs/hybrid vehicles, and at the same time, engaging with our stakeholders to gain further insight into the used BEV market and the current state of the charging infrastructure in the UK (see page 29); and continuing to monitor customer default rates due to increased costs (e.g. as a result of energy cost increases). | | |

| Transition risks | Reputational risks | | |
|---|---|---|---|
| Scenario | Orderly | Disorderly | Hot House World |
| | NGFS Net Zero 2050 | NGFS Fragmented World | NGFS Current Policies |
| **Description** | Climate change has been identified as a potential source of reputational risk tied to changing customer or community perceptions of an organisation's contribution to or detraction from the transition to a lower-carbon economy. | | |
| **NGFS risk rating** | Low | Low | Medium |
| **Financial impact/ risk to Group** | Low | Low | Low |
| **Time horizon** | Short, medium and long term | Medium and long term | Medium and long term |
| **Impact** | Failure to act in a proportionate way to the climate change agenda has potential to damage the Group's reputation which could impact customer or investor demand or result in a loss of existing talent or the inability to attract new talent. This, in turn, could result in adverse revenue implications in the short, medium and long term. To help mitigate this risk, the Group is committed to reaching net zero by 2040 by equalising or lessening the emissions that are released into the atmosphere and has also set SBTi-approved carbon reduction targets. In addition, the Group remains committed to sharing information on its environmental performance generally, and the climate risk agenda specifically, with stakeholders through its annual disclosures and submissions to, for example, the CDP. | In this scenario, it is anticipated that the potential reputational damage described in relation to the 'Net Zero 2050' scenario could apply leading to negative media attention or changes in consumer, colleague, investor and other stakeholder preferences which could contribute to reducing the Group's revenue and/or market share. As such, the Group will continue to deliver on its net zero by 2040 ambition and SBTi-approved carbon reduction targets, as well as engage with its stakeholders. | In this scenario, as mentioned above, it is expected that global climate policy ambition would be severely delayed. This could lead to negative media attention or changes in consumer, colleague, investor and other stakeholder preferences which could contribute to reducing the Group's revenue and/or market share. However, it is anticipated that these impacts could take longer to be realised or could be generated by specific stakeholders or in specific locations (e.g. within the Group's supply chain). |
| **Mitigation measures** | The actions the Group will adopt in order to mitigate against these transition risks and ensure that our strategy responds to any potential opportunities include: continuing our net zero target by 2040 journey by continuing to adopt sustainable energy sources, implement energy efficiency measures and engage with our suppliers to encourage them to reduce their own carbon emissions; delivering on our SBTi-approved carbon reduction targets; and ensuring that the remuneration of the executive directors is partly linked to our progress in meeting the Group's climate-related goals and targets. | | |

## Climate-related opportunities

We continue to review opportunities that will enable us to introduce new products to our customers which accommodate their needs and meet emerging climate-related policy and regulatory changes. The most obvious of these opportunities relates to enabling our Vehicle Finance customers to use their loans to purchase battery electric vehicles (BEVs) or hybrid electric vehicles.

However, the affordability of BEVs continues to be the main barrier to ownership for the Group's Vehicle Finance customers. The average loan amount for our Vehicle Finance customers stood at £8,728 in 2024. This compares to the average price of a used battery electric vehicle (BEV) which, in 2024, was £26,139 (source: Auto Trader Retail Price Index – December 2024). Of the over 107,800 'live' customers that are currently served by our Vehicle Finance business, 606 have purchased a BEV car, and 31 a BEV light commercial vehicle (see tables below for further information).

Further, the state of BEV charging infrastructure in the UK continues to influence uptake of BEV vehicles. According to a National Audit Office (NAO) report published in December 2024, the UK is on track to meet its target of 300,000 charge points by 2030, but there are still challenges regarding their location and accessibility. The NAO report underlines the need for greater focus on ensuring that more charge points are available in rural areas and regions outside London and the South East.

| New/used | Vehicle finance |
|---|---|
| New | 0.66% |
| Used | 99.34% |
| **Total** | **100.00%** |

| Fuel type | Moneybarn |
|---|---|
| Diesel | 58.19% |
| Petrol | 37.47% |
| Electric | 1.09% |
| Hybrid electric | 2.33% |
| Electric diesel | 0.14% |
| Gas bi-fuel | 0.03.% |
| ND | 0.75% |
| **Total** | **100.00%** |

# Our sustainability strategy continued

## Our climate strategy continued

### Climate-related opportunities continued

We are now also able to report on the carbon intensity of the vehicles that our loans finance (see table below).

| $CO_2$ classification (kg $CO_2$ e per mile) | Moneybarn |
|---|---|
| 0 = > x < 50 | 4.09% |
| 50 > = x < 100 | 9.77% |
| 100 > = x < 110 | 13.38% |
| 110 > = x < 120 | 15.86% |
| 120 > = x < 130 | 14.87% |
| 130 > = x < 140 | 12.73% |
| 140 > = x < 150 | 8.09% |
| 150 > = x < 200 | 18.07% |
| > 200 | 2.89% |
| ND | 0.25% |
| **Total** | **100.00%** |

### The resilience of our strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario

Our sustainability strategy focuses on our customers, colleagues and suppliers, the communities we serve and the environment, and supports us to deliver strong Company performance. This means that climate change and how our business and key stakeholders respond and adapt to it are important parts of our overall sustainability strategy. The analyses we have undertaken to date, the summaries of which are set out above, show that the policy and legal risks and reputational risks associated with the transition to a low-carbon economy, as well as the physical risks associated with climate change, are most material to our business activities and key stakeholders and, therefore, have potential to impact the Group in the short, medium and long term. While our internal processes determined that these risks are not likely to have a material impact on our business over our stated time horizons, we nonetheless maintain robust mitigation strategies to improve our resilience to the impacts of climate change. The NGFS Net Zero 2050 scenario would continue to have the biggest impact on the Group in the short to medium term before any mitigating actions were considered or taken into account. This is primarily due to the potential for increases in the price of carbon to have an impact on the cost of our energy use, business and other operating costs.

The NGFS Fragmented World scenario reveals higher levels of disruption as a result of increases in extreme weather events and other natural disasters compared with the NGFS Net Zero 2050 scenario. However, the actions and outline transition plan that are set out above, will enable the Group to address any of the concerns associated with these scenarios as they will contribute to reducing our exposure to both transition and physical risks.

Under the NGFS Current Policies scenario, despite there being much uncertainty about the impacts of climate change, we can expect our business and our stakeholders to be impacted by more extreme physical risks in the longer term, as well as a lack of policies to support the transition to a low-carbon economy. In these circumstances, the Group would have to ensure that adequate measures were in place to manage and address the physical risks and their potential to impact our operations, customers and other stakeholders.

We continue to use climate modelling and scenario analysis to ensure that our strategy of understanding and assessing the risks associated with climate change and the impact on Vanquis Banking Group's financial results continues to evolve so that we can further improve our resilience and respond to any related opportunities.

In preparing the Group's financial statements (see pages 130 to 199), we have considered the impact of the results of our scenario analysis and climate-related risks on our financial performance, and while the effects of climate change represent a source of uncertainty, there has not been a material impact on our financial judgements and estimates due to the physical and transition climate-related risks in the short to medium term.

### Climate transition plan: progress update

We are committed to doing the things that are within our power to create the right operating conditions that will enable us to deliver on our net zero by 2040 ambition. We recognise, however, that we do not have full control over the delivery of this ambition as it will require collaboration and cooperation with other key stakeholders (e.g. Government, regulators, customers, etc.).

An outline of our climate transition plan, was first set out in our Annual Report and Financial Statements 2022. This provided information on our climate ambitions and how we could address climate risks and opportunities. We will use the UK's Transition Plan Taskforce framework and guidance to inform the development and content of our transition plans further in the future. Our transition plan activities have continued to focus on the following areas:

- **Reducing our scope 1 and 2 GHG emissions** via the continued implementation of energy efficiency measures, use of sustainable fuels and behavioural change measures, and by monitoring the development of low-carbon solutions.
- **Reducing our scope 3 GHG emissions** by engaging with our suppliers to set their own carbon reduction targets, reducing the absolute GHG emissions associated with business travel, colleague commuting, water use and waste generation, and by continuing to monitor developments in the BEV market.

To support our net zero by 2040 ambition and the work we deliver as we develop our transition plan, we engage with our key stakeholders to get their input and support. Set out below are examples of stakeholders we have engaged with during 2024.

### Engaging with our customers

As we support the transition to clean energy, we want to ease the pressure on our customers by providing support in areas such as the energy efficiency measures they can implement at home and with regard to battery electric vehicles. For example, through our Vehicle Finance business we provide our customers with guidance on the benefits of owning an electric vehicle and the cheapest way to charge the vehicle's battery.

### Engaging with industry and other stakeholders

The Group takes part in a number of forums and working groups with the aim of engaging with and influencing UK Government policy regarding the climate change agenda. This is principally done through our membership of UK Finance. For example, Company representatives engage with UK Finance's sustainability working group which enables the business to keep up to date with developments relating to climate policy and participate in member responses to the UK Government.

### Engaging with colleagues

We engage with colleagues on the work we are delivering on the climate risk agenda through communication channels such as our Group-wide intranet. Colleagues are also required to take a mandatory e-learning module on climate change every two years. Finally, we offer our colleagues volunteering opportunities which support our net zero ambition. For example, in 2024, this involved supporting colleagues to take part in tree planting with the Yorkshire Dales Millennium Trust and the Tree Council.

### Engaging with investors

The main means by which we inform our investors of our work in relation to the climate change agenda is through the publication of our Annual Report and Accounts. We also inform and listen to investors through the submissions we make to the main sustainability investment indices and rating agencies. In 2024, this involved making submissions to and engaging with CDP, Dow Jones Sustainability Indices, FTSE4Good and ISS ESG.

### Dependence on government policy

In order to deliver on our transition plan and achieve our net zero by 2040 ambition, we will need clear government action on policy and regulation to create the conditions whereby new low-carbon technologies can be developed and consumers can be supported to adopt them. Without progress on this, transitioning to a low-carbon economy will be challenging. While we are able to reduce the carbon intensity of our own operations and influence those from whom we procure goods and services, when it comes to decarbonising the UK economy as a whole, Vanquis is just one of many organisations that will have a role to play.

## How we identify, assess and manage climate-related risks

### Our processes for identifying and assessing climate-related risk

We have an established risk management and internal control framework to identify, assess, measure, monitor and report the climate-related risks and opportunities we face as a business. We use this framework to identify potential exposure to climate-related risks via the associated physical risks (which include acute, extreme weather events, and chronic, long-term climate shifts), and transition risks (which relate to regulatory changes, technological innovations and customer demand changes that may occur while transitioning to a low-carbon economy). In doing so, we use the time horizons described above to classify the climate-related opportunities and risks, aligned to our strategy and business plans.

As with all the principal risks, and any sub-category risks, this framework sets out the high-level policy requirements and control principles that are in place and those responsible for managing both the overall risk and the relevant mitigating controls for further information. It also adopts an enterprise approach, enabling a single view of all the current and emerging risks and consistent management of those risks across the Group. To support the framework to be effective, the following attributes are applied: risk culture, risk appetite, risk governance and a three lines of defence approach to management and control (see pages 48 to 55 for more information).

In the Group's newly agreed risk classifications, climate risk is a level 1 risk which sits within Regulatory principal risk (P2) (see page 51 for more information). This is because the Group's long-term success is dependent on the sustainability of its operations and business models, and the resilience of its supply chain. By integrating climate risk within our framework, it is possible to assess how it interacts with other material principal risks, including those that relate to credit, capital, operations, legal and governance matters and conduct and regulations. All risks are monitored and reviewed throughout the course of the year to identify changes that could impact the risk profile.

### Our processes for monitoring and managing climate-related risks

To ensure the ongoing monitoring and management of the transition and physical risks referenced above and their potential financial impact on our business we use a number of processes during the year. These include: monthly risk appetite reporting using metrics which relate to carbon pricing, customer default rates, operational impacts associated with extreme weather events and the progress being made in relation to our net zero target, and a risk control self-assessment (RCSA) process for climate risk which enables us to identify, analyse and understand the related controls that are in place, and to evaluate these against our risk appetite and the desired risk levels, to determine whether any improvements need to be made. Regular updates are also provided to the Board's Risk Committee on the progress made in terms of delivering mitigating activities which relate to the Group's climate risk.

The Group's cross-functional CRC also supports the embedding of the risk management approach for identifying and assessing climate-related risks and mitigating controls. Based on the monitoring that has been undertaken over the course of the past 12 months, the CRC continues to recommend that a 'risk cautious' appetite for exposure to climate risk is adopted and supports the implementation of a control framework that prevents significant customer or stakeholder detriment, regulatory non-compliance and/or reputational damage as a result of climate change.

We continue to use scenario analysis to quantify the climate-related risks that are material to Vanquis Banking Group to carry out an initial evaluation of their size, scope and impact and test the resilience of both our business strategy and our operations. This enables the business, through the CRC, to better understand and prioritise the management and mitigation of any risks.

Sustainability continued

# Our sustainability strategy continued

## How we identify, assess and manage climate-related risks continued

### How we integrate climate-related risks into our risk management policies and processes

The climate-related risks and opportunities we have identified are integrated within our risk management and internal control framework and are continually monitored. This enables us to evaluate the significance of our risks based on their likelihood and impact and to prioritise their management on an ongoing basis. Through this framework, we also monitor the environment for new and emerging risks, and keep up to date with any evolving regulatory requirements. For example, through the Climate Risk Committee meetings that took place during 2024, we have been able to monitor developments regarding the work of the UK Transition Plan Taskforce.

## The metrics and targets used by the Group to assess and manage relevant climate-related risks and opportunities where such information is material

### The metrics we use to assess climate-related risks and opportunities in line with our strategy and risk management process

We use the following metrics to measure the potential financial impact of climate-related risks and opportunities on our business and to measure our scope 1, scope 2 and scope 3 GHG emissions, as well as to track overall progress including against our ambitions and initiatives.

| Risk/opportunity related category | Aspect | Metric | Targets | Progress |
|---|---|---|---|---|
| **Policy and legal** | GHG emissions | Scope 1, 2 and 3 GHG emissions reporting. | See GHG emissions reporting for energy and water use, and waste management. | See our environmental KPI results and GHG emissions table on page 33 of this report and the ESG data table on the Group's website. |
| | Science-based targets | Carbon reduction. | Reduce scopes 1 and 2 GHG emissions by 39.9% by 2028 from a 2021 base year. | Our scopes 1 and 2 GHG emissions have reduced by 60% from a 2021 base year. |
| | | | 78% of suppliers by spend covering purchased goods and services will have science-based targets by 2027. | Currently, 41% of our suppliers by spend have set science-based targets. |
| **Energy source** | Renewable energy | Renewable energy use. | Continue to use 100% renewable electricity across our business premises by December 2024. | We continue to use 100% renewable energy across our business premises. |
| **Market opportunities** | Customer engagement | Customer sentiment and perception regarding their ability to transition to a low-carbon economy as well as the Group's ESG performance. | Monitor the number of Group customers using our Vehicle Finance products to purchase BEVs and hybrid electric vehicles. | See pages 29 and 30. |
| | | | Monitor customer attitudes and perceptions towards buying BEVs. | See page 31. |
| | | | Engage with policymakers to support the uptake of BEVs by consumers in the mid-cost and near-prime parts of the consumer credit market. | See pages 30 and 31. |
| **Reputation** | Supplier due diligence | Monitor supply chain activities in line with the Group's ESG commitments and Corporate Environmental Management Policy. | See SBTi-approved target above. Also, engage with 100% of materially significant suppliers to determine their exposure to climate risks. | All materially significant suppliers continue to be engaged on the climate risk agenda via our due diligence process. |
| | Investor relations | Investor sentiment and perception regarding the Group's ESG performance. | Continue to participate in CDP, the FTSE4Good Index, MSCI, and the S&P Global Corporate Sustainability Assessment. | During 2024, we continued to engage with the CDP, the FTSE4Good Index, MSCI, and the S&P Global Corporate Sustainability Assessment. |
| **Policy/liability** | Executive remuneration | The remuneration of the executive directors is partly linked to our progress in meeting the Group's climate-related goals and targets. | Please refer to the Directors' Remuneration Report on pages 91 to 113. | Please refer to the Directors' Remuneration Report on pages 91 to 113. |

| Risk/opportunity related category | Aspect | Metric | Targets | Progress |
|---|---|---|---|---|
| **Physical risks** | Weather patterns | Operational impacts caused by severe weather events and changes in weather patterns. | Monitor increases in operating costs (e.g. associated with increased insurance premiums and potential for reduced availability of insurance on assets in 'high risk' locations). | In addition to continuing to monitor increases in operating costs, we use the Environment Agency's National Flood Risk Assessment data to monitor the exposure of our main offices to surface water flooding and river/sea flooding. |

## Our scope 1, scope 2 and scope 3 greenhouse gas (GHG) emissions, and related risks

### Operational emissions

We have set out below our GHG emissions on an absolute $CO_2e$ basis in accordance with Streamlined Energy and Carbon Reporting (SECR) policy requirements.

### Streamlined Energy and Carbon Reporting

The Group reports its GHG emissions and energy usage data in accordance with the UK SECR policy that has been implemented through the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018. The table below covers the Group's performance for 2023 and 2024. The scope 1 and scope 2 GHG emissions, and energy use figures relate to the UK.

| | 2023 | 2024 |
|---|---|---|
| **Scope 1 GHG emissions (tonnes of $CO_2e$)**[1] | | |
| Gas use | 186 | **107** |
| Diesel and petrol use | 15 | **5** |
| **Scope 2 GHG emissions (tonnes of $CO_2e$)** | | |
| Electricity use (market-based emissions) | 556 | **371** |
| Electricity use (location-based emissions) | 604 | **389** |
| **Scope 3 GHG emissions (tonnes of $CO_2e$)** | | |
| Scope 3 associated 'well-to-tank' emissions | 81 | **275** |
| Scope 3 category 1 – purchased goods and services[2,3] | 20,210 | **23,439** |
| Scope 3 category 3 – fuel and energy-related activities (not included in scope 1 and 2) | 233 | **147** |
| Scope 3 category 5 – waste generated in operation | 10 | **4** |
| Scope 3 category 6 – business travel[4] | 688 | **1,080** |
| Scope 3 category 7 – employee commuting[5] | 724[6] | **1,124** |
| Scope 3 category 13 – downstream leased assets (market based)[7] | - | **-** |
| Scope 3 category 15 – investments[8] | 303,846 | **262,417** |
| **Total energy consumed (kilowatt hours)** | 4,389,415 | **2,462,245** |
| Scope 1 and 2 (and associated scope 3) emissions intensity ratio (kg of $CO_2e$/ per customer) | 0.59 | **0.69** |

### Emissions calculation methodology and basis of preparation

1 The market-based emission factors from two suppliers are in $CO_2$ and not $CO_2e$ (i.e. do not include non-$CO_2$ emissions); however, the variance between $CO_2$ and $CO_2e$ is considered to not be material. The supplier emissions factors used in the market-based method covers the period 1 April 2023–31 March 2024 only.

2 When calculating the suppliers' carbon emissions using the spend-based method, we used the UK Government Department for Business, Energy & Industrial Strategy which was published in June 2023 and present data from 2019. However, due to inflation, an inflation rate of £1.02 has been applied to ensure accuracy and transparency. Specific GHG emission conversion factors that relate to specific SIC code categories have been applied to 77% of the Group's suppliers by spend, with a SIC code average conversion factor applied to the remaining 23% of suppliers by spend.

3 In the absence of wastewater treatment volume data for some offices, we have assumed that the wastewater treatment volume figures are the same as the water supply volume figures; this approach results in an overestimate of the total water treatment volumes.

4 The significant increase in business travel emissions is due to corresponding increase in the amount of business travel that colleagues have engaged in to destinations associated with our outsource partners.

5 Employee Commuting to Work GHG emissions ($tCO_2e$) are based on a 2024 employee survey. The significant increase in employee commuting GHG emissions is due to a corresponding increase in colleagues travelling to our main business premises.

6 This figure was reported as 9,766 tonnes of $CO_2e$ in 2023 but has been restated to 724 tonnes of $CO_2e$ to correct a reporting error.

7 The office that was leased by the Group during 2023 is no longer being leased by the Group.

8 The emissions from the vehicles that are financed by the Group are based on the number of live vehicle financial agreements for the 2024 reporting period. The vehicle emission factors are in $CO_2$ and not $CO_2e$ (i.e. do not include non-$CO_2$ emissions); however, the variance between $CO_2$ and $CO_2e$ is not considered to be material.

## Data dependencies and limitations

We recognise that there are certain limitations in climate data which have potential to affect our climate metrics and targets, and, in turn, their usefulness in terms of informing our strategic decision making. Due to the limited availability of publicly available, accurate, consistent and comparable climate-related data (for example, in relation to our scope 3 emissions), there are a number of assumptions and judgements that have been made in order to undertake scenario analyses and model our risk exposures. The most important are:

### Calculating our scope 3 upstream emissions

Our scope 3 upstream emissions for category 1 (purchased goods and services) are calculated using a spend-based methodology which involves estimating these emissions based on the value of the goods and services that we purchase from our suppliers. This is achieved by calculating the economic value of the goods and services we procure and multiplying this figure by emission conversion factors which, in our case, are set by the UK Government. While this is an accessible and affordable methodology, it can lead to some volatility in the scope 3 category 1 emissions data that is reported because of its reliance on estimates and average emission factors. Further, our ability to identify, analyse, and monitor emissions reduction efforts related to purchased goods and services is restricted when the spend-based method is employed. This is because the main way to reduce emissions when a spend-based method is used is to reduce spending which is not a viable option and may not align with our wider business goals.

# Our sustainability strategy continued

## Data dependencies and limitations continued

### Calculating our scope 3 downstream emissions

Our scope 3 category 15 (investments) GHG emissions which relate to the vehicles financed by the Group are based on the number of live Vehicle Finance agreements during the 2024 calendar year reporting period and are calculated using average $CO_2$ emissions data that is held by our Vehicle Finance business and an assumption that, on average, our customers travel 12,000 miles per year.

### Limitations of climate scenario analysis

An important aspect of our climate-related financial disclosure involves undertaking an analysis using prescribed scenarios. It should be noted that these scenarios are not forecasts and do not seek to predict future outcomes. Rather, they are forward-looking projections of risk outcomes that focus on: identifying physical and transition risk scenarios; linking the impacts of the scenarios to financial risks; assessing any sensitivities to those risks; and extrapolating the impacts of those sensitivities to calculate an aggregate measure of exposure and potential losses. They do not and cannot reflect all potential future pathways. Furthermore, the NGFS scenarios that are used in our analysis may overestimate or underestimate systemic climate-related risks.

### Cautionary statement

This disclosure is presented for information and reference purposes only and should not be treated as giving any form of advice. Its preparation is based on reviews and analysis of our internal data, which is from management systems separate from those that form part of our financial reporting internal controls framework. Whilst statements made within the disclosure are presented in good faith and based upon sources expected to be reliable, their accuracy is not guaranteed. For certain information within the disclosure, preparation has included various key judgements, assumptions, and estimates, some of which are summarised above. Where information is presented from a public or third-party source, it has not been assured in accordance with the International Standard on Assurance Engagement (ISAE) 3000 (Assurance Engagements other than Audits or Reviews of Historical Financial Information) and the relevant subject matter specific ISAE standard for GHG data (ISAE 3410, Assurance Engagements on Greenhouse Gas Statements). Any third-party opinion or views disclosed in this report are those of the third parties themselves, and not of Vanquis Banking Group. The Group recognises that climate-related reporting is not yet subject to the same standardised disclosure framework as traditional financial reporting which has potential to result in non-comparable information or measures between companies and between reporting periods as disclosure frameworks continue to evolve.

# 2024 performance reflects the operational turnaround

Despite a meaningful adjusted and statutory loss in 2024, the Group now has a cleaner and lower-risk balance sheet following the completion of the Vehicle Finance Stage 3 receivables review and the addressing of one-off items linked to the comprehensive balance sheet review.

We have adopted a measured approach to Credit Cards growth, testing and learning to ensure growth is sustainably profitable. We now have a clearer understanding of the cost of risk in Vehicle Finance, and established a robust post-charge-off asset policy and debt sales programme.

We have delivered strong growth in Second Charge Mortgages since the expanded launch in May 2024, with interest earning balances over £200m, and strong growth in savings, including an expansion into more flexible retail notice and easy access products, with the Group now over 92% retail deposit funded (December 2023: 84%).

Costs were well controlled, including the delivery of greater than £60m of committed transformation cost savings by the end of 2024, while investing in the technology transformation of the business via the Gateway programme.

The Group remains highly liquid and capital levels support planned future growth.

## Income statement

| | 2024 £m | 2023 (restated) £m | Change % |
|---|---|---|---|
| Interest income | 565.4 | 556.0 | 2 |
| Interest expense | (145.4) | (113.4) | (28) |
| **Net interest income** | 420.0 | 442.6 | (5) |
| Non-interest income | 38.5 | 46.2 | (17) |
| **Total income** | 458.5 | 488.8 | (6) |
| Impairment charges | (191.0) | (165.5) | (15) |
| **Risk-adjusted income** | 267.5 | 323.3 | (17) |
| Operating costs | (403.8) | (335.3) | (20) |
| **Statutory loss before tax** | (136.3) | (12.0) | |
| Tax credit | 17.0 | 0.3 | |
| **Statutory loss after tax** | (119.3) | (11.7) | |
| Add back: | | | |
| Tax credit | (17.0) | (0.3) | |
| Exceptional costs | 24.1 | 21.4 | (13) |
| Amortisation of acquisition intangibles | 6.2 | 7.9 | 22 |
| Goodwill write-off | 71.2 | – | (100) |
| **Adjusted (loss)/profit before tax** | (34.8) | 17.3 | |
| **Adjusted operating costs** | (302.3) | (306.0) | 1 |

Certain alternative performance measures (APMs) have been used in this report. See pages 197 to 199 for an explanation of their relevance as well as their definition.

In line with these changes, the Group has rationalised its use of APMs, which are summarised on pages 197 to 199 including an explanation of their relevance as well as their definition.

## Income

Total income reduced 6% to £458.5m, driven by 4% lower gross customer interest earning balances at £2,308m and higher funding costs, partially offset by the benefit of repricing initiatives in Credit Cards and Vehicle Finance, and increased Liquid Asset Buffer income.

Net interest income decreased 5% to £420.0m. Within this, interest income increased 2% to £565.4m driven by repricing initiatives in Credit Cards and Vehicle Finance, and increased Liquid Asset Buffer income. This was partially offset by lower gross customer interest earning balances and the mix effect of growing lower-risk and lower-margin Second Charge Mortgages. Interest expense increased 28% to £145.4m, as maturing fixed-term deposits were refinanced at higher current market rates.

NIM, calculated as net interest income as a percentage of average gross interest earning receivables, decreased to 18.4% (2023: 18.6%). Excluding Second Charge Mortgages, NIM was 18.9% (2023:18.6%), reflecting the benefit of the repricing initiatives. Non-interest income reduced 17% to £38.5m reflecting lower fee and commission income.

## Financial review continued

### Impairment

Impairment charges increased 15% to £191.0m reflecting the impact of the Vehicle Finance Stage 3 receivables review and the non-repeat of impairment releases in 2023. Credit risk remained broadly stable in the underlying book.

Impairment charges driven by originations were £44.7m lower year-on-year in line with reduced new business volumes and credit risk in the underlying book improved £27.7m driven by positive stage migrations.

2023 benefited from post-model adjustment and other model redevelopment releases of £74.5m, which did not repeat in 2024. This included provisions no longer required in Credit Cards and Vehicle Finance, arising from IFRS 9 model refinements of £57.7m, and the full release of the cost-of-living post-model adjustment of £10.8m.

The Vehicle Finance Stage 3 receivables review reduced derecognition of Stage 3 interest by £17.6m and increased write-offs by £21.9m following the establishment of the Vehicle Finance post charge-off asset policy, resulting in a much better performing portfolio.

The macroeconomic environment, the minimal impact of the cost-of-living crisis and the growth in lower-risk customer and product segments, such as Second Charge Mortgages, meant underlying impairment remained benign, with credit quality and delinquency trends broadly stable.

Cost of risk, calculated as impairment charges as a percentage of average gross customer interest earning balances, increased to 8.4% (2023: 7.0%).

Risk-adjusted margin, calculated as risk-adjusted income as a percentage of average gross customer interest earning balances, decreased to 11.7% (2023: 13.6%) as a result of the reduced NIM and higher cost of risk.

### Adjusted operating costs

Operating costs increased 20% to £403.8m including goodwill write-off of £71.2m relating to the Moneybarn business, as the Group prioritises capital deployment for growth into Second Charge Mortgages and Credit Cards in the near-term.

Exceptional costs were £24.1m (2023: £21.4m), including transformation costs of £21.1m (2023: £17.0m), comprising redundancy and outsourcing costs of £9.7m (2023: £9.4m), property exit costs of £3.5m (2023: £4.1m) and strategic consultancy costs of £7.9m (2023: £3.5m).

Amortisation of acquisition intangibles reduced to £6.2m (2023: £7.9m) following the completion of the Moneybarn intangibles amortisation in August 2024.

Excluding exceptional costs, amortisation of acquisition intangibles and goodwill write-off described above, adjusted operating costs decreased 1% to £302.3m. This delivered an adjusted cost: income ratio of 65.9% (2023: 62.6%).

Transformation cost savings increased £48.9m year on year. When coupled with 2023 transformation cost savings of £15.4m, £64.3m of savings were delivered by the end of 2024, higher than the committed £60m. These savings were largely offset by increased complaint costs of £20.9m driven by higher FOS fees due to an increase in unmerited claims received from CMCs, one-off items linked to the comprehensive balance sheet review of £10.2m, and increased costs linked to growth initiatives and inflation.

The Group has continued investment in the diversification of customer propositions, and the technology and operations investment associated with the Gateway technology transformation programme. Cost management has been embedded as a core discipline throughout the Group with the transformation cost saving commitment increased from £60m by the end of 2024 to £75m by the end of 2025, reflecting an additional £15m of committed savings in 2025, and £23m-£28m of savings through the Gateway programme in 2026 and 2027.

### Loss before tax

The Group's statutory loss before tax was £(136.3)m (2023: £(12.0)m).

The Group's adjusted loss before tax, excluding adjusting items of exceptional costs, amortisation of acquisition intangibles and goodwill write-off, was £(34.8)m (2023: adjusted profit of £17.3m).

### Tax

The tax credit of £17.0m (2023: tax credit of £0.3m) broadly reflects the mainstream corporation tax rate of 25.0% (2023: 23.5%) on the loss before tax of £(65.1)m excluding the goodwill write-off of £(71.2)m, which was non-tax deductible.

The Group's adjusted loss before tax generated a tax credit of £10.0m (2023: tax charge of £5.9m), exceptional costs generated a tax credit of £5.5m (2023: tax credit of £4.3m) and amortisation of acquisition intangibles generated a tax credit of £1.6m (2023: tax credit of £1.9m).

### Loss after tax

The Group's statutory loss after tax, including adjusting items of exceptional costs, amortisation of acquisition intangibles and goodwill write-off, was £(119.3)m (2023: £(11.7)m).

The Group's adjusted loss after tax was £(24.8)m (2023: adjusted profit of £11.5m).

### Adjusted ROTE and EPS

The Group's adjusted ROTE decreased to (7.0)% (2023: 1.9%) and the adjusted basic EPS decreased to (9.7)p (2023: 4.5p) per share, reflecting the adjusted loss before tax.

### Summarised balance sheet

| | 2024 £m | 2023 £m | Change % |
|---|---|---|---|
| **Assets** | | | |
| Cash and balances at central banks | **1,004** | 743 | 35 |
| Amounts receivable from customers[1] | **2,154** | 2,156 | – |
| Pension asset | **28** | 38 | (26) |
| Goodwill and other intangibles | **63** | 147 | (57) |
| Other assets | **126** | 111 | 14 |
| | **3,375** | 3,195 | 6 |
| **Liabilities** | | | |
| Retail deposits | **2,428** | 1,951 | 24 |
| Bank and other borrowings[2] | **410** | 583 | (30) |
| Trade and other payables | **46** | 44 | 5 |
| Other liabilities | **50** | 48 | 4 |
| | **2,934** | 2,626 | 12 |

1 Amounts receivable from customers are presented net of £1m (2023: £3m) fair value adjustment for portfolio hedged risk. Underlying net receivables were £2,155m (2023: £2,159m).

2 Bank and other borrowings in 2024 are presented net of £3m (2023: £1m) fair value adjustment for hedged risk. Underlying bank and other borrowings were £413m (2023: £583m).

Assets increased 6% to £3,375m driven by a 35% increase in cash and balances at central banks to £1,004m, of which £947m (December 2023: £682m) represented high quality liquid assets (HQLA) placed with the Bank of England. This was partially offset by a 57% reduction in goodwill and other intangibles to £63m, driven by the goodwill write-off of £(71.2)m relating to the Moneybarn business, as the Group prioritises capital deployment for growth into Second Charge Mortgages and Credit Cards in the near-term.

Amounts receivable from customers were stable at £2,155m (December 2023: £2,159m), as a 12% reduction in gross receivables to £2,416m driven by the Vehicle Finance Stage 3 receivables review was offset by a commensurate reduction in Expected Credit Losses (ECL) to £262m (December 2023: £580m). Gross customer interest earning balances decreased 4% to £2,308m, as reductions in Credit Cards, Vehicle Finance and Personal Loans balances were partially offset by growth in Second Charge Mortgages.

Liabilities increased 12% to £2,934m, as retail deposits increased by 24% to £2,428m driven by growth in more flexible retail notice and easy access accounts, partially offset by a reduction in fixed-term products. This was partially offset by a 30% reduction in bank and other borrowings to £410m driven by the full repayment of Term Funding for SMEs (TFSME) early given the strength of the deposit franchise.

## Liquidity and funding

HQLA of £947m (December 2023: £682m) was almost entirely held in the Bank of England reserve account. This represented significant level of excess liquidity and a liquidity coverage ratio of 359% (December 2023: 1,263%).

Retail deposit funding increased 25% to £2,399m and was able to deliver the required funding base at an attractive cost compared to wholesale alternatives. Within the retail deposit base, fixed-term products reduced 25% to £1,415m and were replaced by retail notice accounts of £608m (December 2023: £42m) and easy access accounts of £376m (December 2023: £nil). The Group is now significantly funded by retail deposits, at 92.1% (December 2023: 83.7%) of total funding.

Ongoing funding diversification is provided by modest levels of private securitisation and Bank of England funding collateralised by both Vehicle Finance and Credit Card assets. The Group has no senior unsecured wholesale funding, although maintains access to the wholesale markets via a £2bn Euro Medium Term Note programme.

The Group's cost of funds rose to 5.1% (December 2023: 4.4%), as maturing fixed-term products, although reducing, were refinanced at higher rates.

## Capital

The Group maintains a robust capital position with a Tier 1 ratio of 18.8% (December 2023: 19.9%). This represents a surplus of £99m of Tier 1 capital above the Group's Tier 1 capital requirement and regulatory combined buffers of 13.4%. The 1.1% reduction in the Tier 1 ratio in 2024 was driven by the statutory loss after tax for the year after adjusting for goodwill and intangibles write-off and intangibles amortisation, which are deducted from capital.

Risk weighted assets (RWAs) decreased to £1,835m (December 2023: £1,976m), primarily reflecting the stable net receivables balance being driven by lower risk weight density Second Charge Mortgages, more than offset by reductions in RWAs of higher risk weight density Credit Cards, Vehicle Finance and Personal Loans receivables.

The Group's leverage ratio of 13.9% (December 2023: 15.9%) remains comfortably above the minimum requirement.

## Pillar 3 disclosures

Pillar 3 disclosure requirements are set out within the Disclosure (CRR) part of the PRA rulebook. The consolidated disclosures of the Group, for the 2024 financial year, have been issued concurrently with the Annual Report and Accounts and can be found on the Group's website, www.vanquisbankinggroup.com.

## Summary balance sheet and financial metrics

| Balance Sheet | 2024 £m | 2023 (restated) £m | Change % |
|---|---|---|---|
| Gross customer interest earning balances | **2,308** | 2,401 | (4) |
| Average gross customer interest earning balances | **2,286** | 2,376 | (4) |
| Gross receivables | **2,416** | 2,739 | (12) |
| Net receivables | **2,155** | 2,159 | – |
| Closing tangible equity | **359** | 394 | (9) |
| Average tangible equity | **377** | 418 | (10) |

| Selected key metrics | 2024 % | 2023 (restated) % | Change % |
|---|---|---|---|
| Asset yield | **22.7%** | 22.1% | 0.6% |
| **Net interest margin (NIM)** | **18.4%** | 18.6% | (0.2)% |
| Total income margin (TIM) | **20.1%** | 20.6% | (0.5)% |
| Cost of risk | **(8.4)%** | (7.0)% | (1.4)% |
| Risk-adjusted margin (RAM) | **11.7%** | 13.6% | (1.9)% |
| **Adjusted cost: income ratio** | **65.9%** | 62.6% | (3.3)% |
| **Adjusted ROTE** | **(7.0)%** | 1.9% | (8.9)% |

| Selected per share metrics | p | p | % |
|---|---|---|---|
| Adjusted basic earnings per share | **(9.7)** | 4.5 | |
| Dividend per share | **–** | 6.0 | (100) |
| Tangible Net Asset Value (TNAV) per share | **140** | 155 | (10) |

| Capital, liquidity and funding metrics | 2024 % | 2023 (restated) % | Change % |
|---|---|---|---|
| **Tier 1 ratio** | **18.8%** | 19.9% | (1.1)% |
| Risk weighted assets (RWA) (£m) | **1,835** | 1,976 | (7)% |
| High quality liquid assets (HQLA) (£m) | **947** | 682 | 39% |
| Liquidity coverage ratio (LCR) | **359%** | 1,263% | |

**Dave Watts**
Chief Financial Officer
13 March 2025

Operating review

## Product trading performance

Detailed analysis of the product contribution to the trading results of the Group can be found on page 39 for Credit Cards, page 40 for Vehicle Finance, page 41 for Second Charge Mortgages, page 42 for Personal Loans, and page 43 for Corporate Centre including Snoop.

### Segment analysis – Adjusted product contribution

| 2024 £m | Credit Cards | Vehicle Finance | Second Charge Mortgages | Personal Loans | Corporate Centre incl. Snoop | Total |
|---|---|---|---|---|---|---|
| Interest income | 406.3 | 133.1 | 4.8 | 15.4 | 5.8 | 565.4 |
| Interest expense | (79.6) | (38.5) | (2.9) | (3.4) | (21.0) | (145.4) |
| **Net interest income** | 326.7 | 94.6 | 1.9 | 12.0 | (15.2) | 420.0 |
| Non-interest income | 35.3 | – | – | – | 3.2 | 38.5 |
| **Total income** | 362.0 | 94.6 | 1.9 | 12.0 | (12.0) | 458.5 |
| Impairment charges | (123.9) | (60.4) | (0.2) | (5.7) | (0.8) | (191.0) |
| **Risk-adjusted income** | 238.1 | 34.2 | 1.7 | 6.3 | (12.8) | 267.5 |
| Adjusted operating costs[1] | (185.3) | (42.2) | (0.2) | (10.5) | (64.1) | (302.3) |
| **Adjusted PBT/(LBT)** | 52.8 | (8.0) | 1.5 | (4.2) | (76.9) | (34.8) |

| 2023 (restated) £m | Credit Cards | Vehicle Finance | Second Charge Mortgages | Personal Loans | Corporate Centre incl. Snoop | Total |
|---|---|---|---|---|---|---|
| Interest income | 371.0 | 150.3 | 0.4 | 25.9 | 8.4 | 556.0 |
| Interest expense | (51.6) | (28.7) | (0.2) | (4.0) | (28.9) | (113.4) |
| **Net interest income** | 319.4 | 121.6 | 0.2 | 21.9 | (20.5) | 442.6 |
| Non-interest income | 43.8 | 2.0 | – | – | 0.4 | 46.2 |
| **Total income** | 363.2 | 123.6 | 0.2 | 21.9 | (20.1) | 488.8 |
| Impairment charges | (125.5) | (20.4) | – | (19.6) | – | (165.5) |
| **Risk-adjusted income** | 237.7 | 103.2 | 0.2 | 2.3 | (20.1) | 323.3 |
| Adjusted operating costs[1] | (172.3) | (51.9) | (0.7) | (17.3) | (63.8) | (306.0) |
| **Adjusted PBT/(LBT)** | 65.4 | 51.3 | (0.5) | (15.0) | (83.9) | 17.3 |

1 Adjusted operating costs are stated before exceptional items, amortisation of acquisition intangibles and goodwill write-off.

## **Credit Cards** – Proactive volume management in 2024, positioned for profitable growth in 2025

The Group's Credit Cards business is a leading player in the non-prime Credit Card market. In 2023 and 2024, Vanquis received the Moneyfacts Consumer Award for Best Credit Builder Card Provider of the Year.

The business offers credit card products to a broad spectrum of customers but is focused particularly on providing access to credit card customers who may struggle to obtain one from a mainstream provider. Customers are offered four different credit card products – the Credit Builder Card, Balance Transfer Card, Purchase Card or Balance Transfer and Purchase Card.

Customers are supported through great service whether it be in app or via our customer service teams. From a service rating perspective, Vanquis Credit Cards is rated Great on Trustpilot, based on over 36k reviews. We aim to make our customer experience effortless, and these results demonstrate the progress we have made.

**Vanquis Trustpilot rating:**

4.2*

## **Credit Cards** – Proactive volume management in 2024, positioned for profitable growth in 2025 continued

| 12 months ended 31 December | 2024 £m | 2023 (restated) £m | Change |
|---|---|---|---|
| Total customer numbers ('000) | 1,267 | 1,376 | (8)% |
| Gross customer interest earning balances | 1,278 | 1,424 | (10)% |
| Average gross interest earning balances[1] | 1,313 | 1,416 | (7)% |
| Gross receivables | 1,310 | 1,475 | (11)% |
| Net receivables | 1,150 | 1,278 | (10)% |
| Interest income | 406.3 | 371.0 | 10% |
| Interest expense | (79.6) | (51.6) | (54)% |
| **Net interest income** | 326.7 | 319.4 | 2% |
| Non-interest income | 35.3 | 43.8 | (19)% |
| **Total income** | 362.0 | 363.2 | – |
| Impairment charges | (123.9) | (125.5) | 1% |
| **Risk adjusted income** | 238.1 | 237.7 | – |
| Adjusted operating costs[2] | (185.3) | (172.3) | (8)% |
| **Adjusted PBT contribution[3]** | 52.8 | 65.4 | (19)% |
| Asset yield[4] | 27.9% | 24.7% | 3.2% |
| Net interest margin[5] | 24.9% | 22.6% | 2.3% |
| Total income margin[6] | 27.6% | 25.7% | 1.9% |
| Cost of risk[7] | (9.4)% | (8.9)% | (0.5)% |
| Risk adjusted margin[8] | 18.1% | 16.8% | 1.3% |

### Financial performance

Total customer numbers decreased 8% to 1,267k reflecting a comprehensive review of customer cohorts by risk profile, vintage and acquisition channel. This review drove proactive volume management and as a result, growth actions were moderated to ensure the future sustainable profitability of the portfolio.

**Great service, good starter card. Very happy with the app, I've never had any problems, just had a balance transfer that's saved me a good amount of interest!"**

**Vanquis customer**

Period-end gross customer interest earning balances decreased 10% to £1,278m and period-end net receivables decreased 10% to £1,150m.

Total income was stable at £362.0m (2023: £363.2m), with net interest income increasing 2% to £326.7m and non-interest income decreasing 19% to £35.3m. Net interest margin increased 2.3% to 24.9% and total income margin increased 1.9% to 27.6%.

Interest income increased 10% to £406.3m driven by the improvement in asset yield from repricing initiatives, which increased 3.2% to 27.9%, and increased Liquid Asset Buffer income. This was partially offset by the reduction in gross customer interest earning balances.

Interest expense increased 54% to £79.6m, as market savings rates remained elevated and customers with maturing fixed-term products moved onto higher yielding products, impacting the Group's funding cost.

Impairment charges reduced marginally to £123.9m (2023: £125.5m), reflecting lower origination charges in line with reduced new business volumes. Underlying credit quality improved year on year. Impairments in 2023 benefited from a £17.0m release of post-model adjustments following IFRS 9 model enhancements and the full release of the £10m cost-of-living post-model adjustment. Cost of risk increased to 9.4% (2023: 8.9%).

Risk-adjusted income was stable at £238.1m (2023: £237.7m) with an increased risk-adjusted margin of 18.1% (2023: 16.8%).

Adjusted operating costs increased 8% to £185.3m, driven by the significant increase in complaint costs from FOS fees related to a rise in unmerited claims from CMCs. Transformation savings were partially offset by inflation and investment in the business.

Adjusted PBT contribution was £52.8m (2023: £65.4m).

1 Average of gross customer interest earning balances for the 12 months ended 31 December using a 13-point month end average.
2 Adjusted operating costs are stated before exceptional items and amortisation of acquisition intangibles.
3 Adjusted PBT contribution is stated as profit before tax before exceptional items and amortisation of acquisition intangibles.
4 Interest income from customer receivables for the 12 months ended 31 December as a percentage of average gross customer interest earning receivables.
5 Net interest income for the 12 months ended 31 December as a percentage of average gross customer interest earning receivables.
6 Total income for the 12 months ended 31 December as a percentage of average gross customer interest earning receivables.
7 Impairment charges for the 12 months ended 31 December as a percentage of average gross customer interest earning receivables.
8 Total income less impairment charges for the 12 months ended 31 December as a percentage of average gross customer interest earning receivables.

Find out more on our website: vanquisbankinggroup.com

## Operating review continued

## Vehicle Finance – 2024 results impacted by Stage 3 receivables review, enabling future optimisation of the portfolio

| 12 months ended 31 December | 2024 £m | 2023 (restated) £m | Change |
|---|---|---|---|
| Total customer numbers ('000) | 110 | 112 | (2)% |
| Gross customer interest earning balances | 765 | 859 | (11)% |
| Average gross customer interest earning balances[1] | 825 | 836 | (1)% |
| Gross receivables | 832 | 1,144 | (27)% |
| Net receivables | 735 | 776 | (5)% |
| Interest income | 133.1 | 150.3 | (11)% |
| Interest expense | (38.5) | (28.7) | (34)% |
| **Net interest income** | 94.6 | 121.6 | (22)% |
| Non-interest income | – | 2.0 | (100)% |
| **Total income** | 94.6 | 123.6 | (23)% |
| Impairment charges | (60.4) | (20.4) | (196)% |
| **Risk adjusted income** | 34.2 | 103.2 | (67)% |
| Adjusted operating costs[2] | (42.2) | (51.9) | 19% |
| **Adjusted (LBT)/PBT contribution[3]** | (8.0) | 51.3 | |
| Asset yield[4] | 16.1% | 18.0% | (1.9)% |
| Net interest margin[5] | 11.5% | 14.5% | (3.0)% |
| Total income margin[6] | 11.5% | 14.8% | (3.3)% |
| Cost of risk[7] | (7.3)% | (2.4)% | (4.9)% |
| Risk-adjusted margin[8] | 4.1% | 12.3% | (8.2)% |

The Group's Vehicle Finance business, Moneybarn, is a significant player in the non-prime UK vehicle finance market.

The business consists of experts in helping customers to access finance when they might have struggled to get approval from mainstream lenders. Vehicle Finance customers represent one in five of UK adults who have a poor credit history but need a reliable car, motorbike, or van to suit their lifestyle and financial situation. Our core product is a Conditional Sale Agreement, which is a type of vehicle finance that helps spread the cost of a used vehicle over time, instead of paying for it all upfront. This is different to the other types of vehicle finance, like Hire Purchase (HP) or Personal Contract Purchase (PCP), as a Conditional Sale Agreement has no additional fee to own the vehicle; once the customer has made the final repayment, they legally own the vehicle. A Conditional Sale Agreement uses a fixed APR, so monthly payments are predictable and remain the same for the duration of the agreement, which is typically between 36 and 60 months.

Good customer outcomes are important to us, and once a customer is with us, we're focused on helping them to achieve the best outcomes possible, whether that's simply paying their finance each month until they own their used vehicle, or by supporting them if they're able to settle their agreement early. We also understand that customers may experience difficulties during their agreement, and we're focused on supporting them should that happen. We have a range of options that allow us to help customers get back on track, or to otherwise exit the agreement in the 'best way possible'. From a service rating perspective, Moneybarn is rated 4.4/5 on Trustpilot, based on over 14k reviews.

### Financial performance

Total customer numbers decreased 2% to 110k driven by repricing and credit tightening initiatives. A new Vehicle Finance lending decision engine was introduced in 2024 enabling a more granular level of portfolio segmentation and delivering a stronger platform to optimise higher-margin customer segments in 2025.

Following the Stage 3 receivables review, period-end gross customer interest earning balances decreased 11% to £765m driven by an updated charge-off policy reclassifying Stage 3 impaired loans to post-charge-off assets. This resulted in a clearer cost of risk outlook for the portfolio.

Period-end gross receivables reduced 27% to £832m, as in addition to the reduction in customer interest earning balances, shortfall debt of £230m was removed and replaced with a post-charge-off asset population in 1H24. This refined the approach to write-offs and a debt sales programme was launched, with two debt sales completed in 2H24.

Period-end net receivables decreased 5% to £735m, as a 74% reduction in expected credit losses (ECL) to £96m partially offset the reduction in gross receivables. Stage 3 ECL reduced £268m to £57m driven by the reduction in Stage 3 balances and a revised definition of default reclassifying £127m of balances from Stage 3 to Stage 1.

Total income decreased 23% to £94.6m, which represented all net interest income. Net interest margin and total income margin decreased 3.0% and 3.3% respectively to 11.5%.

Interest income decreased 11% to £133.1m driven by the reduction in gross customer interest earning balances. The asset yield decreased 1.9% to 16.1%, reflecting reduced higher-margin Stage 3 balances and credit tightening, partially offset by repricing initiatives.

Interest expense increased 34% to £38.5m, as market savings rates remained elevated and customers with maturing fixed-rate savings products moved onto higher yielding products, impacting the Group's funding cost.

Risk-adjusted income fell 67% to £34.2m, as a result of impairment charges rising to £60.4m (2023: £20.4m), including the impact of the Stage 3 receivables review. Impairments in 2023 benefited from a £47.0m release of provisions no longer required following IFRS 9 model refinements and recalibration. Underlying credit quality improved year on year. Cost of risk increased 4.9% to 7.3% and risk-adjusted margin fell 8.2% to 4.1%.

Adjusted operating costs decreased 19% to £42.2m, driven by transformation savings partially offset by investment in the business.

Adjusted LBT contribution was £(8.0)m (2023: PBT contribution of £51.3m).

**Moneybarn Trustpilot rating:**

**4.4***

Find out more on our website:
vanquisbankinggroup.com

## **Second Charge Mortgages** – Strong growth in a growing market, following successful launch in May 2024

| 12 months ended 31 December | 2024 £m | 2023 £m |
|---|---|---|
| Total customer numbers ('000) | 3.7 | 0.1 |
| Gross customer interest earning balances | 217 | 2.7 |
| Average gross customer interest earning balances[1] | 69 | 0.4 |
| Gross receivables | 226 | 2.8 |
| Net receivables | 225 | 2.8 |
| Interest income | 4.8 | 0.4 |
| Interest expense | (2.9) | (0.2) |
| **Net interest income** | 1.9 | 0.2 |
| **Total income** | 1.9 | 0.2 |
| Impairment charges | (0.2) | – |
| **Risk adjusted income** | 1.7 | 0.2 |
| Adjusted operating costs[2] | (0.2) | (0.7) |
| **Adjusted PBT/(LBT) contribution[3]** | 1.5 | (0.5) |
| Asset yield[4] | 7.0% | |
| Net interest margin[5] | 2.8% | |
| Total income margin[6] | 2.8% | |
| Cost of risk[7] | (0.3)% | |
| Risk adjusted margin[8] | 2.5% | |

The Group's Second Charge Mortgages business offers this product to customers via origination partnership agreements with Interbridge Mortgage and Selina Finance. The launch of these partnership arrangements occurred in May 2024.

A second charge mortgage, sometimes referred to as a homeowner loan, is a way for customers to borrow additional money when they already have a mortgage. They can then use the additional loan to make home improvements, consolidate debts, or to help complete a project.

### Financial performance

Total customer numbers increased to 3.7k (December 2023: 0.1k) following the successful launch of the forward flow agreement with Interbridge Mortgages and an expanded partnership with Selina Finance.

Period-end gross customer interest earning balances were £217m (December 2023: £2.7m) and period-end net receivables were £225m (December 2023: £2.8m), which includes deferred acquisition costs.

Total income increased to £1.9m (2023: £0.2m), which represented all net interest income. Net interest margin and total income margin was 2.8%.

Interest income was £4.8m (2023: £0.4m) with an asset yield of 7.0%. Interest expense was £2.9m (2023: £0.2m).

Risk-adjusted income was £1.7m (2023: £0.2m), including impairment charges of £(0.2)m (2023: £0.0m). Cost of risk was 0.3% and risk-adjusted margin was 2.5%.

Adjusted operating costs were £0.2m (2023: £0.7m), reflecting the limited fixed costs associated with the business given the origination partnership arrangements in place.

Adjusted PBT contribution was £1.5m (2023: LBT contribution of £(0.5)m).

**I've been with them for over five years now, and I can honestly say they're an amazing company. Their customer service is top notch - they're super friendly and always ready to help. And let's not forget about their credit card service - it's way better than any other competitor! Overall, I've had an incredible experience with them."**

**Vanquis customer**

Find out more on our website: vanquisbankinggroup.com

## Operating review continued

## Personal Loans - Reduced balances in 2024

| 12 months ended 31 December | 2024 £m | 2023 £m | Change |
|---|---|---|---|
| Total customer numbers ('000) | 24 | 44 | (45)% |
| Gross customer interest earning balances | 49 | 116 | (58)% |
| Average gross customer interest earning balances[1] | 79 | 123 | (36)% |
| Gross receivables | 49 | 117 | (58)% |
| Net receivables | 44 | 102 | (57)% |
| Interest income | 15.4 | 25.9 | (41)% |
| Interest expense | (3.4) | (4.0) | 15% |
| **Net interest income** | 12.0 | 21.9 | (45)% |
| **Total income** | 12.0 | 21.9 | (45)% |
| Impairment charges | (5.7) | (19.6) | 71% |
| **Risk-adjusted income** | 6.3 | 2.3 | 174% |
| Adjusted operating costs[2] | (10.5) | (17.3) | 39% |
| **Adjusted LBT contribution[3]** | (4.2) | (15.0) | 72.0% |
| Asset yield[4] | 19.5% | 21.0% | (1.5)% |
| Net interest margin[5] | 15.2% | 17.8% | (2.6)% |
| Total income margin[6] | 15.2% | 17.8% | (2.6)% |
| Cost of risk[7] | (7.2)% | (15.9)% | 8.7% |
| Risk-adjusted margin[8] | 8.0% | 1.9% | 6.1% |

The Group's unsecured Personal Loans business provides customers with a broader range of borrowing options, with a product tailored to the non-prime market. Most customers take out a personal loan to either consolidate other debts or to enable them to make home improvements, although the full range of reasons for borrowing includes a wide range of purposes.

When selecting their loan, customers look for a loan with repayments over a period that make their monthly payment affordable, at the lowest possible price (APR). From extensive market research, Vanquis Personal Loan customers value repayment certainty and flexibility if circumstances change, so we offer fixed APRs for the period of the loan. There are no penalty fees for additional interest charged for missed or late payments and there is no retention of interest when customers pay off the loan early.

At the Group's strategy update in March 2024, it was announced this business was under review and as such the portfolio has been in run-off in 2024.

### Financial performance

Total customer numbers decreased 45% to 24k driven by the run-off of the existing book.

Period-end gross customer interest earning balances decreased 58% to £49m and period-end net receivables decreased 57% to £44m.

Total income decreased 45% to £12.0m, which represented all net interest income. Net interest margin and total income margin was 15.2%.

Interest income decreased 41% to £15.4m driven by the reduction in gross customer interest earning balances. The asset yield decreased 1.5% to 19.5%. Interest expense decreased 15% to £3.4m.

Risk-adjusted income increased to £6.3m (2023: £2.3m), as a result of impairment charges reducing 71% to £5.7m. Cost of risk reduced to 7.2% (2023: 15.9%) and risk-adjusted margin increased to 8.0% (2023: 1.9%).

Adjusted operating costs decreased 39% to £10.5m in line with the reduced size of the business.

Adjusted LBT contribution was £(4.2)m (2023: £(15.0)m).

**When I needed to build my credit score after some money problems Vanquis was there to offer help. Been with them 10+ years with no problems. Their customer service is excellent. They are always keen to listen and help. Thank you, Vanquis."**

**Vanquis customer**

Find out more on our website:
vanquisbankinggroup.com

## Corporate Centre including Snoop

| 12 months ended 31 December | 2024 £m | 2023 £m | Change |
|---|---|---|---|
| Interest income | 5.8 | 8.4 | (31)% |
| Interest expense | (21.0) | (28.9) | (27)% |
| **Net interest income** | (15.2) | (20.5) | 26% |
| Non-interest income | 3.2 | 0.4 | |
| **Total income** | (12.0) | (20.1) | 40% |
| Impairment charges | (0.8) | – | (100)% |
| **Risk adjusted income** | (12.8) | (20.1) | 36% |
| Adjusted operating costs[2] | (64.1) | (63.8) | – |
| **Adjusted LBT contribution[3]** | (76.9) | (83.9) | 8% |
| Exceptional costs | (24.1) | (21.4) | (13)% |
| Amortisation of acquisition intangibles | (6.2) | (7.9) | 22% |
| Goodwill write-down | (71.2) | – | (100)% |
| **Statutory LBT contribution** | (178.4) | (113.2) | (58)% |

### Financial performance

Total income was a net expense of £(12.0)m (2023: £(20.1)m), with net interest income improving to a net expense of £(15.2)m (2023: £(20.5)m) and non-interest income increasing to £3.2m (2023: £0.4m) driven by fees and commissions income from Snoop.

Interest income of £5.8m (2023: £8.4m) represented interest on cash reserves in the Bank of England reserve account.

Interest expense of £21.0m (2023: £28.9m) represented residual funding costs not allocated to the respective businesses.

Adjusted operating costs include operations, technology and support functions which collectively serve the needs of the wider Group, in addition to Snoop costs. These costs, excluding exceptional costs, amortisation of acquisition intangibles and goodwill write down, were broadly flat at £64.1m (2023: £63.8m), reflecting a full year of Snoop costs, which was acquired in August 2023.

Adjusted LBT contribution was £(76.9)m (2023: £(83.9)m).

### Snoop – helping customers track spend, budget and save money

Snoop is an award-winning fintech that uses open banking and Expand AI to help users save money and manage their finances more effectively. The app helps customers build their financial capability, and targets annual savings of up to £1,500. Snoop demonstrably improves financial wellbeing with over 13k 4 and 5-star reviews. As such, it is an important part of the Group's customer proposition.

Leveraging Snoop's innovative technology and data capabilities is also unlocking valuable opportunities for the Group. This included the launch of an Easy Access Savings proposition embedded within the Snoop app at the end of 2024. The Group also continues to actively promote Snoop to the Vanquis customer base. This helps position the Group as a relevant presence in their daily lives, drive improved creditworthiness and support improved borrowing and debt management.

Snoop's impact extends beyond individual users, offering businesses valuable insights into evolving consumer spending behaviours. Further scaling the business will enrich Snoop's data insight proposition and enhance the Group's overall data capabilities.

**Snoop App Store rating:**
4.6*

**Snoop Google Play rating:**
4.5*

**Great budgeting app. I wouldn't be without this app, so much so that I've just renewed my subscription for another year. I can see my spending habits really clearly (bit of an eye opener on my Amazon and Just Eat purchases). Here's to another year of Snooping."**

**Snoop customer**

Find out more on our website:
vanquisbankinggroup.com

## Section 172(1) statement

In performing their duties during 2024 the directors have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its members, and with regard to the matters set out in section 172(a)–(f) of the Companies Act 2006 (s.172).

### Engaging with stakeholders

We adopt stakeholder engagement processes that encourage meaningful dialogue and effective collaboration with our stakeholders. We recognise that our stakeholders have differing interests and have a variety of preferred methods of engagement, and we respond to these accordingly. Culturally we intend for the principles of s.172 to be embedded within our decision-making process and work to identify the impact and likely consequences of our decisions on our stakeholders, facilitated by our approach to reporting.

Our stakeholders, how we've engaged with them during 2024 and the outcomes of this engagement can be found on pages 70 to 74.

### Principal decisions

Decisions made by the Board are guided by the Group's purpose, culture and strategy with the intention to be effective and deliver long-term sustainable value for our stakeholders. The principal decisions taken by the Board can be found on pages 45, 64 and 72 and our Board's activities for 2024 are set out on pages 65 and 66.

Examples of how the directors have discharged their responsibilities under s.172 are integrated throughout the Strategic Report and Governance Report; please see the table opposite for references. Detail about how our Board has led the Group's strategy can be found on pages 64 to 66.

| Section 172 provision | Relevant disclosure | Pages |
|---|---|---|
| (a) The likely consequences of any decision in the long term | Chairman's Statement | 4–5 |
| | Business model | 12–13 |
| | Strategy | 11 |
| | Sustainability | 16–34 |
| | Non-financial and sustainability information statement | 46–47 |
| | Risk management and principal risks | 48–55 |
| | Viability statement | 56 |
| | Board focus areas during 2024 | 65–66 |
| | Stakeholder engagement and decision making | 70–74 |
| | Governance Report | 57–121 |
| | Nomination and Governance Committee Report | 78–81 |
| | Directors' Remuneration Report | 91–113 |
| (b) The interests of the Company's employees | Chairman's Statement | 4–5 |
| | CEO's Review | 6–8 |
| | Sustainability – our colleagues | 19–20 |
| | Risk management and principal risks | 48–55 |
| | Chairman's Introduction to Governance | 57–58 |
| | Board focus areas during 2024 | 65–66 |
| | The Board: our culture | 67–69 |
| | Stakeholder engagement and decision making | 70–74 |
| | Our Designated Non-Executive Colleague Champion | 73 |
| (c) The need to foster the Company's business relationships with suppliers, customers and others | Chairman's Statement | 4–5 |
| | CEO's Review | 6–8 |
| | Business model | 12–13 |
| | Strategy | 11 |
| | Sustainability | 16–34 |
| | Key performance indicators | 14–15 |
| | Non-financial and sustainability information statement | 46–47 |
| | Risk management and principal risks | 48–55 |
| | Stakeholder engagement and decision making | 70–74 |
| | Engagement with shareholders | 74 |
| (d) The impact of the Company's operations on the community and the environment | Chairman's Statement | 4–5 |
| | CEO's Review | 6–8 |
| | Sustainability – Community Foundation overview | 20–22 |
| | Sustainability - TCFD disclosure | 22–23 |
| | Non-financial and sustainability information statement | 46–47 |
| | Our sustainability strategy | 18–34 |
| | Stakeholder engagement and decision making | 70–74 |
| (e) The desirability of the Company maintaining a reputation for high standards of business conduct | Chairman's Statement | 4–5 |
| | CEO's Review | 6–8 |
| | Strategy | 11 |
| | Sustainability | 16–34 |
| | Sustainability – TCFD disclosure | 22–23 |
| | Non-financial and sustainability information statement | 46–47 |
| | Stakeholder engagement and decision making | 70–74 |
| | Board focus areas during 2024 | 65–66 |
| | The Board: our culture | 67–69 |
| | Composition, succession and evaluation | 75–77 |
| | Audit Committee Report | 82–87 |
| | Risk Committee Report | 88–90 |
| (f) The need to act fairly as between members of the Company | Stakeholder engagement and decision making | 70–74 |
| | Investor relations | 74 |
| | Board focus areas during 2024 | 65–66 |
| | Directors' Remuneration Report | 91–113 |
| | Business model | 12–13 |

# Decision making for long-term success

The Board firmly believes that incorporating a wide range of stakeholder perspectives in its discussions and decisions is essential for making balanced and well-informed choices. Over the last four years, we have continued to embed s.172 impact analysis into our Board reporting where a decision is being made. This approach helps draw out for the Board the often differing priorities and interests of the Group's stakeholders and assists the Board to make decisions that balance these, whilst aligning with the Group's purpose, culture and strategy. We have chosen examples of principal decisions that we believe demonstrate this commitment and showcase the decision-making process and the Board's considerations when reaching its conclusion. Principal decisions are on pages 45, 64 and 72.

**Principal decision: the launch of easy access and cash ISA products**

**The Board approved the launch of easy access and cash ISA savings products, which were considered by the Board as meeting a wider range of customer needs, encouraging financial planning and aligning to the future funding strategy of the Group.**

### Decision-making process

In February 2024 the Board received a proposal to consider the introduction of easy access and cash ISA savings accounts (the products). The Group already offered fixed-term savings accounts which were a primary source of funding but were typically popular with more affluent customers. The addition of the products was also expected to help diversify the Group's funding streams whilst improving the Group's product offering for its customers and was a key activity in supporting delivery of the Group's strategy.

### Customer and shareholder

The Board discussed the addressable market for the products which together represented 70% of the overall UK savings market. The Board determined that a genuine need had therefore been identified. Target market and fair value assessments had been completed for the products with positive results that recommended they be introduced.

The Board noted that the products provided an accessible savings opportunity for the Group's less affluent customers who might wish to start or maintain an emergency savings pot. The aspiration to help individuals save money was aligned to that of the FCA to support a healthy and successful financial system that promotes effective competition.

The Board noted that there were a number of expected treasury management benefits to the Group. Concentration risk and competitive pressures would reduce from a funding perspective. Cash ISAs represented a better value of funding and had the potential to save the business annual interest expenses. The Board noted the positive impact on the balance sheet for the benefit of shareholders and the contribution to the overall long-term sustainability of the Group.

### Challenges

The Board explored whether the Group had performed a suitable risk assessment and had reliably assessed the potential impact on customers and colleagues. The Board sought and received assurance that there was a suitable product management structure in place and sufficient in-house expertise to administer the accounts to a high standard.

The Board received confirmation that appropriate arrangements had been made to manage the liquidity risk of deposits when customers were able to withdraw funds at short notice, a new area of activity for the Group. The Board approved the prudent liquidity strategy that had been proposed. All balances for the products were to be held as excess liquidity allowing time for sufficient behavioural analysis to be performed. The Board noted the approach was cautious and sensible and would be examined to the satisfaction of the Prudential Regulation Authority (PRA) as part of the Internal Liquidity Adequacy Assessment Process (ILAAP).

Overall, the introduction of the products was thought to be low risk from a conduct risk perspective with well-established market standard terms and conditions for the products.

### Balancing stakeholder interests

The Board carefully considered the risks and benefits of the products as they pertained to its stakeholders. The Board noted that the introduction of a broader range of savings products would be of benefit to the Group's customers, in particular easy access accounts provided a more accessible and flexible form of saving for the Group's typical customer demographic than fixed-term accounts which tied up savings for set periods of time.

In making this decision, the Board expected the products to contribute to the long-term success of the Group to the benefit of its colleagues and shareholders.

**Links to stakeholders**

**Links to risks** P1 P2 P5

**Links to strategic themes**

**Links to s.172**

**Key**

**Links to stakeholders**
- Customers
- Colleagues
- Regulators and Government
- Shareholders
- Communities
- Suppliers

**Strategic themes**
- Customer centricity
- Insightful risk management
- Efficient organisation
- Digital, tech, data and analytics
- A great people proposition

**Links to risks**
- P Find our principal risks on pages 51 to 55

**Links to s.172**
- (a) The likely consequences of any decision in the long term
- (b) The interests of the Company's employees
- (c) The need to foster the Company's business relationships with suppliers, customers and others
- (d) The impact of the Company's operations on the community and the environment
- (e) The desirability of the Company maintaining a reputation for high standards of business conduct
- (f) The need to act fairly as between members of the Company

## Non-financial and sustainability information statement

The information presented here, including the sections referenced, represents the Group's non-financial and sustainability information statement as required by sections 414CA and 414CB of the Companies Act 2006. The table below outlines our policies across certain key, non-financial areas and cross references to where further information on these themes can be found in other areas of this report. A summary is also provided of how the Group goes about managing the non-financial and sustainability aspects of its business and measuring its performance.

| | | Pages |
|---|---|---|
| **Business model**<br>The Group's purpose is to deliver caring banking so our customers can make the most of life's opportunities. | For further information, see the Our strategy and Our business model sections of this report. | **Pages 11 to 13** |
| **Colleagues**<br>We know that when colleagues feel healthy, well and engaged, they can reach their maximum potential and deliver their best work. As such, the Group is committed to continuing to build and sustain an inclusive workplace culture, where all our colleagues can be themselves and thrive. This is key to the delivery of our strategy and ensuring that we are best placed to deliver for the diverse customer base we serve. | **Due diligence processes:** Enhancements were made to all our family friendly policies during 2024. We also aligned our sick pay, overtime and on call policies, offered private medical insurance and introduced LinkedIn Learning for all colleagues. Finally, our five Affinity Groups (which focus on gender, race, disability, LGBTQ+ and social mobility) have continued to provide both a sounding board and spring board for ideas, as well as a platform for transformative action.<br>**Relevant policies:** Inclusion and Diversity Policy, Family Friendly Policy, Mental Health & Wellbeing Policy.<br>**Principal risks:** People risk and operational risk.<br>**Metrics:** Colleague engagement is monitored and assessed through an annual Great Place to Work survey which measures colleagues' views and experiences. Also, the Group's mandatory learning covers all the important things colleagues need to know about working at Vanquis so we can protect our business, customers and colleagues. By being a signatory to the HM Treasury Women in Finance Charter, the Group is committed to improving female representation at senior management and director level and has set a target to have 40% female representation in the Group's senior management population by December 2026. We also monitor a range of diversity metrics which are reported in our Nomination Committee Report. | **Pages 19 and 20**<br>**Page 70**<br>**Pages 117 and 118** |
| **Climate and environment**<br>We recognise that the growth and sustainability of our business depend on the resilience of our operations, supply chains, and the communities where our customers and colleagues live and work. As such, we seek to minimise our environmental impacts and work with others to take action on the globally important issue of climate change. Playing our part in tackling climate change is aligned with our purpose to deliver caring banking which is why we are committed to supporting the UK's transition to a low-carbon economy and ensuring that we understand the risks and opportunities that climate change presents to our business and key stakeholders. | **Due diligence processes:** The Group continues to produce climate-related financial reports that are in line with the recommendations of the Task Force on Climate-related Financial Disclosures which enables us to comply with the FCA's Listing Rule 6.6.6(8), and meet the requirements of the Climate-related Financial Disclosure (CFD) Regulations 2022 and the UK Companies Act (that is, sections 414CB(2A)(a to h). The Group's supplier due diligence processes and procedures involve engaging with suppliers to understand their exposure to material climate-related risk and carbon reduction commitments. A Group-wide environmental management system (EMS) has been in place for almost 20 years.<br>**Relevant policies:** Environmental Management Policy, Climate Principal Risk Policy and Procurement Policy.<br>**Principal risks:** Business performance risk, customer risk and regulatory risk.<br>**Metrics:** Pursuant to the FCA's Listing Rule 6.6.6(8) and the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018 and the Companies (Strategic Report)(Climate-related Financial Disclosure) Regulations 2022, the Group publishes an annual TCFD report and discloses comprehensive environmental data in its Annual Report and Accounts. The Group also makes an annual submission to the CDP. Finally, the Group manages and reduces its impact on the environment via an environmental management system that is certified to international standard ISO 14001:2015. | **Pages 22 to 34**<br>**Page 71**<br>**Pages 119** |

| | | Pages |
|---|---|---|
| **Social matters**<br>Through the Vanquis Foundation, we are committed to improving the lives of children and young people by providing educational and social development opportunities which support financial and social inclusion. In 2024, we allocated £1.4m to support a range of charitable and community partners. | **Due diligence processes:** The activities and initiatives that are delivered via the Group's Foundation are reviewed and approved by the Group Executive Committee and Group plc Board on an ongoing basis. This involves ensuring that the Group's investments have a sustainable benefit to the communities it serves and the business itself. A dedicated Group team is responsible for the design, development and delivery of the Group's Foundation. During 2024, the activities and initiatives that the Group supports were reviewed with the changes made approved by the Group Executive Committee.<br>**Relevant policies:** Community Involvement Policy and Volunteering and Matched-Funding Policy.<br>**Principal risks:** People risk and regulatory risk.<br>**Metrics**: The Group reports on the amount it has invested in its community activities, as well as the social impacts that have been delivered, in its Annual Report and Accounts. The Group's annual Great Place to Work surveys are also used to understand colleagues' understanding of, and engagement with, the Group's community investment programme. Finally, the Group monitors and reports the number of hours volunteered by colleagues throughout the year. | Pages 20 to 22 |
| **Human rights**<br>The Group is committed to supporting and respecting human rights and, as such, is opposed to slavery and human trafficking in both its direct operations and in the indirect operations of its supply chains. As such, the Group will not knowingly support or do business with any organisation involved in slavery or human trafficking. | **Due diligence processes:** The Group has well-established supplier due diligence processes and procedures to manage supply chain-based risks and ensure suppliers comply with the Group's policy requirements and meet legislative requirements, including those that relate to the Modern Slavery Act 2015. Across the Group, all new suppliers are assessed for the types of potential risks they pose and are sent questionnaires covering issues such as financial stability, data protection, information security, business continuity, regulatory compliance, and corporate responsibility.<br>**Relevant policies:** Human Rights and Modern Slavery Policy, Procurement Policy, Diversity Policy and Whistleblowing Policy.<br>**Principal risks:** Regulatory risk, people risk and customer risk.<br>**Metrics:** Pursuant to section 54(1) of the UK Modern Slavery Act 2015, we produce a Modern Slavery Statement, see www.vanquis.com. | Page 18 |
| **Anti-corruption and bribery**<br>The Group has a zero-tolerance approach to acts of bribery and corruption. We also always seek to protect our customers, colleagues and other key stakeholders from financial crime. | **Due diligence processes:** The Group has a zero-tolerance approach to bribery and corruption and all colleagues undertake mandatory training on these topics, as well as on fraud and anti-money laundering. Comprehensive processes are in place to enable colleagues report concerns regarding these issues The Audit Committee oversees compliance with the Corporate Hospitality Policy and the Board oversees the Whistleblowing Policy.<br>**Relevant policies:** Anti-Bribery and Corruption Policy, Corporate Hospitality Policy, Whistleblowing Policy.<br>**Principal risks:** Customer risk and regulatory risk.<br>**Metrics**: Completion of mandatory training is monitored; whistleblowing reports are overseen by the Board; and any matters relating to corporate hospitality are monitored by the Audit Committee. | Page 119 |

Risk management and principal risks

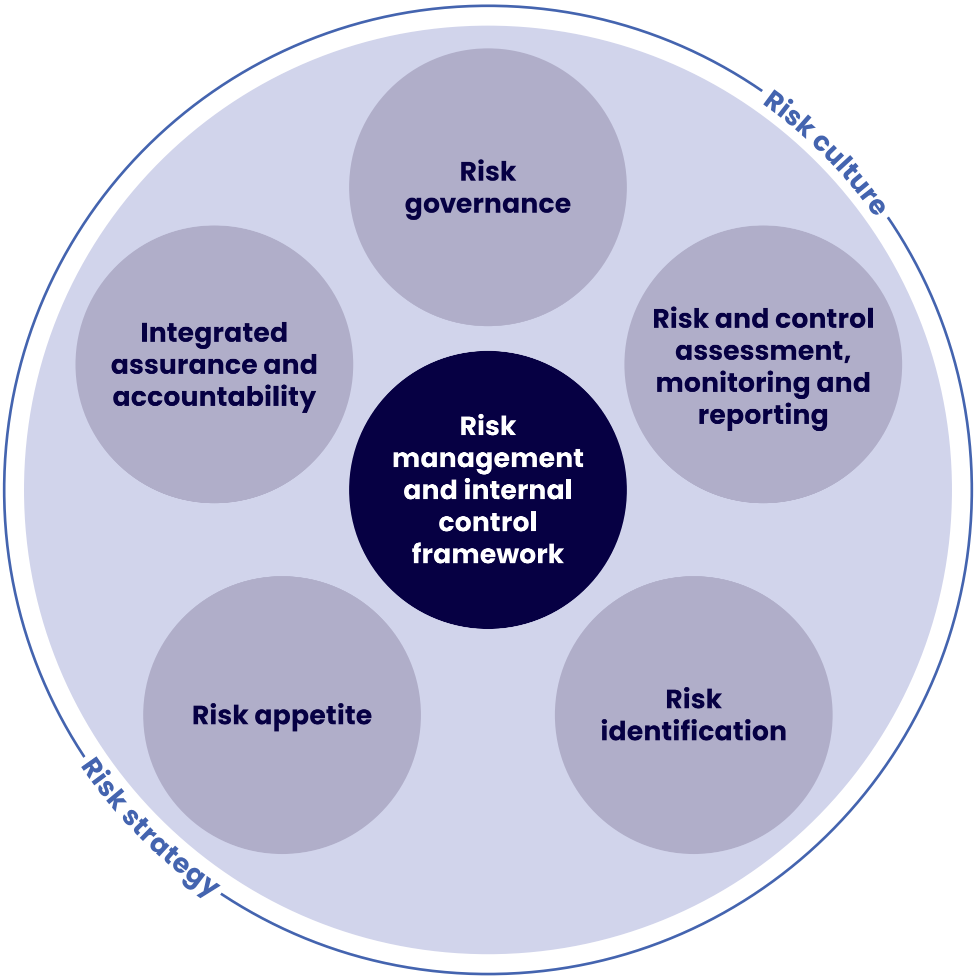
# Optimising an effective risk management framework and culture

**In 2024, we provided insight, support and challenge to the Group's strategic plans and transformation programmes, helping to stabilise the business, enhance efficiency and better serve our customers. These efforts lay the foundations for safe and sustainable growth."**

**Joe Sweeney**
Chief Risk Officer

## Risk management and internal control framework

The risk management and internal control framework sets out how we manage risk consistently across the Group, including the governance structures and roles and responsibilities in place to achieve this. It supports the escalation of material risks, which create the most significant exposures to the Group's strategy and operations, and aggregated reporting to the Group's Board, Risk Committee and executive management to inform decision making. The core components are illustrated on the right:



## Risk culture

Our risk culture is imperative in driving the right outcomes as a business for all our key stakeholders. The risk management and internal control framework places significant emphasis not just on what we deliver, but how it is delivered in the level of risk we are willing to take. The following components assist in promoting a strong risk culture within our Group:

| Culture driver | Description |
|---|---|
| The Group's business model | Alignment between the Group's profit incentives and good customer and stakeholder outcomes. |
| The Vanquis Way | The Vanquis Way reflects the unique culture and working environment we want to create for the Group. It guides our decisions and reminds us of what is important when we work with customers, communities and colleagues. |
| Individual accountability and performance management | Colleagues are aware of their accountabilities in managing risk and these are embedded in role descriptions and performance objectives (financial and non-financial). |
| Remuneration | Senior leaders are incentivised consistently with the Board's stated risk culture to drive fair customer and other risk outcomes. A risk adjustment process is in place, reinforced through the Senior Managers and Certification Regime (SMCR). |
| Skills and capabilities | There are sufficient skilled and trained resources to deliver against business expectations. |

## Risk strategy

Managing risk is critical to enable us to optimise our shareholder return whilst maximising our business opportunities and positive outcomes for all our key stakeholders, which include shareholders, customers, colleagues and regulators. It is underpinned by six strategic risk objectives:

1. **Maintaining a secure and efficient capital and funding structure.**
2. **Delivering sustainable growth and returns to our shareholders.**
3. **Optimising our reputation and becoming the trusted bank for our target customers.**
4. **Establishing a strong risk and customer-led culture.**
5. **Managing execution risk associated with strategic and operational change activity.**
6. **Maintaining operational resilience and business capabilities.**

Risk management and principal risks continued

**As the Group continues its turnaround, we are strengthening our risk foundations to remain aligned with our purpose, customer priorities and market position in a challenging macro environment. We continue to embed a strong risk-aware culture and control environment, ensuring that everyone takes ownership.”**

**Joe Sweeney**
Chief Risk Officer

## Risk appetite

The Group defines its risk appetite as the amount and type of risk it is prepared to seek, accept or tolerate as we pursue our goals. Setting this clearly helps us make decisions aligned with our strategy.

We have redeveloped our risk appetite framework, ensuring our strategic vision is executed within the parameters of our Board-approved risk appetite metrics and thresholds. If these are breached, we are prompted to review and potentially adjust our approach. A suite of measures has also been developed for management use to monitor ongoing adherence to risk appetite statements. Together, these concepts provide guardrails for controlled, sustainable growth.

## Risk identification

Our risk classification captures our principal risks and their corresponding level 1 risks across our four risk pillars that support the delivery of our strategic risk objectives. Each risk is allocated an executive owner, in line with the process risk ownership and reinforcing operational and regulatory responsibilities. Our risk classification is reviewed on an annual basis to ensure that the risks remain up to date, comprehensive and reflective of our high-level exposures.

We recognise the changing landscape we operate in so capture our emerging risks to anticipate adverse scenarios from potential threats to proactively prepare, recover and adapt. We consider external factors such as political, economic, social and technological categories. This complements existing regulatory and prudential horizon scanning processes.

## Risk and control assessment, monitoring and reporting

We apply a standardised and consistent process for the identification, assessment, measurement and ongoing review of risks and supporting control environment, driven by the Risk and Control Self-Assessment (RCSA) process.

Regular monitoring allows us to track shifts in risk levels and see how effective our controls are. Reporting these findings at all levels ensures transparency, enabling quick, informed decision making. This dynamic approach to risk management keeps us alert and adaptable, allowing us to prioritise risks requiring the most attention and resources.

## Integrated assurance and accountability

The three lines of defence model strengthens our approach to risk management by clearly defining roles and responsibilities across the Group to manage risk. The first line of defence owns and manages risks day to day within appetite, including the design and operation of the controls across the Group; the second line of defence establishes the risk management and internal control framework and provides risk-based oversight; and the third line of defence offers independent and objective assurance. This structure not only provides a robust framework for accountability but also aligns us with best practices in governance, reinforcing trust in our overall risk management process.

We apply an Integrated Assurance Framework (IAF), which combines and complements the planning, execution and issue management activities of assurance teams operating across the three lines of defence, supported by an automated and integrated risk management system. The IAF incorporates requirements from the updated UK Corporate Governance Code, particularly regarding the oversight and reporting of material controls effectiveness.

## Risk governance

We have refreshed our risk governance structure to strengthen our ability to identify, assess, manage and report risks, while supporting the Group in responding to the changing internal, external and regulatory environments. We have established the Executive Risk Committee to support the Board Risk Committee in the management of the Group’s current and emerging risks in a sustainable manner with the Board retaining overall responsibility for the effective management of risk. Below these, there are several committees established to monitor the principal risks and uncertainties, including the oversight of a robust control environment and escalation of matters through the risk governance structure.

# Principal risks and uncertainties

Our top current and emerging risks and how we are managing these are summarised over the next few pages.

**Strategic themes**

Customer centricity · Insightful risk management · Efficient organisation · Digital, tech, data and analytics · A great people proposition

## Risk Pillar 1: Customer and conduct

We deliver fair customer outcomes and meet the expectations of our regulators.

### Principal risk

#### P1 Customer

The risk that failing to understand or address customer needs could lead to dissatisfaction, poor customer outcomes, reduced loyalty and reputational damage, impacting revenue and long-term business sustainability.

**Links to strategic themes**

**Key considerations**

We successfully met our Consumer Duty Day Two requirements and remain focused on embedding these principles to mitigate the risk of poor outcomes, particularly for customers requiring early intervention strategies or those with vulnerable characteristics.

Complaints have been a key focus throughout the year due to the continuing high level of CMC-driven responsible lending complaints, the vast majority of which are not upheld by us or the FOS. The enactment by the FOS to commence charging professional representatives £250 from 1 April when referring cases to the FOS is expected to reduce referrals from CMC complaints and our costs. Our request for a judicial review, along with a number of other credit providers, on the FOS interpretation of out of jurisdiction complaints has been accepted and we await hearing dates.

**Mitigating actions**

- Senior management oversight of customer outcomes has been enhanced through the implementation of the Customer Committee and will be strengthened by the improved customer outcome dashboard once implemented.
- Delivery of enhanced strategies to support customers who have characteristics of disclosed vulnerability or additional needs for support are underway and our approach will be reconciled with the findings from the FCA review of firms' treatment of customers in vulnerable circumstances.
- Our arrears and forbearance approaches are being revised to align to the new FCA Handbook Rules PS24/2: Strengthening protections for borrowers in financial difficulty, which replaced the Tailored Support Guidance (TSG).

#### P2 Regulatory

The risk that non-compliance with all regulatory and legal requirements and expectations could lead to financial penalties, legal action, operational disruptions and long-term damage to reputation.

**Links to strategic themes**

**Key considerations**

The recent Court of Appeal judgment regarding vehicle finance commission disclosure introduces stricter standards on commission disclosures, requiring that commission amounts are explicitly disclosed, and that customer consent is clearly obtained particularly affecting dealer-broker relationships. Whilst Moneybarn is in a stronger position than the lenders named within the judgment, the business still faces potential customer complaints.

Several consultations are underway to simplify aspects of the regulatory handbook and proposed amendments to the UK GDPR and Consumer Credit Act, which could result in significant changes to implement over the next 12-24 months.

The transition towards a ban on new combustion engine vehicles by 2035 is closely monitored from both a climate risk and business performance risk perspective. Whilst it presents a potential impact on our ability to offer sustainable vehicle financing options and services at pace, there are opportunities to introduce new Vehicle Finance products to customers.

**Mitigating actions**

- Moneybarn's historical practices, while previously compliant with the FCA's Consumer Credit sourcebook (CONC), were adjusted in October to meet the expanded requirements on commission disclosures following the Court of Appeal ruling (see the Contingent liabilities section regarding Vehicle Finance commissions on pages 193 and 194).
- Strong and proactive regulatory relationships with regular lines of communication are in place with both the FCA and PRA, which have been kept abreast of our strategic initiatives, key risk management activities and responses to regulatory developments e.g. complaints issues on an industry-wide basis and welcoming the FOS fees consultation.
- We have strengthened our SMCR processes by clarifying and aligning responsibilities to the process risk ownership within the risk management and internal control framework and Group Delegated Authorities Manual. Senior management functions have attested to these.
- The financial reporting framework is being refreshed to provide clear principles and controls to ensure consistency, accuracy, transparency and compliance with applicable accounting standards and regulations in the preparation, presentation and disclosure of our financial statements.
- The Group uses scenario analysis to assess the potential impact of climate change on our business, which identified our strategy remains resilient to climate-related risks and opportunities. Further detail of the governance and management of the climate-related risks and opportunities and our TCFD summary can be found in Our sustainability strategy from page 18.

# Principal risks and uncertainties continued

## Risk Pillar 1: Customer and conduct continued

We deliver fair customer outcomes and meet the expectations of our regulators.

**Principal risk**

### P3 Financial crime

The risk that failure to detect and prevent financial crime and fraud could result in customer detriment, regulatory fines, reputational damage and financial loss.

**Links to strategic themes**

**Key considerations**

The financial services industry continues to suffer from high levels of fraud. The Group has dedicated fraud and financial crime strategic and operational teams, which monitor, investigate and report suspicious activity to meet regulatory obligations and protect the Group and our customers from financial crime and fraud.

**Mitigating actions**

- A combined detection strategy across our fraud and financial crime systems has been designed to combat the risk of money mules and first party fraud.
- We upgraded our application fraud detection system for Cards, which is underway for Vehicle Finance, to include a machine learning model. This has increased our capability to detect fraudulent applications and materially reduced fraud rates.
- Know Your Customer and onboarding controls are being strengthened through greater use of electronic and biometric checks on new customers.
- The mobile app is being developed with the capability to detect suspicious activity in relation to account takeover and digital wallet fraud.

## Risk Pillar 2: Financial

We manage our credit risk exposures, supported by financial strength and liquidity in normal and stressed conditions.

**Principal risk**

### P4 Capital

The risk that inadequate capital resources or poor capital planning could result in an inability to meet financial obligations, regulatory breaches and financial instability, potentially threatening the long-term viability of the Group.

**Links to strategic themes**

**Key considerations**

The Group and Bank maintain sufficient capital resources, both in terms of amount and quality, to support the business strategy and meet the stressed scenarios identified in the Internal Capital Adequacy Assessment Process (ICAAP). Throughout the year, the Group and Bank have maintained capital ratios in excess of regulatory requirements (see the Capital risk management section on pages 147 and 148 for the Group's capital position). The capital position has and will continue to be a key area of focus during 2025 as we turnaround and grow the business.

The PRA has published several publications on changes to the capital regulatory framework under the strong and simple framework. As a Small Domestic Deposit Taker (SDDT), the Group is eligible for the regime. The changes to regulation are not expected to have a material impact on the Group's capital requirements.

**Mitigating actions**

- The capital framework is reviewed by the Board as part of the annual ICAAP. The Assets and Liabilities Committee (ALCO) is responsible for managing the balance sheet structure, including the capital plan and its risks.
- Capital risk appetite metrics are reported monthly at ALCO meetings and quarterly to the Risk Committee and Board.
- The Group and Bank maintain capital resources to meet Pillar 1 and Pillar 2 capital requirements as identified through the ICAAP, the most significant elements being credit and operational risks.
- We have constructive engagement with the PRA regarding our approach to capital management.
- We are developing an enhanced stress testing model to clearly delineate first and second line of defence responsibilities.

### P5 Funding and liquidity

The risk that the Group has insufficient financial resources to meet its obligations (cash or collateral requirements) as they fall due, resulting in the failure to meet regulatory liquidity requirements, or is only able to secure such resources at excessive cost.

**Links to strategic themes**

**Key considerations**

The Group and the Bank maintain sufficient liquid assets, both in terms of amount and quality, to meet daily cash flow needs and stressed scenarios driven by the Group's own risk assessment and regulatory requirements. Throughout the year, the Group and Bank have maintained funding and liquidity ratios in excess of regulatory requirements. Liquid assets solely comprise reserves held with the Bank of England (see the Liquidity risk section on pages 144 to 146).

The Group has in place a Core UK Group (CUG) waiver, which enables the Group to lend retail deposit funding raised in VBL to Moneybarn. The financial performance of Moneybarn is monitored to ensure that the conditions of the CUG waiver continue to be met.

As an SDDT, the changes to the regulatory framework under the strong and simple framework have not had a material impact on the Group's liquidity requirements.

**Mitigating actions**

- The funding and liquidity framework is reviewed by the Board as part of the annual Internal Liquidity Adequacy Assessment Process (ILAAP). The ALCO is responsible for managing the balance sheet structure, including the funding plan and its risks.
- Funding and liquidity metrics are monitored through daily liquidity reporting and reported monthly at ALCO meetings and quarterly to the Risk Committee and Board.
- To ensure that there is no significant risk that liabilities cannot be met as they fall due, business cash flows are managed and stress tested. The Group and Bank maintain liquid assets in excess of the anticipated outflows and management buffers as assessed under internal stress test scenarios (90-day stress) and the regulatory prescribed liquidity coverage ratio (30-day stress).
- The Group has increased its retail deposit offering through the launch of Easy Access and Notice Accounts, enabling it to repay wholesale sources of funding and all funds drawn under the Bank of England TFSME. The OBAN notes, used to support the TFSME drawings, have been retained to provide a source of contingent liquidity.

**Risk Pillar 2: Financial** continued
We manage our credit risk exposures, supported by financial strength and liquidity in normal and stressed conditions.

**Principal risk**

### P6 Market

The risk that fluctuations in market prices, such as interest rates, could negatively impact the Group's financial performance, resulting in losses or disruptions.

**Links to strategic themes**

**Key considerations**

The Group and Bank are primarily exposed to Interest Rate Risk in the Banking Book (IRRBB) and do not take significant unmatched positions or operate trading books. The Group and Bank have remained within risk appetite throughout the year (see the Market risk section on pages 146 and 147).

**Mitigating actions**

- The market risk framework is reviewed by the Board as part of the annual market risk assessment process. The ALCO is responsible for managing the balance sheet structure, including the methodology for assessing and managing market risks.
- Market risk appetite metrics are reported monthly at ALCO meetings and quarterly to the Risk Committee and Board. Metrics are set for earnings at risk, market value sensitivity, economic value of equity and basis risk. This includes the risk under different interest rate risk scenarios as prescribed by regulation.
- The Group continues to enhance its approach to market risk management, including increasing hedge accounting capacity and making operational improvements. In addition, as the Group navigates the changing and competitive interest rate environment, pricing actions and behavioural profiles will be reviewed in the IRRBB assessment.

**Principal risk**

### P7 Credit

The risk that customers may default on their obligations, leading to financial losses, impaired asset quality and reputational damage.

**Links to strategic themes**

**Key considerations**

Credit risk is fundamental to achieving our strategic objectives. To strengthen our capabilities, we have established a credit risk programme with a clear roadmap of deliverables and investment in processes and people.

The Group is exposed to credit risk at all stages in the customer lifecycle. The exposure to this risk can vary as a result of customer behaviour and macroeconomic factors (see the Credit risk section on page 144).

**Mitigating actions**

- The appointment of a new Head of Credit Risk has led to a restructure of the credit risk team and the development of the credit risk programme, ensuring credit risk is at the forefront of business decisioning.
- The credit risk responsibilities between the first and second lines of defence have been formally separated, with a credit risk oversight team established to commence assurance activity in 2025, as part of the IAF.
- The Credit Committee meets monthly to oversee the credit risk management of our portfolios and performance against key metrics, including action to address breaches, and tracking progress against the credit risk programme.
- Development and implementation of the Cards and Vehicle Finance acquisition scorecards are complete and focus is shifting to ongoing model management to maintain and optimise our credit decisioning capabilities.
- Credit and affordability strategies continue to be reviewed and enhanced to keep pace with changing market and economic conditions, and are progressively underpinned by data with an increased use of internal behavioural scores.

**Risk Pillar 3: Operational**
We ensure operational risk is minimised through effective people, processes and systems aligned to our strategic goals.

**Principal risk**

### P8 Operational

The risk that failures in processes, systems or human error could result in business disruptions, financial loss, regulatory action, poor customer outcomes and reputational damage.

**Links to strategic themes**

**Key considerations**

Operational risk is inherent to our Group's activities and heightened as we deliver our activities, utilising in-house capability and third-party and outsourced business support, and deliver transformation programmes to turn around the business.

The updated UK Corporate Governance Code has emphasised the need for the Board to establish and maintain the effectiveness of the risk management and internal control framework, including the Group's material controls.

**Mitigating actions**

- Integrated assurance activity has been developed as a result of the updated UK Corporate Governance Code. The identification of material controls is pivotal to the IAF, providing a foundation for targeted assurance activities.
- Assurance activities include the delivery of key strategic programme and their interdependencies, which are managed consistently by adherence to the change delivery framework.
- The outsourced model in customer operations continues to mature and our partners are providing robust servicing and support to our customers. Further enhancements are planned throughout 2025 as we roll out new technology and implement revised arrears and forbearance approaches.
- We have enhanced our outsourced complaints handling capability, with Artificial Intelligence (AI) automating complaint logging, reducing unprocessed complaints and addressing CMC activity.
- During 2024, a strategic tool for managing operational resilience was implemented. Scenario testing will continue to be undertaken to identify vulnerabilities and weaknesses, feeding into remediation plans for continuous resilience improvement to meet regulatory expectations.
- Management of our material outsourcers and critical third parties and suppliers, which directly impact our important business services, are subject to ongoing oversight and performance programmes through the third-party risk management framework.

# Principal risks and uncertainties continued

**Risk Pillar 3: Operational** continued

We ensure operational risk is minimised through effective people, processes and systems aligned to our strategic goals.

**Principal risk**

## P9 Technology and information security

The risk that inadequate technological, security and data infrastructure and failure to upgrade systems could lead to operational inefficiencies, data breaches, service disruptions, a lack of scalability and reputational damage.

**Links to strategic themes**

### Key considerations

We have been making positive progress to deliver Gateway to implement a single technology platform and address the risks exposed from operating across three segregated technology stacks, which support our products in their existing state, and reduce our technical debt.

The multi-year security programme to deliver improvements to the Group's security posture, which commenced in 2022, continues to progress into 2025 and beyond as we respond to new and emerging threats, and address those identified by the Red Team test performed in H2 2023.

As we continue to explore the use of AI, Machine Learning (ML) and large language models, we need to ensure we utilise them in a controlled manner; have an understanding of their capability; manage risks to our data security and integrity; and correctly perform processes in ways that are ethical and improve the customer and colleague experience. Additionally, there is a risk that we fail to leverage AI, which may leave us at a disadvantage to competitors who are able to utilise and integrate this technology into their business models.

### Mitigating actions

- An organisational design for cyber and information security has been implemented using a consolidated security technology stack, supported with a new, strategic Security Operations Centre (SOC) provider, which was onboarded during 2024.
- A Zero Trust/E5 programme is underway to deploy protection and defence against our endpoints, mobile devices and servers, whilst generating consistent security logging and event alerts for analysis and response.
- We are developing an AI policy and framework for implementation as we explore and integrate AI and ML technology into our processes to manage our emerging risk exposure, including against data, security and compliance standards.
- The data and analytics programme will provide the simplification and consolidation of all data across the business, resulting in a centralised and consistent dataset, improving the customer journey, operational efficiency and the ability to produce management information in a timely and valuable manner.

## P10 People

The risk that poor recruitment practices, insufficient employee training or low engagement levels caused by poor culture and compliance could lead to operational inefficiencies and reputational damage.

**Links to strategic themes**

### Key considerations

As part of the Group's turnaround and strategic reprioritisation, our overall headcount has been reduced to improve operational efficiency, reflect our smaller size and simplify our processes. This has heightened people risk at various points. We continue to advocate and deliver against our Great Place to Work action plan to boost staff engagement, recognising this importance against the delivery of our strategy.

A Colleague Survey was conducted on our behalf by Great Place to Work in December 2024. We scored 60% for our overall colleague engagement score, which has increased from 53% at the end of December 2023, demonstrating our progress against plan during a challenging year. Further details can be found on page 20.

### Mitigating actions

- Our One Vanquis programme has been running throughout the year to bring different elements of the colleague experience together through aligned technology, tools and data and refresh our colleague proposition.
- Changes to our operating model are subject to a structured programme of risk management and governance to minimise operational disruption and promote colleague wellbeing.
- We launched the LEAD Forum, comprising our most senior leaders across the business, to champion and drive the implementation of our strategy, embed our culture and help us shape and adjust as we go.
- We have implemented the Development Centre to enhance colleagues' skills, performance and careers through a suite of online learning and development tools.
- We maintain management responsibilities maps and succession plans, which are in place for executive management and senior colleagues.

**Risk Pillar 4: Strategic**
We seek new business opportunities, which are aligned to our customer, regulatory and commercial objectives.

**Principal risk**

### P11 Model

The risk that incorrect assumptions, poor design or outdated data within models used for decision making could lead to unintended outcomes, financial loss or operational inefficiencies.

**Links to strategic themes**

**Key considerations**

Models are widely used across the Group and play an important role in helping achieve key business decisions, risk management and strategic objectives. The use of models carries inherent risk to the Group due to their underlying assumptions, methodologies and complexities. Effective model governance, oversight and validation of models are key in mitigating model risk across the Group.

Given the UK regulatory developments on model risk management and the increased use of AI and ML models, we are closely monitoring the impact they pose to enhance our model risk management framework, policy and standards.

**Mitigating actions**

- IFRS 9 models have been redeveloped and validated, including the model monitoring and supporting metrics, to further enhance the accuracy of ECL calculations. Key models that are used for credit decisioning and pricing have been redeveloped to support new business strategies.
- The model inventory has been strengthened through clear model ownership and additional responsibilities for owners to verify the accuracy of their model inventory records and drive completeness and interdependencies.
- The updated model inventory has been used to inform model tiering, which drives the model governance prioritisation, including independent model validation. Tier 1 models, which include IFRS 9, credit and pricing models, are being prioritised for model validation and governance given their high business impact to the Group.
- Our level 1 model risk classification has been mapped to the PRA's model risk management principles with clear delineation across the three lines of defence to improve ownership and oversight. We are updating our model risk management framework, policy and standards to align to the PRA's expectations.

### P12 Business performance

The risk that poor performance of key business processes, such as financial management, operations or customer service, could lead to financial losses, reduced market share, threat to the Group's long-term viability and reputational damage.

**Links to strategic themes**

**Key considerations**

The interim results identified a number of issues with our financial management and strategic decisions resulting in some one-off items and a prior year adjustment. Challenging decisions have been made to manage our FY24 business performance. However, we approach 2025 with increased clarity and stability to successfully reposition ourselves and deliver on our purpose.

As we continue to turn around the business and seek to strengthen and grow it in an effectual and sustainable manner, which meets the needs of all our stakeholders, effective risk management is critical to both the delivery of our strategic priorities and maintaining our existing commitments in a safe and controlled way. We need to remain cognisant of the emerging threats arising from geopolitical tensions and the volatile macroeconomic backdrop.

**Mitigating actions**

- The forecasting and budgeting models have been reviewed and are currently being validated by the second line of defence to address gaps and ensure supporting documentation is in place. Once completed, they will be subject to second line of defence assurance.
- We are establishing a formal financial forecasting framework for approval to incorporate the changes in design to the financial forecasting controls.
- The Product and Pricing Committee provides governance over pricing strategies. During the year, we have carried out initial repricing initiatives on Cards and completed a repricing programme for Vehicle Finance. Our enhanced pricing models will allow us to become more dynamic with our pricing and apply risk-based pricing mechanisms to generate revenue, in line with Consumer Duty.

## Viability statement

In accordance with the 2018 FRC Corporate Governance Code, the directors confirm that they have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the next three years to 31 December 2027 (the Viability Period). The Viability Period represents the period over which the Board has a reasonable degree of confidence over anticipated events, including prospects for the macroeconomy, and also provides an appropriate outlook over the medium to long term.

In making the Group viability statement, the directors have made an assessment of the Group's current financial position and prospects, as outlined within the Strategic Report, together with the principal risks and other factors likely to affect the Group's future performance and development. This assessment is made following consideration of a wide range of information, including:

- the Group's corporate plan, updated in 4Q24 to capture latest outer year projections, which sets out financial, capital, liquidity and funding projections, together with an overview of relevant risks;
- the principal and emerging risks which could impact the performance of the Group;
- a severe but plausible stress testing scenario, which is designed to assess the potential impact of certain underlying risks on the Group's capital and funding resources, together with the availability and effectiveness of mitigating actions; and
- reverse stress testing analysis, which is designed to assess the point at which the Group is no longer a viable concern.

The Group's corporate plan was approved by the Board in December 2024. In doing so, the Board has reviewed detailed forecasts for the three-year period to December 2027 and considered less detailed forecasts for 2028 and 2029. These higher-level, outer year forecasts do not contain any information which would cause different conclusions to be reached over the longer-term viability of the Group.

The Group's annual planning process takes into account the Group's strategic objectives and business model. The business model focuses on relatively short-term lending to consumers and operates conservative underwriting. The plan makes certain assumptions about the regulatory environment, future economic conditions and anticipated changes within the markets in which the Group operates and also makes an assessment of the Group's ability to fund new business growth. The Board obtains independent assurance from Group Risk over the alignment of the corporate plan with the Group's strategy and the Board's risk appetite. Specific focus is placed on capital risk as well as liquidity and funding risk. The assessment also considers the key risks which may impact delivery of the Group's operating plan. The Group's principal risks are included on pages 51 to 55.

The corporate plan is based on a macroeconomic scenario which was in line with market consensus estimates, and which assumes that the UK economy remains constant, with expectations of low levels of GDP growth through 2025 driven by a sustained elevated UK Bank Rate and a higher tax burden. Inflation is expected to remain around 2.7% in early 2025 before subsequently falling through the second half of 2025 and beyond. The plan assumes that the UK unemployment rate remain broadly stable in 2025 and 2026, peaking at 4.5% in 2026.

The Board conducts a number of specific reviews of the corporate plan provided by Group and functional management, alongside other regular briefings on and discussion of new strategies, business developments and current financial performance. These reviews consider a range of market opportunities and developments, together with associated risks from within the Board's risk appetite framework.

The Group manages its liquidity to meet the Overall Liquidity Adequacy Rule (OLAR) and to ensure that it can meet its liabilities as they fall due. The level of liquidity required by the OLAR is determined by the Internal Liquidity Adequacy Process Assessment (ILAAP) and is based on an analysis of the Group's business as usual forecast cash requirements but also considers their predicted behaviour in stressed conditions. In recognition of the waiver received in November 2022, which allows Vanquis Bank Limited to fund the vehicle finance business, the ILAAP also includes an assessment of the liquidity needs of the wider Non-Bank Group. The waiver is due to be renewed for a further three years in October 2025. The Group has sufficient access to liquidity resources, including retail deposits, secured funding on its assets and access to wholesale markets. Furthermore, the Group has plausible options available to it, should the need arise, to either reduce the liquidity requirements or increase the amount of liquidity it has (or can raise).

The corporate plan has been stress tested using a severe macroeconomic scenario, a higher interest rate environment with the UK unemployment rate rising to approximately 8.1%. The stress test scenario takes into account the availability and effectiveness of mitigating actions which could be taken by management to avoid or reduce the impact of the macroeconomic stress. These management actions could include but are not restricted to restricting variable pay, reducing lending growth, and/or changing the dividend payout. The corporate plan has also been reverse stress tested to the point of non-viability after reflecting available mitigating actions. The viability assessment concluded that the Group's viability only comes into question under an unprecedented macroeconomic scenario.

The outcome of the pending Supreme Court hearing on Vehicle Finance Commission scheduled for 1-3 April 2025 remains uncertain. A possible scenario has been considered as part of the stress testing. See note 33 for further details.

The directors also considered it appropriate to prepare the financial statements on the going concern basis, as set out on page 120 and page 135.

**Dave Watts**
Chief Financial Officer
13 March 2025

# Governance supported by our purpose and culture

> **Our governance structure is designed to drive the Group's transformation, building a sustainable business model, with the goal of delivering lasting value for customers, colleagues, and shareholders."**

**Sir Peter Estlin**
Chairman

## Dear Shareholder

I am pleased to introduce the Corporate Governance Report for 2024 on behalf of the Board. In 2024 the Group continued to face significant headwinds. Whilst the macroeconomic environment improved somewhat, an element of uncertainty endured, speculative complaints from CMCs continued, and the Group was required to recognise £40m of one-off items during the first half of the year. The latter provided greater clarity on the Group's financial position, while a strong focus on operational efficiency delivered over £60m in cost savings. Together, these factors have strengthened stability, supporting the Group's ongoing operational turnaround. You can read about the Group's strategy and activities undertaken during the year to position the Group for success on pages 1 to 34.

The following pages explain the Group's governance structure and key activities undertaken by the Board and its committees during the year to ensure effective decision making and oversight of our strategy, business model and performance. The report also describes how we have applied and complied with the UK Corporate Governance Code 2018 (the Code) during the year.

## Our purpose and culture

The Board's activity is always guided by the Group's purpose (page 2) and culture (page 67), and the delivery of sustainable value for our shareholders. The Board continues to provide oversight and challenge to the executive to ensure that strategy is delivered and that strategic aims align with the Group's purpose (page 11). Despite the challenges during the year, you can see some of our governance highlights across the page.

## Board composition, succession and effectiveness

The Board recognises its need to evolve alongside the business and adapt to the external business environment. There were several Board changes during 2024. Andrea Blance stepped down on 1 February 2024 after seven years of service and was replaced as SID by Angela Knight and as Chair of the Remuneration Committee by Graham Lindsay. Elizabeth Chambers and Margot James stepped down effective on 15 May 2024. On 27 March, the Group appointed three new non-executive directors, Karen Briggs, Oliver Laird and Jackie Noakes. These appointments brought additional financial services, banking, regulatory, risk and compliance expertise and experience to the Board, and I am pleased to report that Board dynamics and discussions have been accordingly enhanced during the course of the year. On 29 January 2025, Angela Knight and Paul Hewitt stepped down from the Board, both having served in excess of six years. I want to reiterate my thanks to Angela and Paul for their valuable contribution and commitment to the Board through a challenging period. As a result of Angela's departure, I am delighted to report that Michele Greene assumed the position of Senior Independent Director.

This year, the Board took a hybrid approach to its performance review, the results of which are detailed on page 77. I am pleased to report that the Board was commended for its collaborative dynamic and its support for executive management during a challenging period for the business. As a Board, we will continue to reflect on areas for improvement throughout the year and consider how best to leverage Board skills and experience to assist in the business turnaround.

## Chairman's introduction to governance continued

### Effective risk management and governance

Robust risk management remains core to the Group's governance framework and has been even more pertinent during the Group's ongoing transformation. You can read about the Board's consideration of risk on page 66 and in our Audit and Risk Committee Reports on pages 82 to 90.

### Stakeholders and section 172 of the Companies Act 2006

The Group recognises that effective engagement with our shareholders, employees and wider stakeholders is key to sustainable success and this underpins all our decision making. Under section 172 of the Companies Act 2006, directors must act in a way they consider, in good faith, would be likely to promote the success of the Company for the benefit of its shareholders as a whole. Our Section 172 Statement, which explains how the directors have discharged their responsibilities during the year under review, can be found on pages 44 and 45.

### Annual General Meeting

Our AGM will be held at 1.00pm on 14 May 2025 at the offices of Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ. I look forward to meeting shareholders at the AGM, together with my fellow directors.

**Sir Peter Estlin**
Chairman
13 March 2025

This report explains the main aspects of the Company's governance structure and how the Company has applied the principles and complied with the provisions of the Code. The Corporate Governance Statement also explains compliance with the FCA's Disclosure Guidance and Transparency Sourcebook. The UK Corporate Governance Code is published by the Financial Reporting Council (FRC) and is available on its website, www.frc.org.uk. The Board considers that for the year ended 31 December 2024 the Company complied with the provisions of the 2018 UK Corporate Governance Code (the Code), with the exception of a limited period of non-compliance with Provisions 24 and 32 of the Code. As reported last year, the stepping down of Andrea Blance on 1 February 2024 meant that both the Audit and Remuneration Committees operated with only two members until 27 March 2024. The Board and Nomination and Governance Committee agreed that this temporary non-compliance was appropriate given that it would be time limited, the impending appointment of additional non-executive directors, and that both committees retained sufficient skills and expertise to discharge their duties. Furthermore, at the time of non-compliance the Company had been outside of the FTSE 350 since September 2023; the Code notes that audit and remuneration committees of smaller companies are permitted to have two members. Further information on the Company's corporate governance arrangements and compliance with the Code can be found as follows:

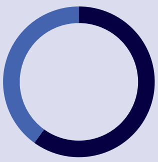


## Governance at a glance

### Governance highlights

- Ensuring the business is ready for the updated UK Corporate Governance Code.
- Conclusion of shareholder asset reunification exercise.
- Further streamlining of the Group's corporate structure.

**40% Board female representation (as at 31 December 2024)**



- Male 6
- Female 4

**34%**
women in senior management (2026 target: 40%)

**4.2**
average score out of 5 rating the Board's level of skills, experience and knowledge

**81%**
colleague participation rate for the GPTW survey

# Our Board

Paul Hewitt[1]
Angela Knight[2]

**Committee key:**

- A Audit Committee
- D Disclosure Committee
- N Nomination and Governance Committee
- Re Remuneration Committee
- Ri Risk Committee
- Committee Chair

## Sir Peter Estlin

Chairman

N

**Appointed as Chairman:** 15 September 2023

**Joined the Board:** 19 April 2023

**Tenure:** 1 year

**Career and experience:**
Peter is a senior finance professional with a 35-year career in banking and finance with PwC, Citigroup and Barclays. Peter was knighted in 2020 for his services to international business, skills and inclusion. He also served as the 691st Lord Mayor of the City of London from 2018 to 2019 and has been an Alderman for the City since 2013. Having qualified as a Chartered Accountant with Coopers & Lybrand in 1993, where he later became a Partner, he held the role of CFO for the Asia Pacific and, latterly, the Global Corporate and Investment Bank businesses at Citigroup. From 2008 Peter held senior roles at Barclays plc including Group Financial Controller, CFO of the Retail and Business banking division and acting Group CFO.

**Peter's contribution to the Board, key strengths, skills and reasons for re-election:**
Peter is a commercially and strategically astute CFO and non-executive director who brings both breadth and depth of banking experience, including retail banking, and is an experienced chairman.

- A strong leader with significant finance and accounting experience gained in professional services and banking, further complemented by expertise across systems management, financial reporting and accounting, investor relations, treasury management, and mergers and acquisitions.
- Extensive governance experience, across the private, public and charitable sectors.
- Wealth of knowledge of the financial markets and experience of implementing strategy and delivering significant corporate transactions, and transformation projects.

**Current external appointments:**

- Non-executive director of NM Rothschild Ltd, Supervisory Board member at Rothschild WAM Co and Rothschild & Co and of the Institute for Apprenticeships and Technical Education (IfATE).
- Chair of FutureDotNow and Association of Apprentices.
- Trustee at Ironmongers Trust Company.
- Alderman for City of London Corporation.
- Director at Revolut Newco UK Ltd.

## Ian McLaughlin

Chief Executive Officer

D

**Appointed:** 1 August 2023

**Tenure:** 1 year

**Career and experience:**
Ian has extensive banking experience across mortgages, wealth management, savings, insurance and motor finance. From 2019, Ian was the CEO of Bank of Ireland (UK) Plc. He has served as a non-executive director on bank and technology company boards and from 2012, held senior retail banking roles at Royal Bank of Scotland (now NatWest Group) including developing specialist consumer and commercial financial services propositions.

**Ian's contribution to the Board, key strengths, skills and reasons for re-election:**
Ian is a highly experienced chief executive officer and board director with extensive experience in banking and investment management. He has a strong track record of delivering growth through improving customer service and enhancing distribution volumes and channels.

- A deep knowledge of the financial services industry and regulatory environment.
- Experience in managing complex transformation programmes, providing clarity on strategy, purpose and culture, whilst overseeing successful operational delivery.
- Delivering market leading customer propositions that provide excellent customer outcomes.
- Leading brand, product and proposition development.
- Non-executive director experience.

**Current external appointments:**

- UK Finance Limited.

## Michele Greene

Senior Independent non-executive director

N Ri

**Appointed:** 9 March 2023

**Tenure:** 2 years

**Career and experience:**
Michele is a highly experienced finance professional at executive and board level. She has held senior roles at Virgin Money and MBNA Europe Bank and, prior to that, she worked across various finance functions at Goldman Sachs, Credit Lyonnais and KPMG Dublin. At Virgin Money, Michele was Director of Strategic Development, where she was responsible for establishing a credit card business on a newly built IT platform and was subsequently appointed as the Managing Director of the Virgin Money Digital Bank. In 2018 Michele co founded Mololo Limited, a boutique advisory company specialising in helping companies in the payments and unsecured lending space.

**Michele's contribution to the Board, key strengths, skills and reasons for re-election:**
Michele has over 25 years' experience of financial services and retail banking, particularly in the areas of payments and digital innovation. Michele has built significant experience in the development and growth of successful banking businesses.

- Chartered Accountant and experienced business executive and finance professional with a strong track record as a CFO and MD.
- Deep knowledge within the consumer credit, card payments and digital banking sector.
- Proven ability to build effective working relationships with key stakeholders, including regulators, investors and analysts.
- Non-executive director and chair experience.

**Current external appointments:**

- Executive Director and co-founder of Mololo Limited.
- Non-executive director of Bank of Ireland Group plc, J&E Davy Unlimited and, East End Fair Finance Limited.

1 Paul Hewitt stepped down on 29 January 2025.
2 Angela Knight stepped down on 29 January 2025.

# Board of Directors continued

## Dave Watts
Chief Financial Officer

D

**Appointed:** 1 November 2023

**Tenure:** 1 year

**Career and experience:**
Dave is a highly experienced banking CFO who worked for HSBC for nearly 30 years in a variety of roles at the global, regional and business levels. He notably was part of the team that established the UK ring fence bank of HSBC and was subsequently the CFO and an Executive Director of HSBC UK Bank plc from 2017-2021. Most recently, Dave served as CFO and Executive Director of HSBC Bank plc, which managed HSBC's business in Europe (ex. UK). Between 2015 and 2018, he was the CFO of HSBC Bank plc. Dave's prior roles were outside of personal banking and wealth, including global CFO roles for commercial banking, global banking, operations and technology. Dave qualified as a Chartered Accountant with KPMG and is a qualified treasurer.

**Dave's contribution to the Board, key strengths, skills and reasons for re-election:**
With over 35 years of financial services experience, Dave has a proven track record of executing strategy and delivering on significant challenging multi-year transformations and projects.

- A highly experienced finance leader with extensive banking experience.
- A strong treasury background with experience in challenging liquidity, funding and capital matters, in entities with differing regulatory requirements.
- A proven track record of enhancing engagement and relationships with various external stakeholders, including regulators.
- A strong cost management capability having led numerous cost management and reporting initiatives.
- Non-executive director experience.

**Current external appointments:**
- Non-executive director of CAF Bank.

## Graham Lindsay
Independent non-executive director

A N Re

**Appointed:** 1 April 2019

**Tenure:** 5 years

**Career and experience:**
Graham held a number of senior executive roles at Lloyds Banking Group over a 40-year period, including responsibility for the Lloyds branch network, HR Director of the Retail Bank and as Group Responsible Business Director. Graham joined the Wonga UK board in 2016 as part of the new leadership team engaged to improve the business and deliver change following regulatory approval.

Graham has been a Board member of the Institute of Banking & Financial Services and sat on the Professional Standards Board. He is Senior Independent Director at One Family, a Trustee of Break Charity and an Emeritus Trustee of The Brain Tumour Charity.

**Graham's contribution to the Board, key strengths, skills and reasons for re-election:**
Graham brings to the Board extensive experience in commercial, private and retail banking and a deep understanding across all distribution channels. Graham has had demonstrable success in focusing organisations on their customers, ensuring they are at the heart of decision making and product design. Graham also has a strong appreciation of the Group's regulatory environment.

- Extensive customer knowledge, strong customer focus and a track record of enabling and overseeing businesses to ensure that they put the customer at the heart of what they do.
- Significant stakeholder engagement experience.

**Current external appointments:**
- Senior Independent Director at OneFamily and Chair of the Pension Trustee Board.
- Trustee of Break Charity.
- Emeritus Trustee of The Brain Tumour Charity.
- Director at Family Assurance Staff Pension Scheme Trustees Ltd.

## Karen Briggs
Independent non-executive director

A N Ri

**Appointed:** 27 March 2024

**Tenure:** <1 year

**Career and experience:**
Karen is a qualified accountant with over 30 years' experience, having held many senior leadership roles at KPMG UK, including as Head of Risk Consulting and Head of Tax, Pensions and Legal Services. Throughout her career she has had a focus on financial services, AI, big data and technology. She was a Board member for K Capital, KPMG's £100m global technology investment fund, where she led the development and management of up to £100m of AI, cyber, data and other solutions. In 2020 she led the Forensic & Litigation Consulting and Technology practices of FTI in EMEA and focused on strategic leadership to drive transformational growth.

**Karen's contribution to the Board, key strengths, skills and reasons for re-election:**
In addition to her financial services expertise, Karen has also been a senior banking regulator and worked on the highest profile banking investigations globally. Karen is a highly experienced leader focused on leading complex global regulatory, forensic and financial crime assignments for financial institutions, other regulated entities and regulators.

- Extensive experience of working with audit committees, and familiarity with accounting and assurance.
- Brings extensive experience of designing, implementing and overseeing large scale remediation programmes across a variety of sectors covering risk, assurance, compliance, conduct, regulation, and data/technology.
- Non-executive director experience.

**Current external appointments:**
- Chair of Audit & Risk Committee and Independent Council Member of Imperial College London.
- Non-executive director and Trustee of Invictus Games Foundation Board.
- Advisory Council Member for Elevate City, a women's leadership network.
- Chair of Audit Committee and non-executive director of SMBC Bank International plc and Happold LLP.
- Chair of Audit & Risk Committee and non-executive director of Chubb Underwriting Agencies Limited.
- Non-executive director of Chubb European Group SE.
- Senior Strategic Advisor to Eversheds International LLP/Konexo through Karen Briggs Limited.

## Oliver Laird
Independent
non-executive director

A N Re

**Appointed:** 27 March 2024

**Tenure:** <1 year

**Career and experience:**
Oliver is a highly experienced board level chief finance officer and non-executive director with extensive finance and regulatory experience in financial services, manufacturing and consultancy having been CFO at Lookers plc (£4bn revenue car retailer, 6,500 employees), CFO at First Direct, director of central finance at Lloyds Banking Group and finance director of Co-op Insurance. He has held non-executive director and audit committee chair roles across a range of sectors.

**Oliver's contribution to the Board, key strengths, skills and reasons for re-election:**
Oliver is financially literate and will be able to confirm the integrity of internal controls and financial reporting and determine how risk will be evaluated, calibrated, and managed. He displays an engaging leadership style with effective communication skills and is objective and independently minded, prepared both to challenge and support management yet still be a team player.

- A highly experienced finance leader with extensive banking experience.
- A strong CFO background with experience in financial analysis and planning, statutory regulatory reporting, investment and capital structure decisions, and group tax and treasury management.
- A commercially focused executive with a proven track record of building business and delivering strategic change and improvements that drive uplifts in profits, increase shareholder value and improve the control environment.
- Non-executive director experience.

**Current external appointments:**
- Chair of Audit Committee and Board member of Beverley Building Society.
- Non-executive director and Audit Committee Chair of the Shepherds Friendly Society.
- Non-executive director and Audit Committee Chair of the UK Board of Paysafe Limited.

## Jackie Noakes
Independent
non-executive director

N Ri Re

**Appointed:** 27 March 2024

**Tenure:** <1 year

**Career and experience:**
Jackie is a senior leader with extensive experience in large scale business and technology transformation across banking and insurance. She has significant executive experience at board level having performed roles as CEO, chief operating officer, and CIO. Jackie has non-executive experience in mutual and listed plc businesses. In September 2018 she joined the Bank of Ireland as Group Chief Operating Officer and played a key role in delivering bank-wide transformation. This included enhancements to the group's information security management and cyber risk protection measures. Jackie held several roles at Legal & General including leading the company's £105bn savings business.

**Jackie's contribution to the Board, key strengths, skills and reasons for re-election:**
Jackie works at executive level to lead, shape and deliver strategic business change, undertaking the management of acquisitions and divestments as well as designing and implementing enterprise-wide transformation and regulatory compliance.

- A strong customer focus, leveraging data and insights to drive continuously improved experiences and customer journeys.
- Has specific skills and experience across payments, technology, operations, information security, and strategic data transformation.
- Extensive experience in financial services and a strong track record in delivering on business transformation.
- Non-executive director experience.

**Current external appointments:**
- Director at SLFC Services Company (UK) Limited.
- Director at The Scottish Mutual Assurance Society.
- Director at Pearl Group Services Limited.
- Director at PGMS (Glasgow) Limited and PGS 2 Limited.
- Director at Reassure UK Services Limited.
- Group Chief Operating Officer of the Phoenix Group.

## Division of responsibilities

# The Board operates in accordance with the Group's governance framework, articulated in the Group's Delegated Authorities Manual, Board Governance Manual, Board and Committee Terms of Reference and Matters Reserved for the Board.

The Board establishes the Group's strategy and purpose, and holds management accountable for the delivery of long-term success and shareholder value. The Board oversees the execution of strategy, whilst also maintaining an effective risk management and internal control framework.

## Governance framework

### The Board

The Board is primarily responsible for setting the Group's strategy for delivering long-term value to our shareholders and other stakeholders, providing effective challenge to management concerning the execution of the strategy and ensuring the Group maintains an effective risk management and internal control system.


- Our strategy see page 11
- Board composition see page 75
- Managing risks see page 48
- Section 172(1) Statement see page 44
- Board activities see page 65


### The Board delegates certain matters to its committees

**Audit Committee**

See page 82 for the Committee's role and responsibilities

**Risk Committee**

See page 88 for the Committee's role and responsibilities

**Remuneration Committee**

See page 91 for the Committee's role and responsibilities

**Nomination and Governance Committee**

See page 78 for the Committee's role and responsibilities

**Disclosure Committee**

### Executive directors

The Group's executive directors – the CEO and CFO – are responsible for all matters pertaining to the Group's performance and day-to-day management. The executive directors are assisted by the Executive Committee which supports the operation of the business and informed decision making on matters not reserved for the Board or Board committees.

The Executive Committee is supported by two senior executive management committees, the Executive Risk Committee and the Group and Bank ALCO.

**Shareholders and other stakeholders**

## Case study

### Governance: flow of information

The Group's Audit Committee scrutinised the requirements of the revised UK Corporate Governance Code at its July and November meetings, noting that the Board would be required to attest to the effectiveness of the Group's material controls. The Audit Committee tasked the Risk function to refine the Group's definition of material controls, ensure they were identified and mapped to the Group's principal risks, and agree the parameters for the effectiveness assessment. The Executive Risk Committee (ERC), reporting to the Group Risk Committee, then became the governance forum for in-depth scrutiny of the Group's material controls framework, engaging in substantive debate around all elements of the project. The outcome of the ERC's deliberations was then presented in a formal paper for Risk Committee approval in January 2025. You can read more about the Risk Committee's consideration of material controls in our Risk Committee Report on page 90.

## Clearly defined roles and responsibilities

We define the separate roles and responsibilities of our Chairman, CEO and SID in writing and they are available on our website, **www.vanquisbankinggroup.com.**

**Chairman, Sir Peter Estlin**
- Builds and leads an effective and appropriately skilled Board, which challenges management on the execution of strategy
- Promotes best practice Board behaviours through effective chairing and the encouragement of constructive challenge and openness
- Ensures that the Board promotes high standards of corporate governance and models Company culture
- Engages with stakeholders to inform decision making

**Chief Executive Officer, Ian McLaughlin**
- Manages the day-to-day operations of the Group to execute the Board agreed strategy and deliver the Group's purpose
- Leads executive management in the implementation of Board decisions and promoting Company culture
- Manages the Group's risk profile in accordance with Board direction
- Demonstrates ethical leadership and models accountability and transparency

**Senior Independent non-executive director, Michele Greene**
- Acts as a sounding board for the Chairman and an intermediary for other NEDs, as required
- Leads the performance review of the Chairman
- Is available to shareholders outside of the normal communication channels

**Chief Financial Officer, Dave Watts**
- Leads the Group Finance function in the delivery of Group strategy
- Is responsible for capital management, financial reporting and effective financial processes and controls
- Liaises with investors alongside the CEO

**Non-executive directors**
- Provide independent and constructive challenge
- Scrutinise the performance of management
- Develop strategy using their experience and expertise from other sectors
- Chair the Remuneration, Nomination and Governance, Risk and Audit Committees

**Designated Non-Executive Colleague Champion, Graham Lindsay**
- Seeks to understand the views of colleagues
- Attends Colleague Forums and other colleague engagement events
- Articulates the views of colleagues at Board meetings

**General Counsel and Company Secretary, Michael Mustard**
- Advises on legal, governance, and Board procedural matters
- Ensures the Board has high-quality information, and the resources required to function effectively
- Facilitates discussion between the Board and executive management
- Leads on delivery of corporate governance requirements and the Board effectiveness evaluation

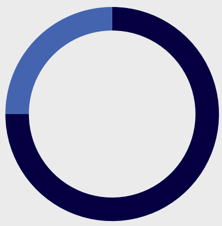
**Executive Leadership Team**
- Supports the CEO in the development and implementation of strategy, and the embedding of culture
- The Executive Committee is comprised of the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer, Chief Customer Officer, Chief Operating Officer, Director of the CEO Office, Chief Digital and Analytics Officer, and Group General Counsel and Company Secretary

## Independence of the NEDs and conflicts of interest

The Board and Nomination and Governance Committee review the independence and time commitment of NEDs on appointment and thereafter annually, taking into account the requirements of the Code. Time commitment is also reviewed where an additional external appointment for a director is proposed. During 2024, the Board approved the appointments of:

- Peter Estlin as advisor to, and subsequently NED on the Board of, Revolut Newco UK Limited;
- Karen Briggs as NED on the Board of Buro Happold and of Chubb European Group SE;
- Graham Lindsay as Trustee of Break Charity;
- Oliver Laird as NED and Audit Committee Chair of Shepherds Friendly Society; and
- Ian McLaughlin on the Board of UK Finance Limited.

### Independence of the Board (excluding the Chairman) (as at 31 December 2024)



**78%**

**of our Board (excluding the Chairman) are independent non-executive directors**

- Independent 78%
- Executive 22%

All Directors are required to disclose to the Board any interests which may pose a conflict in relation to their duty to promote the best interests of the Group.

The Board concluded that all Directors continue to be independent and have sufficient time to discharge their duties to the Company. As a result, all are recommended for re-election at the 2025 AGM.

Setting our strategy

## The Group's strategy is outlined on page 11, while pages 65 and 66 highlights the Board's key activities over the year, including its oversight and the strategic direction behind major decisions.

### Our strategy

The Group's principal risks to the delivery of strategy are detailed on pages 51 to 55. The Group's effective governance matrix (page 62) facilitates the delivery of strategy. Whilst the Board retains responsibility for the approval of the Group's strategic direction, it delegates responsibility, as needed, to both its committees and executive management. The Board and its committees receive regular KPIs to monitor the implementation of strategy.

The principal decision detailed below illustrates the role of the governance structure in the delivery of strategy.


**Principal decision: TFSME early repayment**

**In September 2024, the Board approved the early repayment of the Group's TFSME (Bank of England Term Funding Scheme for SMEs) drawings ahead of the contractual maturity.**

### Decision-making process

The Group's governance structure facilitated the Board's decision making. The proposal was originally considered by the Group Executive Committee and the Assets and Liabilities Committee, having been put forward by the treasury team. Both committees discussed and challenged the proposal, including ensuring that adequate supporting information was provided to facilitate the Board's decision. The paper was ultimately tabled and approved by the Board.

### Considerations and challenges

In making the decision, the Board had regard to the Group's funding plan, previously approved by the Board in March 2024. The risks of refinancing and the Group's contingent liquidity were central considerations when debating the merits of early repayment. The materials presented to the Board noted the importance of liquidity to the Group's overall safety and soundness, and how it determined the amount of lending available to the customer base. The Board was provided with information on the Group's current liquidity status and the consequences of early repayment.

### Balancing stakeholder interests

The Board recognised that the Group's level of liquidity directly influences the amount of available lending for the customer base. The Board acknowledged that the Group's regulators also expect to see evidence that the Bank is managing its funding and liquidity risk on a forward-looking basis and in line with the funding plan. The Board also considered regulatory concerns around a TFSME maturity concentration risk as a key element of its debate. The Board was assisted in its consideration of stakeholder interests by the Group's Board paper template which specifies that the impact of any proposition on all stakeholder groups is considered.

**Links to stakeholders** **Links to strategic themes** **Links to risks** P1 P2 P5

**Links to s.172**

**Key**

**Links to stakeholders**
- Customers
- Colleagues
- Regulators and Government
- Shareholders
- Communities
- Suppliers

**Strategic themes**
- Customer centricity
- Insightful risk management
- Efficient organisation
- Digital, tech, data and analytics
- A great people proposition

**Links to risks**
- P Find our key risks on pages 48 to 55

**Links to s.172**
- (a) The likely consequences of any decision in the long term
- (b) The interests of the Company's employees
- (c) The need to foster the Company's business relationships with suppliers, customers and others
- (d) The impact of the Company's operations on the community and the environment
- (e) The desirability of the Company maintaining a reputation for high standards of business conduct
- (f) The need to act fairly as between members of the Company

## Promoting long-term sustainable success: Board focus areas during 2024

**Board meeting agendas are collaboratively developed by the Chairman, CEO and General Counsel and Company Secretary. Board meetings aim to achieve a balance between performance review and forward-looking strategic focus. Governance matters and matters reserved for the Board under the Group's Delegated Authorities Matrix also inform the requirements of each meeting's agenda. The Board's decision making is supported by strategic KPIs and management information.**

| Strategy | Links to s.172 | Links to stakeholders |
|---|---|---|
| Received – and challenged – regular updates on the progress of our strategy throughout the year. | | |
| Considered a review of the current sector landscape and the position of the Company therein, including competitor analysis. | | |
| Received and challenged 'deep dives' into the Group's different products, including Vehicle Finance, Cards and Second Charge Mortgages. | | |
| Reviewed and scrutinised longer-term possibilities for the Group. | | |
| Initiated a 'turnaround priorities' focus to ensure that key priorities were afforded sufficient Board attention. | | |

| Budget, financing and performance | Links to s.172 | Links to stakeholders |
|---|---|---|
| Approved the 2025 budget and received regular updates on performance against the 2024 budget throughout the year. | | |
| Reviewed and approved changes to the Group's intra-group funding arrangements and capitalisation levels of subsidiaries. | | |
| Reviewed and approved the half and full-year results, quarterly updates, and the payment of a dividend for the 2023 financial year. | | |
| Oversaw the Group's successful cost efficiency project to reduce the overall cost base. | | |

| IT, cyber and resilience | Links to s.172 | Links to stakeholders |
|---|---|---|
| Reviewed the Technology Roadmap and considered significant IT risks. This included consideration of how technology would link to strategy and 'future-proof' the business. | | |
| Considered how the integration of Snoop into the business could positively impact the way in which the business – and its customers – leveraged technology capability. | | |
| Reviewed and approved the Group's ICAAP and ILAAP. | | |
| Received an update on the potential role, usage, and risks posed by Artificial Intelligence. | | |

## Promoting long-term sustainable success: Board focus areas during 2024 continued

| Governance and risk | Links to s.172 | Links to stakeholders |
|---|---|---|
| Received regular updates from the Chief Risk Officer, including assessments of current risk and regulatory horizon scanning. | | |
| Engaged in extensive debate around the Company's risk appetite and approved the parameters of risk appetite across key metrics including capital and liquidity. | | |
| Received regular updates on the level and impact of complaints. This included an assessment of options to address the issue and a consideration of the wider external threat landscape. | | |
| Received an investor update, including an overview of investor perception, priorities and engagement options. The Board also approved the AGM notice and correspondence. | | |
| Approved an action plan to ensure compliance with the updated UK Corporate Governance Code and the ongoing Companies House reform. | | |

| People and culture | Links to s.172 | Links to stakeholders |
|---|---|---|
| Reviewed the results of the annual Colleague Survey, considering key themes and insights, and approved an action plan. | | |
| Received substantive updates on culture and considered corresponding action plans. At the Board's request, consideration of the impact of culture was embedded into strategic updates. | | |
| Received an update on whistleblowing activity. | | |
| Received an annual health and safety update. | | |
| Considered ways to improve and optimise colleague engagement and workforce policies and practices. | | |

| Customer and regulatory | Links to s.172 | Links to stakeholders |
|---|---|---|
| Received regular updates on the embedding of the FCA's Consumer Duty and the efficacy of processes to ensure compliance. | | |
| Listened to recorded customer calls to gain further customer insight and suggest improvements to the customer experience. | | |
| Received advice and debated the potential impact of the recent Court of Appeal motor finance ruling. | | |
| Reviewed and approved the launch of two new products – a cash ISA and easy access savings. | | |

### Areas of focus in 2025 include:

- the development of the Cards business;
- the external environment including complaints;
- the long-term future strategy; and
- the further embedding of the aspired culture.

# Embedding our business values is essential to building a strong culture - a key strategic differentiator that drives our purpose, mission, and long-term success.

Our values define our culture and shape how we engage with each other and our customers. By fostering a strong culture of accountability, we are setting the business up for long-term success.

This year we have made progress across a number of areas laying the foundations of a supportive and inclusive culture, guided by the feedback received from colleagues in our 2023 annual colleague engagement survey. However, recent business performance and colleague redundancies this year mean culture remains a key area of focus for 2025.

Our Great Place to Work (GPTW) survey carried out in December 2024 sought colleague feedback on what it's like to work at Vanquis and where we can do better. We worked with the Chairman to include new questions asking colleagues to describe our culture today, and what they aspire for our culture to become in the future. Highlights of the survey results can be found on page 68.

| Cultural indicator | How it is overseen |
| --- | --- |
| **Leading by example** | The Board plays a key role in supporting the embedding of the desired culture through leading by example. This is underpinned by an appropriate flow of information, enabling the Board and its committees to oversee management and challenge performance, culture and strategy. Our Board understands that a strong culture, supported by good governance, enables long-term growth and generates sustainable value for our stakeholders. You can also read about how the Board has had regard to the interests of our stakeholders and their s.172 responsibilities to deliver long-term growth on pages 44 to 45.<br><br>We have a Designated Non-Executive Colleague Champion, Graham Lindsay, who is also the Consumer Duty Champion. This is a key role in facilitating the Board's oversight of our customer-focused culture. The Board recognises the importance of colleague feedback to embedding our culture and taking action when needed. Our Designated Non-Executive Colleague Champion attends Colleague Forum meetings and undertakes other colleague engagement, sharing colleague views in order to shape Board discussions and consideration. You can read more about this on page 73. The Board also attended a number of informal sessions held throughout the year with our colleagues.<br><br>Our inclusion and diversity ambition remains to build and sustain an inclusive culture and diverse workforce which will help us to respond to the needs of our customer base and support our purpose to deliver caring banking so our customers can make the most of life's opportunities. This year we have continued to make progress in creating an inclusive and healthy culture, working towards our I&D targets (see page 80 for examples). However, we know that there is more to do and as we develop our plans, the Board is monitoring the evolving landscape of regulatory change in this space. With the appointment of Oliver Laird to the Board earlier this year and 40% female Board representation during 2024, we are meeting the target set by the Parker Review. Our inclusion community has delivered a variety of events to celebrate and raise awareness of inclusion and diversity this year, encouraging involvement from colleagues. Using the planned launch of the new HR system, we have the opportunity to renew focus on improving the quality of our I&D data that colleagues share with us. It is the Board's aim to achieve the min. 80% target completion rate which will allow us to produce disability and ethnic pay gap reporting and further workforce analysis. Our Nomination and Governance Committee oversees our performance in relation to diversity and inclusion, and further details can be found on pages 78 to 81. On the Board our non-executive directors play an important role in supporting our diversity ambitions. |

## The Board: our culture continued

<table>
<tr><th>Cultural indicator</th><th>How it is overseen</th></tr>
<tr><td>Embedding our culture</td><td>In June, a colleague networking event in Bradford was held whereby nominated colleagues met with the Board for a speed networking event facilitating both insight and colleague engagement. The Board also introduced 'New Joiner Sessions', where the Board invited anyone who had recently joined the business to meet a Board member for an informal coffee and chat.<br><br>Our Chairman, Sir Peter Estlin, also participated in some functional Town Halls where colleagues had the opportunity to ask questions of the Board. Most recently, Peter joined the Finance Town Hall. He also joined the Colleague Forum meeting in April and also the first of 2025 in January.<br><br>Graham Lindsay, Chair of the Remuneration Committee and Colleague Champion, continued to attend Colleague Forum sessions regularly and was seen as a welcome member by the Colleague Forum representatives. Graham has also run dedicated Q&A sessions with the Colleague Forum providing an opportunity to ask questions of the Board.<br><br>The Board receives updates on colleague initiatives designed to embed culture. A social committee was established by colleagues, in response to colleague feedback. Events have been run this year which focused on bringing people together, encouraging colleagues to come into the office and driving cross-team collaboration.<br><br>Our Disability Affinity Group partnered with our learning and development team to improve the digital learning offering, making sure it's accessible for all colleagues. The Group is working with Tech & Change on trialling accessible supportive software including 'Dark Reader' software (which adjusts displayed colours), and this is now going live on Edge (internet browser) which will support neurodivergent colleagues.<br><br>In May 2024 we launched our Women in Leadership Network to establish and foster a connected network of support and sponsorship for all senior women across the Group throughout their leadership journey.</td></tr>
<tr><td>Assessing and monitoring our culture</td><td>In addition to the colleague engagement reported above, the Board and its committees monitor the alignment of the Group's culture with our purpose, values and strategy, through a variety of mechanisms, cultural indicators and reporting lines including those summarised below:<br>› feedback via the Colleague Forum and Designated Non-Executive Colleague and Customer Champion;<br>› feedback on our colleague and cultural surveys;<br>› monitoring whistleblowing cases;<br>› risk adjustment assessment of remuneration outcomes;<br>› monitoring of our control environment, including internal and external audit actions;<br>› our risk framework and risk culture are overseen by the Risk Committee; and<br>› gender pay gap disclosures.<br><br>The timing of the GPTW survey, which is supported and reviewed by the Board, followed a sustained period of significant change for the business, including a change in the senior management team, the redefining of business priorities and a significant reduction in headcount, but showed an 81% participation rate (2023: 70%). The results demonstrate high colleague engagement levels and progress on last year's action planning initiatives. The survey results were encouraging but we recognise that there remains work to do and our target remains achieving GPTW certification, which is a key measure of success and validation of our people and culture work.<br><br>As part of the GPTW survey we also asked colleagues to describe our culture (today and what they aspire to). There is lack of alignment in how colleagues perceive and describe our organisational culture and a greater focus on culture is needed going forward, and in particular to support our business turnaround.<br><br>Our highest-scoring areas (90%+ favourable) aligned well with UK best workplace benchmarks in three key categories:<br>1. Fair Treatment: Colleagues reported strong satisfaction with our inclusive practices, confirming fair treatment regardless of age, sexual orientation, race, and gender.<br>2. Work Environment: Colleagues overwhelmingly consider their workplace physically safe.<br>3. Facilities: Our workplace amenities were highly rated as contributing to a positive working environment.</td></tr>
</table>

| Cultural indicator | How it is overseen |
|---|---|
| **Aligning culture and incentives** | Our reward framework and incentives are important for encouraging desired behaviours and culture. We invest in our colleagues through recognition, reward, development, and wellbeing. Colleagues are recognised through our 'Way to Go!' recognition platform. Additionally, our 'Perks at Work' scheme provides in-store and online rewards, discounts, online training, and mental wellbeing courses. The Remuneration Committee reviews workforce remuneration policies and practices alignment, and assesses with the Company's culture and strategy. Gender pay gap disclosures are reviewed annually to ensure consistency with the Company's values. Further work of the Remuneration Committee can be found on pages 91 to 113.<br><br>During the year, our Designated Non-Executive Colleague Champion worked with the reward team. The Colleague Forum was engaged and regarding our reward framework discussed how executive director remuneration aligns with the pay of the wider colleague population. The engagement concluded that executive remuneration matches the Company's pay policy. |
| **Colleague wellbeing** | The Board recognises the importance of promoting a positive culture of mental health and wellbeing. All colleagues should feel respected and supported, regardless of their backgrounds or experiences. During the year we launched our virtual GP service with BUPA, and we invited all colleagues to become members of our corporate private medical insurance. We offered a continued programme of webinars to help support colleagues during the year including LGBT Great allyship and being a carer for your partner.<br><br>All colleagues have access to wellbeing and health services, resources, and support through our external partnerships and internal support networks, which are highlighted below:<br><br>› **Access to our confidential Employee Assistance Programme (EAP)** provided by Legal & General. This 24/7 service offers compassionate support to our colleagues, helping them navigate any challenges they may face at home or at work.<br>› **Access to BUPA's Wellness + App,** which gives colleagues access to digital GP services, treatment with digital physios and mental health specialists. Additionally, all colleagues are offered membership of our private medical insurance scheme.<br>› **Internal Mental Health First Aiders** available to provide support.<br>› **Discounted gym memberships.**<br>› **Collaboration with Bank Workers Charity** to deliver a series of webinars throughout the year that explore wellbeing and inclusion topics.<br><br>The Board understands that leaving a job due to redundancy can be challenging. In 2024, we provided support for colleagues during this transition. We offered access to a professional outplacement service, which included support from a personal career coach. We arranged internal workshops that focused on essential skills, such as CV writing and interviewing techniques. We also provided wellbeing support to help colleagues build resilience and manage uncertainty. |

Stakeholder engagement and decision making

# Effective stakeholder communication

## Understanding and effectively communicating with our stakeholders is essential to the Group's long-term success.

The Group's stakeholder engagement strategy provides a framework for communication that enables the Board to adopt effective engagement methods that deliver well-considered and balanced decisions.

Our s.172 Statement, which describes the impact of stakeholder engagement on the Board's decision making, can be found on pages 44 and 45 and has been incorporated throughout our Strategic and Governance Reports. You can read more about our purpose, and the evolution of our mission and strategy in the Strategic Report.

## Customers

Our customers are central to our purpose. For more information about who our customers are and the products we provide, please refer to pages 12 and 13.

### Customer interests and our areas of focus

- Access to useful financial products that meet their needs and help to manage everyday spending.
- Financial knowledge, budget setting and understanding credit.
- Receiving reliable and high-quality service.
- Establishing dependable financial relationships to help borrow healthily and manage through life's unexpected events.

### Board and Company engagement

- Continued support and guided oversight of the execution of the Group's customer-centric strategy.
- The Board has overseen the introduction of easy access savings products as described in our principal decision on page 45.
- The Board has approved the Group's Consumer Duty Annual Report submission in July 2024 which you can read about in our principal decision on page 72.
- The Board has overseen the enhancement of customer forbearance options, including those for vulnerable customers.
- The Board regularly monitors customer service quality including through listening to customer calls with a range of outcomes.
- The Board supported focus on a digital first customer experience. Our improved mobile app has been developed during 2024 and is due to be launched in 2025.

### Outcomes and impact on decision making

- Broadened our product range, including easy access savings accounts that are more typically suited to our customer base.
- Customers and good customer outcomes are embedded into the Group's priorities, purpose and values.
- Regular training, monitoring and upskilling of agents to continually improve customer service performance.
- Development of digital app and customer web portal benefiting from expertise of Snoop colleagues. Work is on track for implementation of the Gateway platform by the end of 2025.
- Introduction of Snoop credit score and Snoop savings product.
- Enhanced vulnerability training for all non-customer facing colleagues.
- New caps and limits for the application of late charges and overlimit fees on credit cards.
- Partnerships with Fair Finance and Income-Max.

**Links to strategic themes**

**Links to s.172**

## Colleagues

Our talented and passionate colleagues are critical to the success of our business.

### Colleague interests and our areas of focus

- Supporting our customers and delivering great service.
- Understanding their role in the success of our business.
- Leadership, career development, training, remuneration and benefits.
- Company culture, wellbeing, inclusion and diversity and work-life balance.
- Tools and resources.

### Board and Company engagement

- The CEO publishes a weekly video blog (vlog) for colleagues.
- Our Chairman and CEO have visited office locations in person during the year to meet with colleagues at networking events.
- Monthly live 'Stay Connected' events include business performance updates and real time question and answer sessions with the CEO and broader ExCo. These events are very well attended and recordings and transcripts are made available for those colleagues unable to attend.
- All colleagues were invited to attend specialist information sessions such as those regarding our outsource providers, our customers and our mobile app development.
- Colleagues were invited to attend ExCo roadshows and question and answer sessions.
- Graham Lindsay, the Designated Non-Executive Colleague Champion, has visited offices and attended regular Colleague Forums and reported verbally to the Board.
- Colleague Forums meet regularly to discuss key topics and feed back to senior management and the Board.
- Our inclusion and diversity focused affinity groups are active and well established.
- The Great Place to Work survey has been completed to gather valuable colleague insights (see page 20).

### Outcomes and impact on decision making

- Colleague survey results fed back to the Board, action plans developed and focus sessions held (see page 68).
- Introduction of the LEAD forum, LinkedIn Learning and Connected Leaders.
- LGBT Great Silver Standard.
- Colleague Forum supported colleagues with the collective consultation on the Group's restructure and a number of colleagues' recommendations and counter-proposals were accepted.
- Snoop Plus was provided to colleagues for free.
- Customer Hub for colleagues on the internal intranet providing a centre for excellence in customer information and research helping to embed customers at the heart of decision making and continue to develop customer knowledge throughout the business.

**Links to strategic themes**

**Links to s.172**

## Investing and rewarding our workforce

Launched in 2023, The Vanquis Way provides a strong cultural foundation shaped by our colleagues. During the year we enhanced our performance management framework to align colleague objectives with our values, ensuring both what has been achieved and how it has been achieved are assessed monthly. To support career growth, colleagues have access to a free online Development Centre with high-quality training tools. We have also updated our Group Reward Framework and family-friendly policies, while aligning pay dates across the Group.

## Environment

We are committed to minimising our environmental impacts and working with others to take action on the globally important issue of climate change. Our climate-related financial disclosure is structured to be consistent with the four pillars and 11 recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) and the requirements of the Climate-related Financial Disclosure (CFD) Regulations 2022 and the UK Companies Act. Please see pages 22 to 34 for more information.

### Environment interests and our areas of focus

- Climate-related values, behaviours and targets.
- Sustainable business practices.
- Supporting initiatives to manage climate change risks and opportunities.

### Board and Company engagement

- Board and Audit Committee approved the Group's TCFD content in the Annual Report and Accounts.
- Climate risks in the Risk Management and Internal Control Framework.
- Inclusion of climate-related performance metrics within the remuneration of Executive Directors.
- Climate risk content and performance information included in the Group's ICAAP.

### Outcomes and impact on decision making

- Climate risk management and reporting that are consistent with UK regulatory requirements.
- Climate risk reclassified.
- Board approval of the Group's ICAAP.
- Science-based targets considered.

**Links to strategic themes**

**Links to s.172**

## Regulators and Government

We aim to deliver caring banking with heart for our customers and stakeholders. Our strategy, Purpose and values are designed to help us deliver a positive and effective risk culture that is focused on good conduct and outcomes. We remain committed to maintaining an open and honest relationship with our regulators. Please see page 16 for more information.

### Regulators and Government interests and our areas of focus

- Conduct, compliance and fair treatment of stakeholders.
- Risk-based and customer-centric leadership and culture.
- Well-administered, appropriately designed products with fair terms and good outcomes.

### Board and Company engagement

- Regular engagement meetings have been held with the CRO, CFO and CEO and the Group's regulators.
- Key regulatory interactions, insights and areas of regulatory focus are reported to the Board via the Chief Risk Officer Report.
- Tripartite meetings with the FCA and FOS have been held to provide consistent information about the Group's complaint pipeline and how it is being managed.
- Risk Committee has scrutinised and recommended to the Board the 2024 ILAAP and ICAAP for approval (see page 89).
- The Group CEO joined the Board of UK Finance on 1 July 2024.
- The Group is a member of the UK Finance and Leasing Association.
- The Board approved the operational resilience self-assessment attestation and action plan on 15 May 2024.
- Board approved the Consumer Duty annual Board report on 29 July 2024.

### Outcomes and impact on decision making

- The PRA completed a Liquidity Supervisory Review Process of the Group in the second half of 2024 confirming the removal of the Group's IRRBB scalar in the PRA Buffer.
- In July 2024 the Group received its Periodic Summary Meeting letter and responded to the PRA in December 2024 to confirm all actions had been completed.
- Board members have met with senior leaders at the FOS and the SRA to discuss CMC complaints and behaviours and the impact on the Group's customers and other stakeholders.
- On 11 March 2024 the Group filed a legal claim against the claims management company TMS Legal.

**Links to strategic themes**

**Links to s.172**

## Communities

We recognise the importance of supporting our communities through colleague volunteering, community investment and long-term charitable and community organisation partnerships.

### Community interests and our areas of focus

- Financial education, social mobility and inclusion and addressing the root causes of social or financial exclusion.

### Board and Company engagement

- Our Group CEO recorded a 'Number Natter' podcast with founder of National Numeracy Sam Sims on National Numeracy Day 22 May 2024, of which the Group is a Lead Supporter.
- The Group hosted an inspirational session for 45 female students aimed at motivating young women to develop careers in technology. ExCo and the Board met with the students to discuss their skills and aspirations.
- Colleagues' fund-raising is matched pound for pound up to £500 per year.
- Colleague paid volunteering time is supported for one day per year and a range of opportunities to volunteer are provided for colleagues.

### Outcomes and impact on decision making

- A total of 2,500+ volunteering hours were recorded by colleagues in 2024.
- A wide variety of team challenges have been offered to colleagues including challenges with an environmental focus or a particular diversity and inclusion focus.
- We partner with Ahead Partnership, Plain Numbers and National Numeracy to promote financial inclusion.
- We continue to support the School Uniform Project to provide uniforms to those in need via School-Home Support.
- £1.4m has been invested in our community support programmes.
- We are an official delivery partner for Bradford UK City of Culture 2025 supporting children and young people to engage in cultural activities during 2025.

**Links to strategic themes**

**Links to s.172**

## Stakeholder engagement and decision making continued

**Principal decision: Consumer Duty annual Board report and attestation**

**The Board approved the Group's Consumer Duty annual Board report and attestation to the FCA**

### Strategy and culture

As part of the FCA's Consumer Duty firms are required to complete an annual Consumer Duty board report. 2024 was the first year that the requirement was introduced, and our Board helped shape the Group's first annual Consumer Duty report prior to its submission to the FCA.

The Board had already approved a customer-centric approach in its approval of the Group's strategy. Two in-depth research projects were commissioned to understand our target market and our proposition. A Chief Customer Officer role was created and Jill Armstrong joined the organisation in February 2024 and created a single, unified customer office in July supporting the end-to-end needs of customers and providing career development opportunities for colleagues. The structure was deliberately customer centric and designed to deliver a solid foundation to deliver the approved strategy.

### Data quality

Understanding the Consumer Duty and how it could be applied and integrated into our Group began in 2023. The annual Consumer Duty report was deliberately structured to effectively communicate the changes that the Group had made following the Consumer Duty to promote consistent, fair and open communication and avoid foreseeable harm. The Board received evidence that demonstrated the practical improvements that had been applied to areas such as: customer terms and conditions; the website and mobile app; and fees and charges.

**Links to stakeholders**

**Links to risks** P1 P2 P12

**Links to strategic themes**

### Effective Board challenge

The Board commissioned a continuous monitoring review from Internal Audit of the Consumer Duty programme of work which confirmed that plans were being executed on time.

The Board in its Board meetings and through direct meetings with the Board's Consumer Champion Graham Lindsay and the Chief Risk Officer provided input to the final report. To enable clear oversight of the programme the report provides a RAG rating across all key action areas. Furthermore, a 12-month forward-looking delivery plan for embedding and continuous improvement was included. This structure also serves to support conversations with our regulator.

Under the conduct principal risk reporting the Risk Committee received regular updates regarding the Group's execution and embedding of the Consumer Duty, including the impact of actions and changes on the Group's customers and the quality and fairness of customer outcomes.

### Stakeholder outcomes

The Board was aligned in acknowledging that focus on customer outcomes and developing a customer-centric culture would contribute positively to the long-term success of the business. The Board recognised as positive for stakeholders as a whole the delivery of the Group's customer-centric strategy and purpose.

For customers our arrears and forbearance approaches have been enhanced in line with the requirements to strengthen protections for borrowers in financial difficulty. Delivery of enhanced strategies to support customers who have disclosed vulnerability or who have additional needs for support continues to be a focus area during 2025.

**Links to s.172**

## Stakeholder engagement in action

| Listen | Learn | Respond |
|---|---|---|
| The strategy seminar on 27 March 2024 provided investors and analysts an opportunity to attend and ask questions of our CEO, CFO and other key executive team members. | Key issues raised by investors were their uncertainty regarding complaints costs, visibility on the cost of risk in the Vehicle Finance portfolio and how the Group could demonstrate a clear path to receivables growth. | The Group's Q3 trading statement on 7 November 2024 provided the market with clarity regarding the cost of risk of the Vehicle Finance portfolio and information regarding complaints costs and activity. The statement also confirmed that the Group would continue to conduct Vehicle Finance lending through intermediaries which have commission disclosures in line with the Court of Appeal judgment relating to Vehicle Finance commission disclosure practices. |
| Direct market research was undertaken as part of the new mobile app development. | Insights were gained into customer experience, including how easily participants were able to understand the information being presented to them and how intuitively they were able to navigate the app in order to manage their account. | The new app is being built with large action buttons and clear language regarding the customer's balance, pending balance and available funds. |
| As part of the strategy led digital-first approach the Group launched a Bring Your Own Device (BYOD) Policy for colleagues. | Colleague feedback was gathered through the Colleague Forum and identified opportunities for more inclusivity in both the BYOD Policy and how it was being communicated. | The BYOD Policy and communications were updated to be more accessible and inclusive. |

## Suppliers

Suppliers support us to deliver quality services to our stakeholders. We are committed to building strong relationships with our suppliers supported by robust procurement policies and processes to help us to reduce costs, improve efficiency and deliver high-quality products and services to our customers.

### Supplier interests and our areas of focus

- Sustainable business, contract performance, customer service, risk management, prompt payment and commitment to tackling climate change.

### Board and Company engagement

- Board reviewed and approved the Group's corporate policy statements and the 2024 Modern Slavery Statement.
- Board considered two of the Group's significant supplier contracts.

### Outcomes and impact on decision making

- The Board monitored performance of the three material customer service outsource partners and oversaw plans to ensure colleague competency, training and health and safety arrangements.
- Consistent engagement delivered through application of the Group's Supplier Relationship Management Framework.
- A supplier lifecycle hub was published on the intranet for colleagues to provide easy access to supplier relationship management information improving experience for colleagues and suppliers.
- Our standard payment terms are aligned to the Prompt Payment Code (30 days).
- The Board approved the Group's operational resilience self-assessment document and oversaw execution of the action delivery plan to achieve compliance with the 2025 regulatory date.

**Links to strategic themes**

**Links to s.172**

**Great colleagues are the cornerstone of every great business."**

**Graham Lindsay**
Designated Non-Executive Colleague Champion

## Graham Lindsay, Designated Non-Executive Colleague Champion

### Role overview

I am proud to be the Board's Designated Non-Executive Colleague Champion, a role which I have performed for the past three years. In this role I am responsible for engaging with our colleagues on behalf of the Board, bringing colleague viewpoints to Board discussions and supporting colleagues' interests. I am a firm believer that colleagues are the cornerstone of every great business. As a member of the Group Board and Nomination and Governance Committee and Chair of the Remuneration Committee I am well positioned to fulfil the role and have extensive experience, as set out in my biography on page 60.

I regularly visit our offices and attend the Colleague Forum both in person and remotely where I listen and talk to colleagues. I discuss with colleagues the work of the Board in areas of common interest. I report to the Board verbally on my colleague engagement work and highlight colleague insights when providing my input to Board decisions. Directly engaging with our colleagues promotes transparency and openness and fosters trusted relationships between colleagues and the Group's senior leadership team.

### Engagement activities in 2024

2024 has been a year of operational turnaround for the Group and our colleagues have had to remain resilient. There have been many changes required, including organisational design changes, to transform the business and I have been impressed by our colleagues' attitude and tenacity which has been outstanding. The Colleague Forum was exemplary again this year in supporting those colleagues impacted as the business was restructured and helped to ensure that communication was effective and comprehensive support services were made available to colleagues. I have raised colleague feedback in Board meetings, such as the technology challenges colleagues can face with legacy systems, and am pleased to see the positive progress being made with the Gateway implementation. I invited one of the Colleague Forum Chairs to meet with me and the CEO to discuss their role within the Forum.

This year in June I, along with the Head of Reward, discussed remuneration with the Colleague Forum, including the Directors' Remuneration Report, executive remuneration and wider colleague remuneration. The session was an open conversation, interactive and especially beneficial for me as Chair of the Remuneration Committee.

I particularly enjoyed the more informal networking events that have been arranged with colleagues this year which have helped colleagues get to know my fellow Board members, some of whom are new to the business.

### Priorities for 2025

I shall continue to meet regularly with our colleagues through my attendance at the Colleague Forum and through site visits to perform my role as Designated Non-Executive Colleague Champion. In 2025 some of our Board and colleague engagement events will focus on new starters to help build relationships early with colleagues. The discussion regarding remuneration will continue to be run annually as required by the Corporate Governance Code.

## Stakeholder engagement and decision making continued

### Shareholders

Our shareholders share our purpose and invest for our future success. Please see page 8 for our investment case.

#### Shareholder interests and our areas of focus

- Sustainable growth, return on investment, and social and environmental impact.

#### Board and Company engagement

- A strategy seminar was held on 27 March 2024 setting out our strategy. In addition, trading updates were provided via the London Stock Exchange on the Group's performance and strategy and followed by roadshows with investors. Feedback from our corporate broker was distributed to the Board and senior management after updates were made to the market.
- Our AGM was held on 15 May 2024 at which investors were invited to be present and free to ask questions directly, in addition to casting votes on the resolutions.
- Chairman, CEO, CFO and Interim Head of Investor Relations have written to and met with investors and analysts and reported back to the Board.
- Our new Head of Investor Relations presented an Investor Plan, Shareholder Engagement and Competitor Analysis report to the Board in November 2024.

#### Outcomes and impact on decision making

- Our Annual Report and Accounts along with all other investor communications.
- We received votes representing approximately 78% of our issued share capital at our 2024 AGM.
- A market update on 16 July 2024 was made ahead of the interim results to confirm the findings of a comprehensive balance sheet review which had resulted in the revaluation of some historical balances and resetting market expectations regarding ROTE and capital.
- We completed an asset reunification programme helping reunite £88k in previously unclaimed dividends.

**Links to strategic themes**

**Links to s.172**

## Effective engagement with shareholders and stakeholders: investor relations

The Group's strategy seminar held on 27 March 2024 marked a reset of the strategic direction for Vanquis following the new CEO and CFO joining the Company in the second half of 2023. It was generally well received by investors and included an outline of the plan to deliver profitable sustainable growth and attractive returns, a refreshed customer proposition, and details of the Group's focus on technology transformation and operational efficiency.

The Group's trading update on 11 March 2024 led to a 50% drop in share price, driven by lower consensus income expectations and rising complaint costs from unmerited CMC claims.

A further trading update on 16 July 2024, announcing a comprehensive balance sheet review, impacted investor sentiment but saw a smaller 6% decline, as it was viewed as addressing legacy issues.

Investor uncertainty deepened in late October following the Court of Appeal's judgment on Vehicle Finance commission disclosure, adding pressure to the share price ahead of the Supreme Court appeal process.

Despite the impact of these events, the Group's share register remained relatively consistent, with a number of core holders adding to their positions during the year and new investors joining the register. These investors are generally strong believers in the strategy of Vanquis and the opportunity that exists and are supportive of the management team to execute the operational turnaround.

There was regular shareholder engagement throughout the year. Investor interaction with the CEO, CFO and Head of Investor Relations was particularly extensive after the full-year 2023 results and strategy seminar in March, interim results at the start of August, and first quarter and third quarter trading statements. The Chairman also participated in investor engagement.

Interaction with shareholders and sell side analysts covering Vanquis has become more systematic, including regular touch points and the collation of consensus estimates.

The Board is committed to maintaining effective engagement and active dialogue with its shareholders. In addition to the ongoing investor meetings and conferences, the following methods of engagement and materials are available to shareholders:

### The Annual Report

The Annual Report provides a comprehensive overview of the Company's purpose, strategy and progress against objectives and is complemented by regular market updates, including quarterly trading updates.

### The Annual General Meeting (AGM)

Shareholders have the opportunity to further engage with and directly question the Board at the AGM. They are encouraged to participate in the AGM process and vote on all resolutions on an individual basis or by proxies. This year our AGM will be held in London.

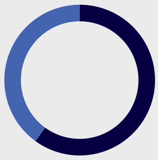
### The Group website and shareholder correspondence

The Group website provides comprehensive information about the Company, its divisions and product offerings, and Board members. Our dedicated 'Shareholder Hub' provides up to date information on our strategy, the latest results presentations, RNS announcements and our investment case.

## Composition, succession and evaluation

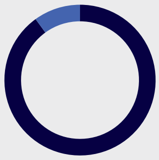
### Board composition (as at 31 December 2024)

**Board gender diversity**



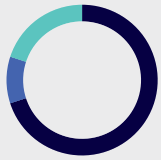
- Male 6
- Female 4

**Board ethnic diversity**



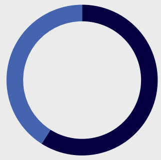
- White 90%
- Ethnically diverse 10%

**Board tenure**



- 0-2 years 7
- 2-5 years 1
- 5-9 years 2

**Executive Committee and direct reports**



- Male 59%
- Female 41%

### Member attendance at Board and committee meetings in 2024

The table below sets out the Board and committee attendance during the year. Attendance is shown as the number of meetings attended out of the total number of meetings possible for each individual director. Attendance was very strong during the year at both scheduled and additional meetings. The Board continues to be satisfied that each director is able to allocate sufficient time to the Company. The Chair of each committee reports regularly to the Board on how that committee has discharged its responsibilities. The absences shown below were a result of an urgent personal matter or a pre-arranged commitment.

| Board member | Board | Ad hoc | Audit Committee | Ad hoc | Nomination and Governance Committee | Ad hoc | Remuneration Committee | Ad hoc | Risk Committee | Ad hoc |
|---|---|---|---|---|---|---|---|---|---|---|
| Total number of meetings | 9 | 4 | 6 | 4 | 5 | 3 | 4 | 2 | 5 | 2 |
| Sir Peter Estlin | 9/9 | 4/4 | – | – | 5/5 | 3/3 | – | – | – | – |
| Ian McLaughlin | 9/9 | 4/4 | – | – | – | – | – | – | – | – |
| Dave Watts | 9/9 | 4/4 | – | – | – | – | – | – | – | – |
| Andrea Blance[1] | 1/1 | – | – | – | – | 3/3 | – | 1/1 | – | – |
| Graham Lindsay | 9/9 | 4/4 | – | – | 4/5 | 3/3 | 4/4 | 2/2 | – | – |
| Paul Hewitt[2] | 9/9 | 4/4 | 6/6 | 4/4 | 5/5 | 3/3 | – | – | 5/5 | 2/2 |
| Elizabeth Chambers[3] | 4/4 | 2/2 | – | – | 2/2 | 3/3 | – | – | 2/2 | 1/1 |
| Angela Knight[4] | 9/9 | 4/4 | 6/6 | 4/4 | 5/5 | 3/3 | – | – | 5/5 | 2/2 |
| Margot James[5] | 4/4 | 2/2 | – | – | 2/2 | 3/3 | 1/1 | 1/1 | – | – |
| Michele Greene | 8/9 | 3/4 | – | – | 4/5 | 3/3 | – | – | 5/5 | 2/2 |
| Karen Briggs[6] | 6/6 | 1/2 | 4/4 | 4/4 | 3/3 | – | 2/2 | 2/2 | – | – |
| Jackie Noakes[7] | 6/6 | 1/2 | – | – | 3/3 | – | – | – | 3/4 | 1/1 |
| Oliver Laird[8] | 6/6 | 1/2 | 4/4 | 4/4 | 3/3 | – | 2/2 | 2/2 | – | – |

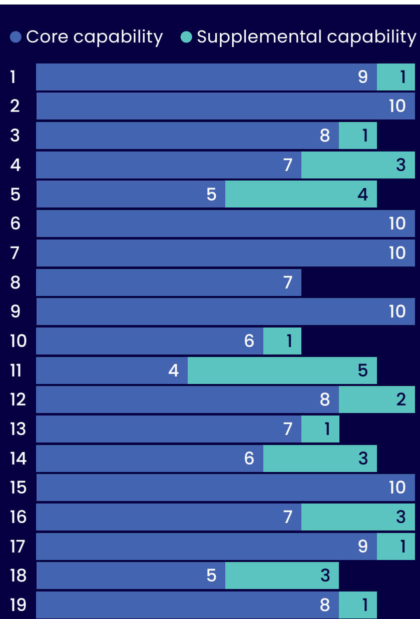
1 Andrea Blance stepped down on 1 February 2024.
2 Paul Hewitt stepped down on 29 January 2025.
3 Elizabeth Chambers stepped down on 15 May 2024.
4 Angela Knight stepped down on 29 January 2025.
5 Margot James stepped down on 15 May 2024.
6 Karen Briggs was appointed on 27 March 2024.
7 Jackie Noakes was appointed on 27 March 2024.
8 Oliver Laird was appointed on 27 March 2024.

### Board Skills Matrix

This Board Skills Matrix represents the number of directors with core or supplemental capability in areas that are relevant to the Group's business model and strategy. A core capability is one of the strongest areas of a director's skill and expertise, where they bring significant value to Board discussions. A supplemental capability is an area where the director has enough knowledge and experience to carry out their role. This Board Skills Matrix, together with the biographies on pages 59 to 61, shows the combined strength of our Board in areas central to delivering the Group's strategy.

### Category

1. Leadership: culture and ethics
2. Strategy
3. Audit and financial reporting
4. Customers
5. Product development
6. Banking
7. UK banking regulation
8. Shareholder engagement
9. Change management
10. Secured loans
11. Cards (near to sub-prime)
12. HR, talent and employee engagement
13. IT and digital initiatives
14. Capital management and treasury
15. Risk management
16. M&A transactions
17. Regulatory landscape and engagement
18. Cyber crime
19. Environmental impact



## Director induction, training and evaluation

### Director induction process

In 2024 three new non-executive directors joined the business and each went through a comprehensive and tailored induction plan. Our induction programme is designed to give directors an in-depth understanding of the business and its purpose, culture and values.

The programme includes meetings with members of the Group Executive Committee and other key stakeholders, which may include the Group external auditor, external advisors, our brokers, and representatives from the FCA and PRA.

During the year, Oliver and Karen visited the Bradford office and met with members of the ExCo to discuss business priorities and strategic progress, as well as other specific issues, as required.

All new directors are provided with full access to our secure electronic reading room within our Board meeting software, which provides induction materials such as Group policies, structure charts, Terms of Reference, Delegated Authorities Manual, broker notes, and past Board and committee meeting papers and minutes. During 2024, there were a number of product deep dives – detailed below – which provided the new appointees with a deeper insight into the business and refreshed the knowledge of longstanding members.

During 2024, the directors were provided with deep dives, teach-ins, briefings and presentations on a range of key subjects, including the following:

- Vanquis Assist - Forbearance Overview;
- Snoop Deep Dive;
- Vehicle Finance Deep Dive; and
- Cards Deep Dive.

### Ongoing director training

It is important that our directors are made aware of any upcoming developments and receive training tailored to their roles at the Company, given the ever-changing economic and regulatory environment.

Directors undertake training both as a whole Board and based on individual requirements to assist them in carrying out their duties and responsibilities. At least annually, the Chairman discusses with each director his or her contribution to the work of the Board and personal development needs, with each member being required to retain a record of their continuous professional development.

### Director training schedule 2025

Examples of the training expected to form part of the 2025 training programme include:

- Cyber/Ransomware;
- MAR/PDMR Training;
- Culture;
- Artificial Intelligence; and
- Recovery Plan Training.

The director training is overseen by the General Counsel and Company Secretary and can be internally or externally facilitated, with sessions typically originating from technical Board discussions or an identified training opportunity. Directors are requested to refresh their understanding of current obligations and recent developments in areas pertinent to their role; they are also given access to an external online academy tool which provides a wide array of briefings, education and bespoke training. The General Counsel and Company Secretary is reactive to any emerging training needs in response to the wider business environment.

Each year management carries out a fit and proper assessment for all senior managers and certified colleagues under the SMCR process. This process involves requesting annual learning and development plans which are forward looking for our executive team members. The talent team is also engaged in the process to ensure all annual mandatory training has also been completed.

## Board evaluation

In accordance with best practice and the UK Corporate Governance Code, the Board's formal annual effectiveness review is conducted by an external facilitator every three years. The next external review will take place in 2025. In 2024, the Board decided to enhance the review process by adopting a hybrid approach. The Chairman and General Counsel and Company Secretary agreed that the internal questionnaires would be complemented by a Board discussion, facilitated by an external third party, Independent Audit*. The discussion explored what Board members felt worked well and what they would like to see done differently. The discussion afforded the Board dedicated time to reflect on their own performance and ways of working and promoted transparent dialogue.

Following the Board discussion, and as reported in 2023, Board members were asked to complete internally produced questionnaires which required assessments of Board performance as a whole, individual performance, individual skills, committee effectiveness and Chairman performance. Key management stakeholders were also asked to provide anonymised feedback on Board interactions. The results of the assessments were collated by the General Counsel and Company Secretary and tabled for Board and Nomination and Governance Committee review. The SID led discussion on the Chair's performance in the absence of the Chairman. Each Board member was also subject to an individual performance discussion with the Chairman. The Nomination and Governance Committee agreed the action plan arising from the 2024 Evaluation, the results of which are detailed below.


* No conflict of interest with any Board member was identified.

## Board evaluation: striving for continuous improvement

### Progress made against the 2023 action plan

| Agreed actions | Progress made during 2024 |
|---|---|
| Review the approach and oversight of NED and senior management succession planning. | There was significant change in both the Board and the workforce, including at senior management level, during 2024. There was a clear recognition of the need to right-size and appropriately skill the Board and wider workforce proportionate to the current size and composition of the Group; this directly influenced appointments and organisational change during the year. |
| Keep under review the appropriate size, composition, skills and experience and diversity in the Board as part of succession planning and Board appointment processes. Include a focus on technology skills as part of proactive succession planning. | The Nomination and Governance Committee Report provides detail on this action (page 79). Size, composition, skills and diversity were the central drivers of Board appointments throughout the year. |
| Consider whether the CCE Committee's work would be better placed under the Board and/or other committees to enhance oversight. | The work of the CCE Committee was successfully amalgamated into the Board agenda plan, effectively streamlining the governance process and freeing up Board member time. |
| More site visits and focus on engagement with the Executive Committee and wider management and workforce. | Members of the Board visited our Bradford, Chatham and Petersfield sites. There were also a number of informal Board and colleague events. |
| Review the Board meeting agenda and management reporting to improve the Board's oversight and discussions on areas of strategic importance. | Board reporting templates were refreshed during the year to encourage more concise reporting. The Board agenda planner was reviewed to ensure matters of strategic importance were prioritised. In January 2025 a new performance reporting template was introduced. |

### Results of 2024 Board and Committee Effectiveness Review

| Strengths identified | Agreed actions/focus areas for 2025 |
|---|---|
| The Board was regarded as effective, appropriately diverse, skilled, and experienced with recent appointments having enhanced Board composition. | Maintain the ongoing review of Board skills and composition. Technology skills and the need for increased diversity of age and ethnicity were noted as key areas for monitoring. |
| Many of the action areas identified were already in progress, indicating the Board's commitment to continuous improvement throughout the year. | Consider reducing the size of the Board, relative to the reduced size of the business. |
| The Board dynamic was regarded as collaborative and as having been supportive to management throughout the challenging turnaround period. | Consider whether the governance structure could be streamlined and optimised to avoid unnecessary duplication between the Board and committees. |
| Board stakeholder relationships were rated highly, particularly the relationship with the CEO. | Consider extending the remit of the Nomination and Governance Committee to include governance, freeing space on the Board agenda for other strategic issues. |
| Committees were regarded as having discharged their duties effectively. | Encourage more informal engagement between Board members and the wider workforce. |
| **Chairman effectiveness review** | **Individual director effectiveness** |
| Board members responded to a series of questions on the Chair's performance. The feedback was collated by the General Counsel and Company Secretary and a report compiled in collaboration with the SID. The SID conducted a confidential discussion with Board members in the absence of the Chairman and held an individual performance review with the Chairman.<br><br>The responses to the questionnaire commended the Chairman on his evident commitment to relationship building, 'hands-on' approach and appropriate balance of support and challenge. The Chair's proactive engagement outside of meetings, including regular feedback and encouragement to fellow directors, was also noted. The Chair's effective running of meetings and evident levels of pre-meeting preparation were unanimously praised.<br><br>Directors suggested that during 2025, the Chairman could encourage greater equality of participation in meetings, continue to support management on the business turnaround and recognise the level of challenge currently faced by management. | Board members were asked to complete a self-assessment, which then formed the basis for individual performance discussions with the Chairman.<br><br>Board members generally felt that they balanced external commitments well and had sufficient time to discharge their responsibilities. They generally rated their relationships with their fellow Board members and with management highly, though the level of change throughout the year was recognised as having impacted this. Board members suggested that additional opportunities for engagement would enhance relationships in general.<br><br>Board members rated their relationship with the Company Secretariat highly and looked forward to enhancing governance processes further under the new General Counsel and Company Secretary. |

Nomination and Governance Committee Report

# Ensuring effective leadership for long-term sustainable success

**The Committee strives to deliver exceptional results for all stakeholders and the evolution of the Board is vital in positioning the Group for sustainable growth."**

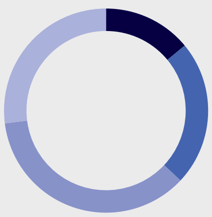
**Sir Peter Estlin**
Nomination and Governance Committee Chair

## Role of the Committee

The Nomination and Governance Committee is responsible for overseeing:

- the evaluation of the Board and its committees which includes overseeing the Board's composition, size and structure, including the Board committees, so that it remains appropriate and effective in order to deliver the Company's strategy;
- the Board appointment and succession planning processes;
- the Group's talent management framework and senior management succession planning to ensure the Group's leadership needs are met now and in the future; and
- the diversity of the Board and the Group's talent pipeline to meet the Group's diversity objectives and to increase the percentage of roles held by women and other underrepresented groups across the Group.

## Allocation of time



| | |
|---|---|
| Diversity | 14% |
| Succession and talent | 23% |
| Board composition and appointments | 36% |
| Governance | 27% |

The Committee's Terms of Reference are available at: www.vanquisbankinggroup.com

## Dear Shareholder

I am pleased to present the important work undertaken by the Nomination and Governance Committee during 2024. The Committee continues to be comprised of all the non-executive directors, whose biographies (pages 59-61) and meeting attendance (page 75) are detailed earlier in this report.

The Board underwent significant change during 2024, first with the stepping down of Andrea Blance in February, as reported last year, followed by the appointment of Karen Briggs, Oliver Laird and Jackie Noakes in March. Elizabeth Chambers and Margot James stepped down in May, electing not to put themselves forward for re-election at the 2024 AGM. I would like to reiterate my thanks to Andrea, Elizabeth and Margot, for their many years of valuable contribution to the Group Board. The evolution of the Board aligns with the continued transformation of the Group as it seeks to deliver the best results for all stakeholders and position itself for sustainable growth.

All Board appointments are informed by the balance of skills, experience, and diversity required to optimise the Board's composition (see pages 63 and 75). The annual Board effectiveness review, reported on page 77, and the Board Skills Matrix, updated annually, are key tools in assisting the Committee to discharge its duties and the Group to execute its strategy. In December 2024, following the output of the Board effectiveness evaluation, it was agreed that the Committee would expand its remit to oversee governance, both facilitating the streamlining of the Board agenda and ensuring sufficient focus on governance matters, particularly given the impending changes to the UK Corporate Governance Code.

Following conclusion of the Board meeting held on 29 January 2025, Paul Hewitt and Angela Knight stepped down from the Board. As a consequence, Michele Greene was appointed as Chair of the Risk Committee and Senior Independent Director, succeeding Angela, and Oliver Laird as the Chair of the Audit Committee, succeeding Paul. Following discussions throughout 2024 on succession planning, it was decided Angela and Paul would not be replaced to reduce the size of the Board to mirror the smaller, more agile shape of the Group, whilst maintaining an appropriate balance of skills on the Board. It is therefore recommended that all of the current directors be reappointed at the forthcoming AGM.

Overseeing the Group's diversity targets to ensure a diverse leadership and workforce was another focus area of the Committee during the year. This has been a primary focus for the Committee in the past year, and it will remain a critical area of emphasis as we move into 2025.

## Board recruitment process

The Committee leads the process for appointments, ensuring that plans are in place for orderly succession to both Board and senior management positions, and oversees the development of a diverse pipeline for succession.

During the year, a search for non-executive directors was conducted by leveraging our own internal executive search capabilities and therefore reaching a significantly wider candidate population than using external search firms as we did in 2023. We used a formal appointment process which is rigorous and transparent to ensure we satisfied regulatory requirements.

The Committee evaluated the current Board composition and skill-set, combined with a forward-looking view of business needs, to develop a role profile for new Board members. The priorities and core requirement of the search were:

- bringing senior commercial/digital and/or financial/risk leadership experience across the financial services sector;
- knowledge of consumer credit, cards and digital payments markets and expertise in the application of technology in these areas; and
- having the breadth and ability to join key committees on appointment, and to offer optionality to chair a committee and/or act as SID in due course.

Additionally, the search was focused on a diverse and inclusive choice as this was a priority across all diversity measures. Following this process Jackie Noakes, Oliver Laird and Karen Briggs were appointed to the Board as non-executive directors on 27 March 2024.

## Board evaluation

The Board Skills Matrix (BSM) complements the Board evaluation (pages 75 to 77) and is used to assess each member of the Board against the skills and experience areas identified as requirements for the Board. This is reviewed on an annual basis and was reviewed in October 2024. Given the recent changes in leadership and need for ongoing review of Board succession plans, the BSM was refreshed to ensure optimal alignment with business needs. Following completion by each director, their scores were collated and there were clear improvements in several areas demonstrating the Board's commitment to continuous improvement. There remained areas for the Committee to remain cognisant of, including the need for digital and technological expertise and a desire to continue to improve Board diversity.

## Talent management and succession

The Committee continued to proactively review talent management and succession across the organisation, notwithstanding the challenges experienced following the need for further redundancies.

Significant progress has been made on succession planning in the last few years with six of our current directors having a tenure of less than two years on the Board, the changes being stated within this report. The 2024 BSM will be used to identify any skill gaps which may need to be met in the future.

The Committee also oversaw the mandatory and regulatory learning completion for the Group's material risk takers and senior manager function holders.

## Inclusion and diversity

You can read about our approach to diversity and inclusion on pages 19 and 20. Our Inclusion and Diversity (I&D) Policy, which includes our Board Diversity Policy, is designed to promote equality, diversity and inclusion across all parts of the Group and aims to ensure that we have an inclusive and positive working culture that supports equality, inclusion and diversity and to create an environment where everyone feels included and valued. Our I&D Policy covers a range of protected characteristics including age, gender, ethnicity, sexual orientation, disability or educational, professional and socio-economic backgrounds. The policy seeks to enable all colleagues to reach their full potential and contribute fully to the success of the business. By delivering our I&D and Board Diversity Policies' key aims, we believe that we can support the delivery of our strategy through leveraging the benefit of a wider range of perspectives and ideas, contributing to a high-performing and effective leadership team which brings greater diversity of thought to better respond to our diverse customer base and stakeholder views. By having a diverse Board, and Board committees, we believe the Board is better placed to challenge management, consider stakeholder views, make better decisions and deliver the Group's strategic aims.

During the year, the Committee reviewed progress against our diversity objectives and our compliance with the diversity requirements set out in UK Listing Rule 6.6.6. The Group is a signatory to the Women in Finance Charter and is committed to achieve 40% female representation in senior management by 31 December 2026. The following achievements were reviewed and discussed by the Committee overleaf.

## Nomination and Governance Committee Report continued

### Inclusion and diversity continued

#### Gender balance

- Celebrated International Women's Day with a Time to Talk session hosted by the chief internal auditor and Founder of Snoop.
- A team of colleagues from across the business attended Women in Data's hackathon at its flagship event, connecting us with hundreds of women from the industry and raising brand awareness in this area. Our brand partnership with Women in Data continues into 2025.
- Hosted a 'Step into Tech' workplace visit for 45 students aimed at motivating young women to develop careers in the world of technology as part of our SWITCH'D programme (to support the pipeline of female talent in these areas).
- Established the Women's Network and launched a mentoring programme for female talent.
- Seven of our female colleagues were nominated at the Women in Credit awards with two collecting awards.

#### LGBTQ+

- Awarded the Silver Standard for LGBTQ+ diversity, equality and inclusion excellence in financial services by LGBT Great for the second year running.
- Colleagues were invited to become part of the LGBT Great mentoring programme.
- Our LGBTQ+ Group celebrated Pride Month by sharing colleagues' stories that highlighted the intersectional challenges between heritage, culture, and sexuality.

#### Social mobility

- National Apprenticeship Week 2024 was celebrated by the Social Mobility Affinity Group.
- Through our longstanding partnership with National Numeracy, supported National Numeracy Week, alongside the Professional Darts Corporation.
- Signed the Vision for Literacy pledge along with more than 100 UK businesses to address falling literacy levels and improve the life chances of young people today.

#### Wellbeing

- Celebrated colleagues who have caring responsibilities during Carers Week by sharing colleague stories and hosting, in partnership with the Bank Workers Charity, a webinar on 'Being a Carer', providing practical advice, tools and resources.
- Launched a virtual GP service with BUPA, and we invited all colleagues to become members of our corporate private medical insurance.
- The Group's diversity objectives as set out in 2023 remained fit for purpose, and no changes were made.

| Board diversity objectives | Progress against objectives |
|---|---|
| To maintain a minimum of 40% women (including those self-identifying as women) on the Board. | Throughout 2024 the Board maintained a 40% female Board. As at the date of this report it had reduced to 37.5% as a result of the re-sizing of the Board. As reported above, diversity remains a key focus for Board appointment processes. |
| To maintain for at least one of the senior Board positions (Chair, CEO, SID or CFO) to be a woman (including those self-identifying as a woman). | This objective was achieved when Andrea Blance stepped down in February and was replaced as SID by Angela Knight. This was then maintained in January 2025 when Angela stepped down and was replaced by Michele Greene. |
| To maintain a minimum of one Board director from an ethnically diverse background in support of the Parker Review target. | Whilst the Group is not currently captured by the targets set by the Parker Review, we achieved this target as of 27 March 2024. Diversity, including ethnic diversity, remains a key focus of our Board appointment process and we continue to work with our external recruitment partners to drive diverse candidate shortlists. |
| The Board will support and monitor Group activities undertaken to meet its diversity objectives and to increase the percentage of senior management roles held by women and other underrepresented groups across the Group. | The Committee continues to develop talent management and succession plans, whilst also continually assessing and strengthening the Group's I&D strategy and initiatives. The Committee aims to cultivate a diverse talent pipeline that represents a broad spectrum of experiences and perspectives. |
| To ensure Board appointment 'long-lists' reflect the Board's diversity commitments. | Our Board Diversity Policy confirms our commitment that all shortlists for our Board and senior management positions are balanced from a gender perspective. This remained a key focus for the Chairman and Nomination and Governance Committee as part of the recruitment process during 2024. |
| To ensure a rounded and diverse Board and Executive Committee, appointments will be made on merit, taking into account different backgrounds, diverse experience, perspectives, personalities, skills and knowledge, and alignment with the Group's culture. | As required by our I&D Policy, including the Board Diversity Policy, appointments are made on merit, taking into account diversity and alignment with the Group's culture. Diversity forms a key consideration of Board appointment and succession planning processes. You can read more about our Board appointment processes on pages 76 and 79. |

## Explanation against UKLR 6.6.6(9) and data under UKLR 6.6.6(10)

As at the Company's chosen reference date, 31 December 2024, and in line with FCA UK Listing Rule 6.6.6(9), the Group confirms it has met the targets for at least 40% female representation on the Board and one of the senior positions of Chair, SID, Chief Executive or Finance Director to be held by a woman, with Andrea Blance being replaced by Angela Knight. As at the date of this report, Michele Greene was appointed SID on 29 January 2025 with female representation on the Board at 37.5% due to the reduction in the size of the overall Board. The Company also confirms that it has met the target for one director to be from an ethnic minority background following the appointment of a new NED on 27 March 2024. A crucial component of enhancing diversity is the accurate collection of gender and ethnic diversity data. Our approach has been both consistent and carefully implemented, ensuring that we have a reliable understanding of the current state of diversity within our Board and senior management teams. The data collection process involved issuing a survey via a secure platform, designed in collaboration with our data protection team to adhere strictly to all data protection regulations.

Before launching the survey, we conducted a thorough briefing for all participants. It was essential to clarify the purpose of this data collection and highlight its significance. By fostering a culture of transparency, we aimed to encourage open participation, allowing Board members to understand the valuable insights that such information could provide for our diversity initiatives.

## Gender representation as at 31 December 2024

| | Board | | | Executive Committee | |
|---|---|---|---|---|---|
| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in executive management | Percentage of executive management |
| Men | **6** | **60%** | **3** | **5** | **62.5%** |
| Women | **4** | **40%** | **1** | **2** | **25.0%** |
| Prefer not to say/other/unspecified | – | – | – | **1** | **12.5%** |

## Ethnic representation as at 31 December 2024

| | Board | | | Executive Committee | |
|---|---|---|---|---|---|
| | Number of Board members | Percentage of the Board | Number of senior positions on the Board (CEO, CFO, SID and Chair) | Number in executive management | Percentage of executive management |
| White British or other white (including minority-white groups) | **9** | **90%** | **4** | **7** | **87.5%** |
| Mixed/multiple ethnic groups | – | – | – | – | – |
| Asian/Asian British | – | – | – | – | – |
| Black/African/Caribbean/Black British | **1** | **10%** | – | – | – |
| Other ethnic group | – | – | – | – | – |
| Not specified/prefer not to say | – | – | – | **1** | **12.5%** |

**Sir Peter Estlin**
Nomination and Governance Committee Chair
13 March 2025

Audit Committee Report

# Audit, assurance and internal control

**During 2024, the Committee continued its focus on strengthening internal controls and IFRS 9 model development and validation."**

**Oliver Laird**
Audit Committee Chair

## Role of the Committee

The Committee assists the Board and is responsible for overseeing the following:

**Financial reporting**
- monitoring the integrity of the financial statements, and any other published financial information, and reviewing the significant financial reporting judgements therein;
- advising the Board on the Annual Report and Accounts, including whether it is fair, balanced and understandable;
- assisting the Board in assessing the Company's going concern status and ongoing viability;

**External audit**
- conducting the tender process and recommending to the Board the appointment, remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the independence and objectivity of the external auditor;
- assessing the effectiveness of the external auditor;
- implementing and monitoring the Group's policy on non-audit-services;

**Internal Audit**
- assessing and monitoring the effectiveness of the Group's Internal Audit function, including approving the annual Internal Audit Plan; and

**Internal controls and processes**
- reviewing and monitoring the effectiveness of the Group's system of internal financial and operational controls.

## Allocation of time


The Committee's Terms of Reference are available at: www.vanquisbankinggroup.com

## Dear Shareholder

On behalf of the Committee, I am pleased to present the Audit Committee Report for the year ended 31 December 2024, which details how the Committee has discharged its role and duties during the year.

The Committee's membership was subject to change during 2024. Andrea Blance stepped down on 1 February 2024, leaving the Committee with only two members, Paul Hewitt and Angela Knight. On 27 March 2024, Karen Briggs and I joined the Committee. On 29 January, Paul Hewitt and Angela Knight stepped down from the Board and I assumed the role of Chair of the Committee, joined by Karen Briggs and Graham Lindsay as members. I would like to thank Paul Hewitt for his contribution as Audit Committee Chair and his guidance to the Committee during the year. Members' meeting attendance can be viewed on page 75 and details of their qualifications, skills and experience are set out in the 'Our Board' section on pages 59 to 61 of the Governance Report. As a whole, the Committee is experienced and has competence and relevant financial services sector experience, meeting the experience and expertise criteria set out in the 2018 UK Corporate Governance Code and the FCA Disclosure Guidance and Transparency Rules (DTRs). The Committee annually reviews its own effectiveness and its adherence to its Terms of Reference. The annual Board evaluation page 77 concluded that the Audit Committee operated effectively during the year, which included members' assessment of the Committee's composition, duration, frequency, quality of deliberation and challenge, quality of papers and the effectiveness of its reporting to the Board. The Committee also concurred that it had adhered to its Terms of Reference during the period.

The updated UK Corporate Governance Code and the attendant broadening in scope of the Audit Committees and the External Audit: Minimum Standard, was a focus for the Committee during the year. The Committee reviewed the continued evolution of the Finance function, embedding the transformation exercise and systems transformation commenced in the prior years. IFRS 9 model development, implementation and validation was a consistent agenda item throughout the year. An ad hoc Committee was convened to scrutinise the review of the balance sheet which ultimately led to the correction of historic balances relating to Vehicle Finance Stage 3 receivables impacting both prior periods and the current year as announced to the market on 16 July 2024, and the recognition of a number of one-off items in relation to 2024.

I look forward to reporting directly to shareholders at the Annual General Meeting on 14 May 2025.

| Key Committee activities in 2024 | Committee priorities in 2025 |
|---|---|
| › Reviewed the significant accounting judgements at half year and full year.<br>› Reviewed and recommended for approval the half-year and full-year financial statements, including a consideration of the going concern assumption and viability statement at year end.<br>› Reviewed the external auditor's year-end findings and conclusions.<br>› Reviewed and approved the non-audit fees policy; external auditor interim review; external audit fees; external auditor interim review; and external auditor proposed 2024 plan.<br>› Reviewed and approved the Internal Audit Charter; statement of independence and objectivity and effectiveness; self-assessment; and 2024 Internal Audit Plan.<br>› Continued to review and challenge the IFRS 9 model implementation, validation and resulting financial impact, following the rebuild in FY23.<br>› Scrutinised a gap analysis of the Group's integrated assurance framework against the requirements of the updated UK Corporate Governance Code and oversaw the development of a risk management and internal control framework to align with the new Code provisions.<br>› Confirmed sufficient distributable reserves and recommended payment of the 2023 final dividend (paid May 2024).<br>› Considered the Group's readiness for a future external audit tender under the requirements of the Audit Committees and the External Audit: Minimum Standard.<br>› Considered the potential impact of the Court of Appeal judgment on motor finance commissions.<br>› Approved the appointment process for, and subsequent appointment, of a new Internal Audit Director.<br>› Held regular private sessions with the chief internal auditor and external auditor to facilitate transparent dialogue in the absence of executive management. | › Continued embedding of the integrated assurance framework and risk management and internal controls framework across the three lines of defence.<br>› Continued monitoring of the legislative and regulatory landscape in relation to audit reform and controls enhancements.<br>› Continued focus on enhancing the control environment across the Group and on developing improved IT controls reliance.<br>› Continuing to independently oversee IFRS 9 model development, monitoring and calibration, and monitoring progress against all internal and external audit findings raised.<br>› Further development of data analytics in the Internal Audit function, building on enhancements made during 2024.<br>› Oversight of the new global internal audit standards implementation.<br>› Ensuring the Committee complies with the requirements of the updated UK Corporate Governance Code. |

## Fair, balanced and understandable

Having regard to Provision 25 of the Code, and the Board's responsibilities therein, the Committee considered whether the 2024 Annual Report and Financial Statements, when taken as a whole, was fair, balanced and understandable. The Committee adopted the same robust process as in prior years to justify the statement. This included:

- reviews to provide input, and feedback incorporated into subsequent drafts;
- oversight of the process, evaluation and verification by Group senior management;
- external evaluations of the Remuneration and Governance Reports respectively; and
- private sessions with the external auditor.

As part of the year-end processes, the Committee considered management's areas of significant judgements, estimation, and uncertainty and emerging issues as set out in the financial statements on pages 130 to 196, and with the external auditor, scrutinised and challenged the going concern assumptions.

In assessing compliance with the Code, the Committee considered the following criteria:

### Is the report fair?

- Is it a full reflection of events throughout the year and consistent with messages communicated throughout the year?

### Is the report balanced?

- Is the narrative reporting consistent with the financial reporting?
- Are the statutory and adjusted measures appropriately balanced?

### Is the report understandable?

- Is it presented in a logical order and using clear language?
- Are important messages clearly highlighted as such?
- Is information shown in tabular or graphic form where this would assist the reader?

**Conclusion:** The Committee concluded that, in its opinion, the 2024 Annual Report and Financial Statements, when taken as a whole, was fair, balanced, and understandable, and recommended this assessment to the Board.

## Financial reporting process, internal control and risk management systems

Internal Audit and the Group Risk functions provide regular reports to the Committee in respect of the effectiveness of risk management systems and internal controls. Recommendations are agreed with management and progress is monitored by the Committee. In November 2024, the Internal Audit function noted improved internal reporting of control deficiencies. The Group has been working on two long-term improvement programmes, with progress as described below.

| Area for improvement previously identified | Progress to date |
|---|---|
| **Implementation of a Group-wide integrated risk system** | The integrated assurance framework is now embedded and supported by the Group-wide risk system, Riskonnect. During the year, Internal Audit conducted a review of the use of Riskonnect and identified further areas for improvement, requiring work from both risk owners and the Risk function. The updated UK Corporate Governance Code requires further development of the Group's risk management and internal controls framework, which was the focus of substantive development work during 2024, and refinements will continue into 2025. |
| **The IT platform modernisation** | A transformation programme is being executed which, over the next two years, will see all products on a unified, modern cloud-based technology platform. The transformation activity continues on track and control issues within the legacy IT estates will be fixed strategically through the transformation. The Committee received a detailed update on IT controls reliance remediation during the year. It is anticipated that the automation of many controls will enhance the overall control environment and reduce the dependence on manual intervention. |

## March 2025 GIA year-end opinion

In March 2025, Internal Audit confirmed that the Group's control environment remained stable during 2024. The known control issues within the legacy IT estates, including access management, remain unchanged and should be fixed strategically through the IT platform modernisation. Management has an improved awareness of the control environment as the new executive team have assessed their respective structures, team capabilities and processes. Robust action plans are in place which align to the programme of transformation activity. The risk management framework has continued to embed throughout 2024 with improved visibility and monitoring of the Group's principal risks. During 2024, all risks captured within the Group-wide risk system, Riskonnect, have been subject to review by owners and/or delegates to evaluate the efficacy and confirm if these remain appropriate and effective.

The Committee received updates on the development of the IFRS 9 models throughout the year and this remained a key focus area, with significant progress made during the period. In December 2024, the Committee received a comprehensive update on all models used across the Group, following an Internal Audit report on model risk management. The report identified areas for improvement in model documentation, monitoring and inventory. A consequent action plan had been developed for implementation in 2025. The external audit team also regularly reviews the evolution of the IFRS 9 models. Annually, Deloitte LLP provides a management letter which identifies significant internal controls matters and the management response.

## Internal Audit

The purpose of the Group Internal Audit (GIA) function is to strengthen Vanquis Banking Group's ability to create, protect, and sustain value, by providing the Board and management with independent, risk-based, and objective assurance, advice, insight, and foresight. GIA has full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out Internal Audit responsibilities.

The Group operates an in-house GIA function, managed by the Internal Audit Director, who reports to the Committee at each meeting and is a permanent attendee. The Committee appointed a new Internal Audit Director in December 2024, following a rigorous recruitment and selection process. If required, the function is supported by specialist third parties under the terms of the Group's non-audit services policy. The Committee approves an annual GIA plan, against which it scrutinises progress and approves amendments where necessary. The GIA plan is designed to provide optimal risk coverage and is therefore reactive to emerging risks. The Committee is satisfied that GIA is both independent and effective and has the appropriate skills, experience and resources, either in house or through specialist third parties, to fulfil its mandate.

### Independence

As required under the Institute of Internal Auditors Code of Practice, the Internal Audit Director has no responsibilities outside of oversight of the Internal Audit function, and reports directly to the Chair of the Committee, with an administrative reporting line to the Group Chief Executive.

The Committee holds regular private sessions with the Internal Audit Director, who also meets privately with the Chair at least quarterly or upon request.

Independence of the Internal Audit function is confirmed by the Internal Audit Director through an annual attestation.

### Effectiveness

The Internal Audit Charter is approved annually, and the Committee regularly monitors progress against the plan. Confirmation is also provided that the function remains appropriately resourced and has sufficient expertise to carry out its mandate. The Internal Audit Director is actively encouraged to raise any concerns during each private session with the Committee.

## External audit

### Appointment and tenure

In accordance with Group policy, a formal tender process for the position of external auditor was conducted in 2020 and Deloitte LLP was selected for a further period of 10 years. The Committee has the authority to commission a formal tender process at any time it is deemed in the Group's best interest. The Committee considered the Group's tender readiness position during the year, under the requirements of the updated UK Corporate Governance Code.

The Committee concluded that Deloitte LLP continued to perform in line with expectations and remained independent of the Group, and will recommend to shareholders reappointment at the 2025 AGM.

### Effectiveness

The Committee continues to hold private sessions with the external auditor, in the absence of executive directors or management. Six sessions were held during the year. The sessions facilitate open and forthright discussions and provide a forum for Deloitte to raise any concerns. In addition to this, the Chair meets with the audit partner at least quarterly or upon request.

Throughout the year, the external auditor challenged management and demonstrated professional scepticism, notably, during discussions around the historical balance sheet revaluations required in July 2024.

The external auditor and audit quality are assessed annually using scores and feedback from the Committee and wider stakeholders in the audit process across the Group. Feedback and scores are shared with the external auditor, and an action plan is developed for remediation requirements. The Committee, the Finance function and the external auditor take a collaborative approach to agreeing the half-year and year-end processes.

The main remediation needs identified in relation to the 2023 audit related to expectation and deadline management. The overall conclusion was that Deloitte LLP remained effective.

## Independence and objectivity

The Committee ensures adequate safeguards are in place to ensure the independence and objectivity of external audit. These include:

- a policy that restricts the recruitment of individuals employed by the external auditor into positions that provide financial reporting oversight or exercise influence over financial and regulatory statements;
- non-audit work is subject to the policy detailed below and the non-audit team does not prepare anything which would be relied upon in the Group audit;
- work performed is subject to an independent professional standards review and Engagement Quality Control Review process;
- the Committee considers the reappointment of the external auditor, including the rotation of the audit partner, annually. The review considers both independence and effectiveness, primarily using a scorecard system. The lead audit partner, Kieren Cooper, has been in place since May 2022; and
- the external auditor attests its independence and objectivity to the Committee on an annual basis.

## Non-audit work

The Group has a formal policy on the use of the external auditor for non-audit work, adhering to the EU Audit Directive and Regulations, which is reviewed annually. The policy stipulates that non-audit work should only be awarded to the external auditor, over alternative suppliers, where there is clear rationale to do so and following a rigorous procurement process. All awards of non-audit work to the external auditor are monitored to ensure that their independence, or perception thereof, is not compromised or undermined. The Chair of the Audit Committee must approve, in advance, any single award of non-audit work which has a value in excess of £50,000 per annum, or a programme of non-audit work with an aggregated value in excess of £50,000 per annum. Where the value is in excess of £250,000, the approval by a quorum of the Audit Committee is required in addition to the Chair's approval. Approvals are also subject to the cap on non-audit services as outlined in the policy. Deloitte LLP's fees for non-audit work during the year were £0.4m (2023: £0.3m). The ratio of audit to non-audit fees was 5.8:1.

## Audit Committee Report continued

## Significant issues and areas of judgement

The critical accounting assumptions and key sources of estimation uncertainty considered by the Committee in relation to the Annual Report and Financial Statements 2024 are outlined on pages 140 and 143. In addition to the matters set out below, the Committee also considered the going concern statement set out on page 123. The Committee discussed these with the external auditor during the year and, where appropriate, these have been addressed as areas of audit focus as outlined in the Independent Auditor's Report on pages 122 to 129.

| Issue | Judgement | Actions |
| --- | --- | --- |
| **Impairment of amounts receivable from customers**<br><br>Receivables are impaired on recognition in accordance with IFRS 9. The assessment of credit risk and therefore impairment allowance should be probability weighted, and should utilise all information available, including past events, current conditions and supportable forecasts of economic conditions at the reporting date. An assessment of macroeconomic factors, including the latest economic forecasts, is also required to estimate expected losses. | Judgement is applied to the impairment allowance required. This includes whether past performance provides a reasonable estimate of future losses implicit within the PD, LGD and EAD.<br><br>During the prior year, the Group refined and recalibrated its impairment provisioning models to better reflect the evolving receivables mix; this led to a release of c.£57.7m of impairment provision in FY23 and was recognised as a model underlay. The models were fully implemented in the current year and the post-model adjustments (PMAs) released.<br><br>In 2024, a review of the Vehicle Finance Stage 3 balances was undertaken resulting in receivables eligible for debt sale being fully charged off and a post-charge-off asset (PCOA) being recognised.<br><br>As part of that review, it was identified that cash flows expected to be received from contracts projected to be received from customers on contracts 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, the Group retrospectively restated its results.<br><br>A number of PMAs were recognised reflecting model refinements and calibrations in the IFRS 9 models.<br><br>The macroeconomic model is expected to be redeveloped in 2025; however, for 2024 a model overlay has been recognised utilising data from a third party. The model predicts industry level write-off rates using a combination of interest rates on credit cards, unemployment rate, debt to income ratios and a measure of macroeconomic volatility. | The Audit Committee reviewed and challenged the key judgements applied throughout the year.<br><br>The embedding of the refined and recalibrated IFRS 9 models, along with the updated model monitoring capabilities was overseen by the Committee, and the required ongoing monitoring of these models together with associated controls was reviewed and challenged.<br><br>The review of the Stage 3 balances was challenged including the appropriateness of the prices and assumptions applied in valuing the PCOA.<br><br>The work performed by Deloitte LLP on challenging the management assumptions is considered. The findings are presented in Deloitte LLP's report to the Audit Committee which is challenged with knowledge of the latest circumstances. The work performed by Group Internal Audit is considered, in particular, on technology, financial and operational controls. |
| **Goodwill and investment in subsidiaries**<br><br>Goodwill and investment in subsidiaries are reviewed at each balance sheet for impairment. The carrying values are compared to discounted cash flows of each business area they relate to with any difference written off/impaired in the income statement.<br><br>Where cash flow forecasts are used, the future value in use is assessed over the useful remaining life of the asset. | The key driver of the Goodwill impairment was the cash flows to which the rates are applied. The lower cash flows included in the latest budget, particularly in relation to the Vehicle Finance business, as the Board prioritises capital deployment for growth into Second Charge Mortgages and Credit Cards, have led to a lower valuation.<br><br>The discounts rates has also increased due to increases across all inputs, further impacting the level of impairment required. | The Audit Committee reviewed and challenged the key assumptions used in the calculations.<br><br>The work performed by Deloitte LLP challenging the appropriateness of the assumptions used by management was considered. |

| Issue | Judgement | Actions |
|---|---|---|
| **Contingent liabilities – Vehicle Finance commissions**<br>On 25 October 2024, the Court of Appeal (CoA) ruled against two lenders in three cases involving commission payments to motor finance dealers. The lenders successfully applied for permission to appeal to the Supreme Court, which is due to be heard in early April 2025, with the outcome expected in late 2Q 2025 or early 3Q 2025. The judgment redefined the legal duties of dealers acting as credit brokers, requiring clear disclosure of commission amounts and customer consent. | An assessment against IAS 37 to determine if a provision should be recognised was performed.<br>Based on that review no provision has been recognised in the FY24 accounts; however, a contingent liability has been disclosed. | The Audit Committee reviewed and challenged the assessment against IAS 37. This included consideration of distinguishing factors of the Moneybarn book from the cases that were the subject of the CoA decision.<br>It also considered the contingent liability disclosures in line with the requirements of the standard.<br>The work performed by Deloitte LLP on the assessment to not recognise a provision was considered along with any consideration of the contingent liability disclosure. |
| **Retirement benefit asset**<br>The valuation of the retirement benefit asset is dependent upon a series of actuarial assumptions. The key assumptions are in respect of the discount rate, inflation rates and mortality rates used to calculate the present value of future liabilities. | Judgement is applied in formulating each of the assumptions used in calculating the retirement benefit asset. This considers any adjustments made to the key judgements to ensure they remain appropriate for the Group's defined benefit pension scheme. | The Company's external actuary, Willis Towers Watson, proposes the appropriate assumptions and calculates the value of the retirement benefit asset. The Committee considers the adjustments made by management to the core assumptions proposed by the actuary. The Committee also considers the audit work performed by Deloitte LLP on the assumptions and to what extent the assumptions are within the suitable ranges of assumptions based on audit experience.<br>Due to the materiality of the pension scheme asset at 31 December 2024, the Audit Committee agreed with management that it is no longer considered a key accounting judgement for the Group. |

## Compliance statement

The Group has fully complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 throughout the 2024 financial year.

**Oliver Laird**
Audit Committee Chair
13 March 2025

Risk Committee Report

# Strong risk management to support business turnaround

**Given the challenging macroeconomic environment, the Committee's role in providing insightful and focused risk management oversight has been vital."**

**Michele Greene**
Risk Committee Chair

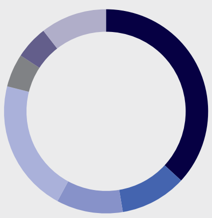
## Role of the Committee

The Committee assists the Board in its oversight of risk, ensuring that the Group's current and emerging risks are understood and that there is an effective Risk Management and Internal Control Framework in place.

The Committee's principal areas of responsibility are as follows:

- assessing the Group's risk resource, strategy, culture and its operating model for managing risk;
- understanding the Board's strategy, desired culture and direction and identifying the key strategic and emerging risks that could impact delivery;
- endorsing an overall risk appetite and monitoring performance against the agreed appetite;
- reviewing and approving the Group's ICAAP, ILAAP and Group liquidity assessment, including the stress testing and capital allocation approach;
- in conjunction with the Audit Committee, reviewing the Group's capability to identify and manage new risk types, and keeping under review the effectiveness of the Group's risk management and internal control framework; and
- reviewing the Group's management of anti-money laundering, data protection and operational resilience.

## Allocation of time



| | |
|---|---|
| Top of mind, principal and emerging risks | 35% |
| Credit risk focus | 10% |
| Risk appetite, framework and policy | 10% |
| Regulatory and prudential risk reporting | 20% |
| Risk management effectiveness | 5% |
| Governance and external reporting | 5% |
| Compliance and conduct | 10% |

The Committee's Terms of Reference are available at: www.vanquisbankinggroup.com

## Dear Shareholder,

I am pleased to present the Risk Committee Report for the year ended 31 December 2024 which is my first report as Chair. As announced on 29 January 2025 Angela Knight stepped down and I was appointed Chair of the Committee. I'd like to thank Angela for her careful and committed leadership. The Committee held seven meetings in the year, two of which were specifically focused on the ICAAP and ILAAP. The Committee performs an annual effectiveness and adherence review and has covered all the duties set out in its Terms of Reference.

The Committee membership has evolved during the year. Jackie Noakes joined the Group and became a member of the Risk Committee on 27 March 2024 and Elizabeth Chambers stepped down on 15 May 2024. As announced on 29 January 2025 Angela Knight and Paul Hewitt stepped down, I assumed the Chair and Karen Briggs was appointed as a member. Karen is also a member of the Audit Committee. The biographies of all our members, which also contain information about their qualifications, are available on pages 59 to 61 and our Committee attendance is on page 75. The Group's CEO, CRO, Board Chairman, CFO, Internal Audit Director and General Counsel also regularly attend Risk Committee meetings.

The Committee receives a report from the Chief Risk Officer (CRO) at each meeting to focus discussion on the top of mind risks (top-down strategic and emerging risks) and the principal risks (bottom-up all encompassing risks). Except for the two ICAAP and ILAAP focused meetings, at each regular meeting the Committee has:

- reviewed and assessed the Group's principal risks including issues, emerging risks and material risk events and assurance findings;
- considered top of mind risks including regular detailed reports regarding credit risk;
- reviewed the risk appetite status and trends across the principal risks;

- received updates regarding compliance and regulatory matters;
- received a report on the status of complaints; and,
- reviewed the minutes and actions from previous meetings.

Committee report templates have been refreshed during the year to support concise reporting. The Committee's work is well organised in an annual forward agenda planner and agendas are structured precisely to facilitate the effective use of time within meetings.

## Key areas of focus

### Credit risk

The Committee has received credit risk reports from the Head of Credit Risk regarding portfolio performance, stability and customer behaviours. More broadly the Committee oversaw that a detailed end-to-end review of credit risk arrangements was performed during the year as part of the insightful risk management pillar of the Group's strategy. A credit risk programme of work has been established with a clear roadmap of deliverables and actions to be taken during 2025.

### Model risk

Closely associated with credit risk, model risk increased in the year following delays in the execution of our model redevelopment and model validation plans. Overseen by the Committee, the executive ownership of model risk has evolved, and first line ownership of the model inventory has been refreshed. Additional senior expertise has been recruited into the first line to help accelerate execution of the associated actions.

### Business performance risk

The Committee has overseen execution of the strategy through its monitoring of business performance risk. The Committee has sought assurance from the second line involvement and third line review and challenge of the programme.

### Technology and information security risk

The Group's IT transformation has progressed consistently throughout the year and as a result the Group's exposure to technology risk has improved. The Committee has overseen the delivery of improved cyber security arrangements including risk-related aspects of the Group's IT infrastructure transformation. The Committee continues to monitor the Group's exposure to IT risks arising from legacy systems which reduces as the programme progresses.

### People risk

Regrettably there were further redundancies during 2024 and people risk has therefore been heightened. Enhanced monitoring of colleague attrition was performed until the end of the consultation period. The Committee noted the efforts of the People function to deliver the action plan arising from the Great Place to Work survey feedback.

### Capital risk and funding and liquidity risk

The Committee considered in detail the Group's regulatory documents during 2024.

### Capital risk

The Committee studied the Group's detailed analysis of its risks and key assumptions in the ICAAP and the methodology behind their establishment, alongside the stress testing and scenario modelling that had been applied to arrive at the proposed outcomes. The Committee sought and received assurance that the feedback received from the PRA as part of its Capital Supervisory Review and Evaluation Process (C-SREP) had been addressed.

### Funding and liquidity risk

The Committee considered the Group's liquidity risk drivers, stress testing scenarios and stress testing results noting the key methodologies that had been adopted in the ILAAP. The PRA completed an Liquidity Supervisory Review and Evaluation Process (L-SREP) in July 2024, the outcome of which confirmed that the Group held appropriate levels of liquid assets and acknowledged the enhancements made to our approach to liquidity management.

Both documents were approved by the Committee, for onward recommendation to the Board, in May 2024 and you can read more about liquidity, funding and capital in the Financial Statements on page 144 to 148.

### Complaints

The Committee requested complaints be a standing agenda item throughout 2024 and the Chief Operating Officer has attended to present a report at each regular meeting. The Committee has overseen the Group's complaints strategy from a risk management perspective recognising the potential impact on several of the Group's principal risks including legal, regulatory and operational risk.

### Consumer Duty

The Committee has overseen the continued progress of embedding Consumer Duty, including supporting the Board's first annual report on Consumer Duty and formal attestation and submission the FCA in July 2024. You can read more about Consumer Duty in on page 72.

### Risk and control maturity

Building on the foundations put in place in 2023 through the risk harmonisation programme the Committee has overseen the continued enhancement of the risk governance and operating model. The Executive Risk Committee has been established, first line ownership of process risk has been documented, a risk partner structure has been implemented and the Riskonnect system continues to embed.

### Risk appetite

The Committee approved the Group's risk appetite framework in July 2024 which defines the amount of risk the Group is prepared to be exposed to in pursuit of its strategic objectives and delivery of day-to-day operations. The Committee noted the principles applied in defining its risk appetite and receives regular risk appetite data, supported by plans for any 'route-to-green' activity for those metrics that are not within appetite.

## Principal and emerging risks

The Committee is responsible for supporting the Board to assess the principal and emerging risks to the Group. The Committee considers the top of mind and any other risks that may impact the Group's strategy and operations and assesses its aggregated risk profile. Alongside the CRO Report being provided to the Board for information, I also provide the Board with a verbal update of matters considered by the Risk Committee at each Board meeting.

## Risk Committee Report continued

### Principal and emerging risks continued

In July 2024 the Committee approved the Group's risk management framework including the risk measurement methodology. The Committee brought forward the review of the framework to January 2025 to align to the 2024 UK Corporate Governance Code. This included the renaming of the risk management framework to the risk management and internal control framework. The Group's risk classification was reviewed and approved by the Committee in January 2025.

Insightful risk management is a strategic theme and you can read about our strategic risk objectives and focus areas in our Strategic Report on pages 11 and 15.

The report from our CRO including a description of our principal risks and how they are being managed can be found on pages 48 to 55.

### Committee review of internal risk management and controls

In accordance with the 2018 UK Corporate Governance Code Principle O, applicable during the reporting period, the Board has a responsibility to establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. Provision 29 requires the Board to monitor the Company's risk management and internal control systems.

Following a detailed review by the Committee, the directors can confirm that the Group's key risks have been robustly assessed and are effectively controlled. In reaching this conclusion, the Risk Committee assessed the following criteria:

- the effectiveness and embeddedness of the risk management framework including the Risk function's organisational design and three lines of defence model during 2024 to ensure consistent management of risks;
- key strategic decisions taken and executed in 2024 which alter the risk profile of the Group, including offshoring operations, redundancies and changes in organisational design structure and leadership;
- an assessment of our relationships with our regulators; and
- other key indicators such as the number of and management approach to open and overdue audit actions, engagement with risk awareness activities and risk awareness within first line management.

### Future focus

Throughout 2025 I expect the Committee to focus on business performance risk and implementation of the credit risk programme, both of which are critical for the Group as it executes its strategy. In addition, the Group continues to experience challenges arising from the macroeconomic environment. A keen forward-looking focus on external threats including financial crime, complaints and the Supreme Court's ruling on the Court of Appeal judgment regarding vehicle finance commission disclosures will be important. I expect the Committee to consider the risks arising from Artificial Intelligence, whilst recognising it may also bring opportunities for the Group. Monitoring the embedding of Consumer Duty, focusing on the fair treatment of customers, robust internal controls and early identification of customer vulnerability are essential for the Committee as the Group continues to strengthen its forbearance and vulnerable customer processes.

With these in mind the Committee priorities to protect and advance the Group's control environment during 2025 are set out in the table below.

**Michele Greene**
Risk Committee Chair
13 March 2025

| Key Committee activities in 2024 | Committee priorities in 2025 |
|---|---|
| › Closely monitored the Group's 'top of mind' risks and received regular Group CRO reports outlining the Group's strategic and emerging risks.<br>› Monitored external risks and emerging risks.<br>› Performed enhanced monitoring of credit risk in light of changes to the macroeconomic environment and strategy.<br>› Confirmed the effectiveness of the Group risk management framework following an internal review by management.<br>› Closely monitored execution and people risk associated with strategic and operational change activities.<br>› Received reports from the Group MLRO Report regarding the Group's money laundering systems and controls, key financial crime risks and issues, control gaps and associated action plans.<br>› Approved the Group's ILAAP, ICAAP and Pillar 3 Disclosures.<br>› Approved the Group's recovery plan and resolution plans.<br>› Approved the Committee's revised Terms of Reference (ToR) and forward agenda planner and the Committee's effectiveness review. | › Emerging risks with the potential to impact the Group's strategy including the Supreme Court judgment on vehicle finance commission disclosures.<br>› Risk strategy, profile and risk appetite.<br>› Monitoring effectiveness of the risk-related benefits arising from the Gateway technology transformation.<br>› Oversee the evolution of the Group's financial crime strategy.<br>› Consumer Duty embedding, forbearance and vulnerable customers processes.<br>› Oversee delivery of the credit risk programme. |

# Annual Statement by the Chair of the Remuneration Committee

**In 2024, the Committee remained focused on aligning executive remuneration with Company performance and the ongoing business turnaround."**

**Graham Lindsay**
Remuneration Committee Chair

## Committee members (attendance)

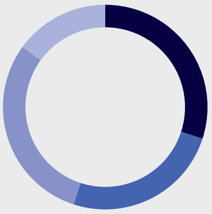
| | |
|---|---|
| Graham Lindsay (Chair) | (3/3 plus 3/3 ad hoc) |
| Karen Briggs (joined 27 March 2024) | (1/1 plus 3/3 ad hoc) |
| Oliver Laird (joined 27 March 2024) | (1/1 plus 3/3 ad hoc) |
| Andrea Blance (stepped down 1 February 2024) | (1/1) |
| Margot James (stepped down 15 May 2024) | (2/2 plus 1/1 ad hoc) |

## Role of the Committee

The Chairman, the Group Chief Executive Officer (CEO), Chief Finance Officer (CFO), the People Director, the Head of Reward and the Committee's independent advisor (PwC) attend Committee meetings by invitation. No person is in attendance when their own remuneration is being discussed.

The report complies with the provisions of the Companies Act, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the FCA. The Company also follows the requirements of the UK Corporate Governance Code (the Code) updated in July 2018.

## Allocation of time



| | |
|---|---|
| Remuneration governance | 30% |
| Annual bonus | 25% |
| Share plans | 30% |
| Risk | 15% |

The Committee's Terms of Reference are available at: www.vanquisbankinggroup.com

## Dear Shareholder

On behalf of the Remuneration Committee (the Committee), I am delighted to present the Directors' Remuneration Report for the year ended 31 December 2024. I would like to extend my thanks to both Andrea and Margot who both stepped down from the Committee on 1 February 2024 and 15 May 2024 respectively. I am delighted to welcome Karen Briggs and Oliver Laird as new Committee members. The report sets out how the Committee carried out its responsibilities during the year and our approach to remuneration in 2024 and explains the rationale for our decision making.

## 2024 Group performance

2024 was a defining year for Vanquis – a year of strategic clarity and transformation. While we faced challenges, we also made significant progress in repositioning the business for sustainable, profitable growth.

Since unveiling our new strategy in March 2024, we have focused on stabilising the business and laying the foundations for long-term success. This progress has been underpinned by stable credit quality and the financial resilience of our customers, reinforcing our confidence in the future.

Our financial performance at the end of the year was as follows:

- adjusted (loss)/profit before tax (adjusted (L)/PBT) of £(34.8)m (£17.3m (restated) in 2023);
- adjusted Return on Tangible Equity (ROTE) of (7.0%)% (1.9% in 2023); and
- cost-income ratio (C:I) of 65.9% (62.6% in 2023).

## 2024 Group bonus pool

The financial element of the annual bonus was well below threshold for 2024 for adjusted PBT, adjusted ROTE and cost-income ratio and therefore there was nil vesting under this element. Under the Group's non-financial scorecard, the Committee determined a vesting outcome of 60.3%, which resulted in a total weighted vesting of 24.1% based on performance against scorecard objectives.

In determining the final bonus outcome, the Committee took into account a number of factors including the overall business performance in 2024, and the wider stakeholder experience. The Committee decided to exercise discretion and make a downwards adjustment to the bonus outcomes for all colleagues, including the current executive directors, to zero. We have set out in more detail the annual bonus results for 2024 on pages 100 and 101.

It is important to note that this outcome is in no way reflective of the hard work and commitment our colleagues have made throughout the year to keep our business running and help our customers. I want to take this opportunity to thank our colleagues for their efforts in 2024 in such trying and difficult circumstances.

## Wider workforce pay

Whilst remaining cognisant of the challenges that the Group faced through the year, the Committee has also been mindful of the need to retain and motivate our wider staff population for the future stability of the business. Our pay review in early 2024 focused on our lower paid colleagues and a number of initiatives were implemented:

- an overall pay budget of 4% for salary increases effective 1 January 2024;
- average increases of over 5.6% for colleagues who were in roles at the lower levels and relatively lower paid; and
- extension of the provision of medical insurance benefits and virtual doctor access so that these are now available to all colleagues.

In 2025, we intend to continue our focus on our colleagues who are employed at the lower levels and from January 2025, the minimum full-time salary will be £26,000. We have updated our minimum salary (above the Living Wage for all) by level (and location) and actively distribute a larger percentage of our salary review pool to those colleagues.

## Executive director remuneration in 2024

Given the 2024 financial results of the Group, the focus of the Committee was to ensure that this was appropriately reflected in the remuneration decisions made and outcomes were aligned to the wider stakeholder experience.

### RSP 2024 award grant

As reported in last year's report, the Committee outlined that it intended to grant an Restricted Stock Plan (RSP) 2024 to the executive directors (Ian McLaughlin and Dave Watts) and this was granted on 7 May 2024. The Committee determined there should be a downwards adjustment of 44% made to the RSP 2024 grant to take into account potential windfall gains and to ensure that the RSP operates within the share dilution limits in the plan rules. Further details are shared on page 102.

### RSP 2021 award vesting

As reported in last year's report, the interim performance underpin assessment concluded that a downwards adjustment of 25% should be applied to the vesting outcomes of the RSP 2021 awards (which vested in August 2024) for the previous executive directors (Malcolm Le May and Neeraj Kapur). Further details are shared on page 99 and 100.

### RSP 2022 award vesting

The RSP 2022 award is scheduled to vest on 7 April 2025. The Committee reviewed performance against the underpin over each of the three years of the performance period. With respect to performance in 2022, the Committee was satisfied that the underpin was met. With respect to 2023, the Committee noted the underpin was not met but that performance in respect of 2023 had been fully reflected in the 25% downwards adjustment to the 2021 RSP awards, as disclosed last year. With respect to performance in 2024, the Committee identified three issues that created the loss, these being the Vehicle Finance receivables review, other one-off items and the in-year 2024 trading loss. The Committee needed to determine how best to apportion them, given that events in respect of a single year relate to three RSP awards (2022, 2023 and 2024 RSP awards). After careful consideration, the Committee concluded that a total downwards adjustment of 30% should be applied which is in line with decisions taken on previous RSPs but that it would be unreasonable to apply the adjustment fully in respect of a single RSP award. As a result, the decision was taken to apply the adjustment equally across the three RSP awards and hence a 10% downwards adjustment will be made to each of the RSPs issued in 2022, 2023 and 2024. In addition, the Committee carried out an assessment of dividend equivalents applied to this award and determined that an additional downwards reduction of 2.8% should be made to the vesting outcomes to reflect the actual dividends paid over the vesting period. Both these adjustments impact the previous executive directors (Malcolm Le May and Neeraj Kapur). The Committee will review this assessment again prior to final vesting and any changes to the above assessment will be disclosed in the 2025 Directors' Remuneration Report. Further details are shared on page 103.

### Deferred Bonus Plan (DBP) 2022

The Committee carried out an assessment of dividend equivalents applied to the DBP 2022 award (which is due to vest on 7 April 2025) and determined that a downwards reduction of 2.8% should be made to the vesting outcomes of the previous executive directors (Malcolm Le May and Neeraj Kapur). Further details are shared on page 103.

## Implementation of Directors' Remuneration Policy (the Policy) in 2025

The Committee considers that current Policy, approved at the May 2023 AGM, has operated as intended and does not require a fundamental change. We are proposing to implement the Policy as follows in 2025 which in the Committee's view ensures that it will continue to operate effectively in line with our strategic priorities and support attraction and retention of key talent.

### 2025 salary increases

The executive directors and Executive Committee were not considered as part of the salary review and have forgone their annual salary increase to augment and redistribute the salary pool outcomes to lower paid colleagues, who will receive an average increase of 3.8%.

### 2025 annual bonus

There are no changes to annual bonus opportunity. The performance metrics and their weightings will change from adjusted to statutory reporting in 2025 in line with changes to our financial guidance:

- statutory PBT (25%), statutory ROTE (25%), and cost-income ratio (10%); and
- non-financial metrics (40%).

The metrics within the non-financial scorecard will continue to align with our strategic priorities.

### RSP 2025 grant

In light of the performance delivered in 2024 and the Group's current financial position, the Committee has determined that it would not be appropriate to make any RSP awards in April 2025. The Committee will, however, review this position following the announcements of the 2025 half-year results, taking into account the Group's financial performance in the first half of the year, as well as the shareholder and employee experience. If the Committee does determine that it would be appropriate to make 2025 RSP awards following this review, any awards would be subject to underpin criteria, as set out in our Policy, and will vest in three years from the date of grant with an additional retention period of two years after vesting. At the point of any grant the Committee will determine whether any adjustment is required to take into account any potential for windfall gains as per our internal Policy. Irrespective of the decision made, a further assessment on windfall gains will be carried out at vest as per the RSP underpin requirements. The grant of the awards will be confirmed via an RNS announcement in the usual way and full details of the approach taken will be set out in the 2025 Directors' Remuneration Report.

### 2025 non-executive director (NED) fees

As reported last year, the NEDs took a significant reduction in their fees for 2024. Following a review of fees, the Committee (for the Chairman) and the Board (for the NEDs) decided that there would be no change to the fees for 2025 and this aligns with the approach applied to the executive directors and Executive Committee.

## Conclusion

We recognise that it's been another challenging year for the business. The Committee believes that the decisions made are mindful of appropriately reflecting the shareholder experience over the course of the year. We have adjusted pay to reflect this, while setting up the business and our Executive team for future success and ensuring their alignment with value creation for our shareholders.

In the rest of this report, we present the disclosures required by regulations, as well as additional information to explain how our executive remuneration aligns with our strategy, with shareholder interests and with wider workforce pay.

I sincerely thank our colleagues for their hard work throughout the year and our shareholders for their continued support. I will be available at the Company's 2025 AGM to answer any questions in relation to this Remuneration Report.

**Graham Lindsay**
Remuneration Committee Chair
13 March 2025

## Directors’ Remuneration Report continued

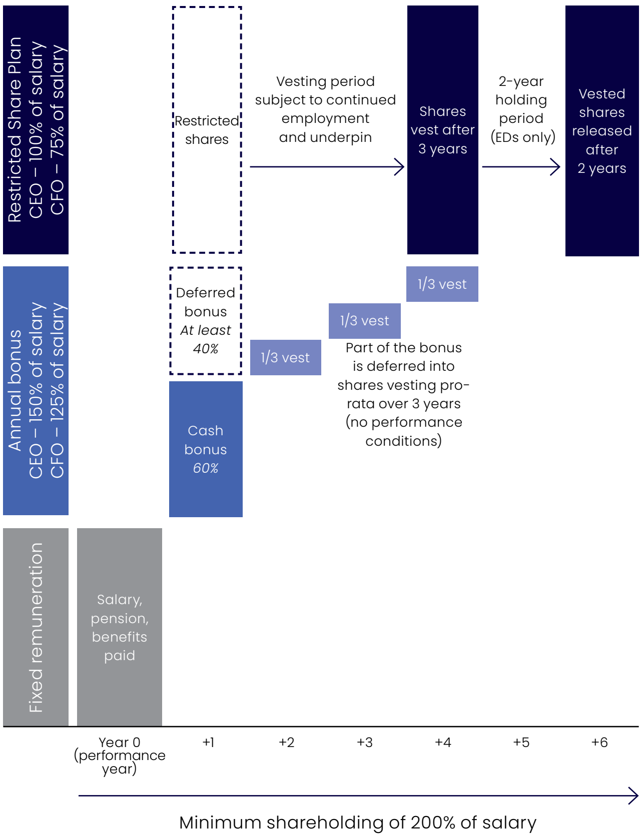
# Remuneration at a glance

The following section sets out:

- an illustration of the operation of the Policy for 2025;
- a summary of the executive directors’ single total remuneration figures, and outcomes under the 2024 Annual Bonus Plan and the RSP 2022 award; and
- an overview of executive directors’ shareholdings.

Full details of the Policy can be found under the Shareholder Hub section of our website

## Illustration of the Policy in 2025




**Salary:** No increase from 2024

- CEO: Ian McLaughlin: £725,000 (2024: £725,000)
- CFO: Dave Watts: £550,000 (2024: £550,000)

**Role-Based Allowance (RBA):** No change from 2024

- CEO: Ian McLaughlin: No RBA, 0% of salary

Eligibility under Director Remuneration Policy:

- Maximum annual RBA grant for individual is 25% of salary
- Delivered in shares and released in equal instalments over three years

**Pension:** No change from 2024

- All EDs: cash payment of 10% of salary (in line with the wider workforce)

**Benefits:** No change from 2024

- All EDs: Car allowance £10,000 (2024: £10,000). Eligible for life assurance, private medical insurance and permanent health insurance (no change)
- Transitionary temporary travel allowance for Ian McLaughlin only. £100,000 per annum and expires on 26 July 2025

**Annual bonus:** The performance metrics and their weightings will change from Adjusted to Statutory reported in 2025.

- Maximum opportunity:
  - CEO: 150% of salary
  - CFO: 125% of salary
- Performance measures:
- 60% financial
  - statutory PBT 25% (2024: adjusted PBT 25%)
  - statutory ROTE 25% (2024: adjusted ROTE 25%)
  - Cost-income ratio 10% (2024: 10%)
- 40% non-financial will align to the 2025 strategy (Strategy, Customer, People & Culture) and will be disclosed in the 2025 Directors’ Remuneration Report
- Risk overlay and Tier 1 capital ratio underpin
- Deferral: At least 40% deferred, vesting pro-rata over three years in VBG shares

**RSP:**

- Award level:
  - CEO: Maximum 100% of salary
  - CFO: Maximum 75% of salary (100% for RSP 2024 as part of his joining package)
- As a part of grant process, the Committee will consider individuals’ personal and business performance for the prior year and determine whether the proposed level of grant remains appropriate
- Underpins: The Committee will consider the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting:
  - whether threshold performance levels have been achieved for the performance conditions for the Annual Bonus Plan for each of the three years covered by the vesting period;
  - the underlying financial performance progression over the vesting period;
  - whether there have been any sanctions or fines issued by a Regulatory Body; participant responsibility may be allocated collectively or individually;
  - whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually;
  - the potential for windfall gains;
  - the level of colleague and customer engagement over the vesting period; and
  - the level of achievement of our approach to ESG as set out by the Board
- Vesting: Three years with a two-year holding period post-vesting

**Shareholding requirement:**

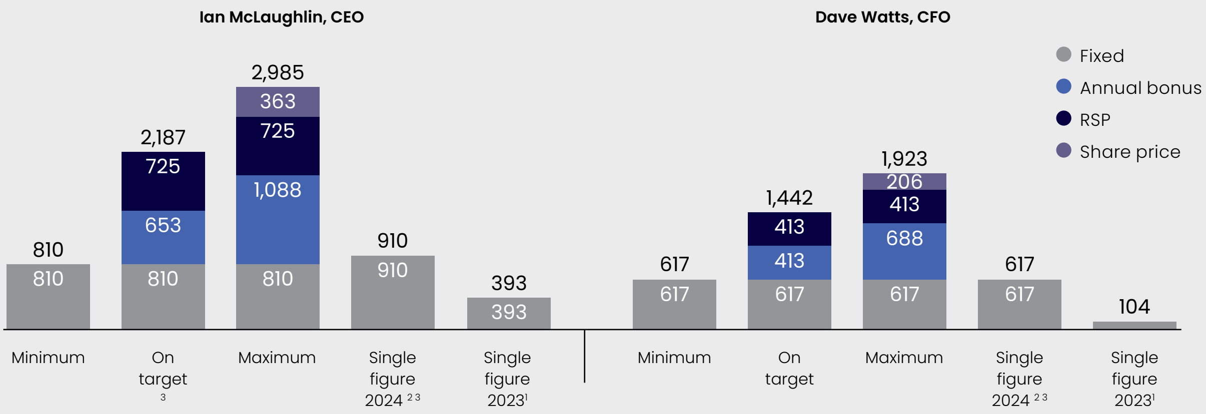
- CEO/CFO: 200% of salary
- Full requirement to be held for two years post-cessation

Further details on the implementation of the Policy, have been set out later in this report under the ‘Directors’ Remuneration Policy in 2025’ section on pages 106 and 107.

## Executive director 2024 remuneration outcomes

The charts below show an estimate of the remuneration that could be received by executive directors under the Policy and how our performance has flowed through to the remuneration provided to our executive directors. The full explanatory notes for each element of remuneration are detailed on pages 97 to 107 in the Annual Report on Remuneration.

### Remuneration (£'000)




1 Single figure for 2023 pro-rated to time served as executive director.
2 No Bonus has been paid for 2024 or 2023, see page 96 for details of the 2024 bonus.
3 CEO and CFO joined in 2023, therefore no RSP has vested.

### Assumptions

- Minimum pay is fixed pay only, i.e. salary + benefits + pension + RBA (excluding travel allowance).
- On-target pay includes fixed pay (excluding travel allowance), 60% of the maximum bonus (with maximum equal to 150% of salary for the CEO and 125% for the CFO) and 100% vesting of the RSP awards (with grant levels of 100% of salary for the CEO and 75% for CFO).
- Maximum pay includes fixed pay (excluding travel allowance) and assumes 100% vesting of both the annual bonus and the RSP awards.
- The illustration of 'maximum' assumes a 50% share price increase on the RSP award over the vesting period and is shown as 'share price'.
- All amounts have been rounded to the nearest £1,000.

# Remuneration at a glance continued

## 2024 annual bonus outcome

The table below summarises performance against the targets set for the 2024 bonus and the outcome, before and after Committee discretion.

| | Threshold 75% | Target 100% | Maximum 125% | Actual | Weighting | Outcome CEO (IM) | Outcome CFO (DW) |
|---|---|---|---|---|---|---|---|
| **Financial targets** | | | | | **60%** | **0%** | **0%** |
| Adjusted (L)/PBT | £9.3m | £12.4m | £15.5m | £(34.8)m | 25% | 0% | 0% |
| Adjusted ROTE | 1.3% | 1.7% | 2.1% | (7.0)% | 25% | 0% | 0% |
| Cost-Income ratio | 61.6% | 61.6% | 46.2% | 66.2% | 10% | 0% | 0% |
| **Non-financial metrics** | | | | | **40%** | **24.1%** | **24.1%** |
| Risk overlay | | | | | | Met | Met |
| Tier 1 gateway | The Group achieved a Tier 1 ratio of 18.8% (above our hurdle) | | | | | | |
| Scorecard outcome (as a % of maximum bonus) | | | | | | 24.1% | 24.1% |
| **Final outcome (as a % of maximum bonus) after Committee discretion** | | | | | | **0%** | **0%** |

## Link between remuneration and equity of the executive directors

We believe that equity has an important part to play in the remuneration of the executive directors. There is a need for the executive directors to understand from first-hand experience the position of the shareholders and our RSP (and deferred bonus schemes) are structured to support that understanding. This link has been strengthened in the last few years as we require our executive directors to hold their shares for a period of two years post-departure. We monitor regularly that the directors are on track to meet their obligations under the Share Ownership Policy, and we confirm, although they are early in tenure, that the current CFO and CEO are both currently on track. To ensure that our executive directors are incentivised to take a long-term, sustainable view of the performance of the Company, when we look at the remuneration paid in the year, we also look at the total equity they hold, and its value based on the performance of the Company.

The table below sets out the number of shares beneficially owned and unvested share options subject to performance awarded to the executive directors at the beginning and end of the financial year, and the impact on the value of these shares taking the opening and closing price for the year.

| | **2024 single figure £'000**[1] | Shares held at the start of the year | Shares held at the end of the year[4] | Value of shares at the start of the year[2] £'000 | Value of shares at the end of the year[3] £'000 | Difference £'000 |
|---|---|---|---|---|---|---|
| CEO (Ian McLaughlin) | **910** | 1,028,939 | 1,895,865 | 1,329.4 | 843.7 | (485.7) |
| CFO (Dave Watts) | **617** | 40,000 | 704,893 | 51.7 | 313.7 | 262.0 |

1 Based on amount shown in the single figure of remuneration table.
2 Based on a closing share price on 29 December 2023 of £1.292.
3 Based on a closing share price on 31 December 2024 of £0.445.
4 Shares held at the end of the year include both shares owned outright and Unvested share options subject to performance (number of shares at grant) see page 104.

# Annual Report on Remuneration

## Remuneration principles and alignment to the Corporate Governance Code

We strongly believe in fair and transparent reward throughout the organisation and when making decisions on executive remuneration the Committee considers the context of wider workforce remuneration. This section shows how the 2018 Code is embedded in our remuneration principles and how, in 2024, they are cascaded throughout the organisation. The table below shows how the Policy is aligned with the factors set out in Provision 40 (which sets out a list of matters for the Remuneration Committee to address when determining the Policy and practices – these fall under the headings of clarity, simplicity, risk, predictability, proportionality and alignment to culture), and how our principles and Policy are aligned with the 2018 Code.

### Our strategy (2024)

**During the year we made significant strides in transforming Vanquis into a more customer-focused, efficient, and resilient business. We are shifting from a product-led approach to a needs-driven, integrated model that better serves customers and supports sustainable growth.**

### Our remuneration principles

- Support delivery of the Group's business strategy, realise our vision and be customer champion within our sector.
- Have flexibility in delivering total remuneration outcomes in changing market, economic, commercial and regulatory circumstances.
- Maintain a competitive reward and recognition offering in the markets in which we compete, thereby supporting our talent attraction, engagement and retention aims.
- Ensure remuneration outcomes are fair and consistent, reflect pay for performance and are clear and transparent for all our colleagues.
- Support and mitigate any conflicts of interests.
- Manage remuneration opportunities and outcomes for regulated colleagues under the SMCR and material risk takers under the Remuneration Code.
- Support the effectiveness of the risk management and internal control framework and incentivise the delivery of the business strategy within risk appetite via a controls-based framework and positive risk conduct culture.
- Drive the Group's ESG strategy, including diversity, equality and inclusion agenda.
- Align the interests of our colleagues with those of our customers, regulators and shareholders.

### How does the Committee address the requirements under Provision 40?

#### Cultural alignment

- The Committee ensures that the overall reward framework embeds our purpose.
- The Committee reviews the executive reward framework regularly to ensure it supports the Company's culture and strategy.
- The ED Remuneration Policy is cascaded down the organisation ensuring that there are common goals.

#### Proportionality

- Performance measures under the annual bonus as well as the RSP underpin are aligned with the Company's scorecard and the payouts reflect achievement against the target.
- The Committee may apply discretion to reduce outcomes under the annual bonus and RSP – if they are considered inconsistent with the underlying performance of the business.

#### Simplicity

- Policy for EDs is simple and clear, consisting of:
  - fixed pay (salary, benefits and fixed pension contribution) set to reflect the typical rate provided to the UK workforce; and
  - variable pay comprising an annual bonus scheme (partly deferred into shares) and RSP awards which provide focus over the long term.
- The Committee avoids unnecessary complexity in operating the arrangements.

#### Predictability

- The Committee sets specific targets for different levels of performance which are communicated to the EDs and disclosed to shareholders.

#### Clarity

- Remuneration arrangements have defined parameters that can be transparently communicated to shareholders and stakeholders.
- The Committee consulted with shareholders as part of the design phase of the Policy approved at the 2020 GM and re-approved at the 2023 AGM.
- How executives' pay is set has subsequently been communicated to the wider workforce along with how it is aligned with the Company's approach to wider pay policy and how decisions are made by the Committee.

#### Risk

- Remuneration arrangements are designed to create a robust link between pay and performance, thereby mitigating risk of excessive reward.
- Policy has safeguards including Committee discretion to adjust incentive outcomes.
- The Committee ensures that a significant portion of reward is equity based and has deferral (40% of annual bonus deferred in shares for three years and all of RSP is in shares) and is thereby linked to shareholder return.
- Recovery provisions such as malus and clawback apply to the Policy.
- Executives are required to build significant personal shareholdings in the Company.

# Annual Report on Remuneration continued

## Remuneration governance

The Committee held three scheduled meetings in 2024 plus three ad hoc meetings. The following schematic sets out the key considerations for the Remuneration Committee during 2024:

| | Governance | | Annual bonus | | Share plans | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | General | DRR | Design | Review | Grant | Review | Risk | All colleague matters | Shareholders |
| January | ● | ● | ● | ● | | ● | ● | ● | ● |
| March | ● | ● | ● | ● | ● | ● | ● | ● | ● |
| April (ad hoc) | ● | | ● | ● | ● | ● | | ● | |
| June (ad hoc) | ● | | ● | | ● | ● | | ● | |
| July (ad hoc) | ● | | | | ● | ● | | | |
| November | ● | ● | ● | | | ● | ● | ● | |

The CEO, CFO, Director of the CEO office, People Director and Head of Reward also attend meetings by invitation, to provide advice and respond to specific questions. The CRO attends several meetings throughout the year to provide updates, where necessary. The General Counsel and Company Secretary acts as secretary to the Committee. In no case is any individual present when their own remuneration is discussed.

### Advisors to the Committee

To ensure that the Company’s remuneration practices are in line with best practice, the Remuneration Committee has appointed independent external remuneration advisors, PricewaterhouseCoopers LLP (PwC). This appointment in 2020 followed a competitive tender process. PwC attends meetings of the Committee. The Committee reviewed the performance of PwC during 2024 and determined that it was strong, and that the appointment should continue into 2025.

Fees, on a time-spent basis, for the advice provided by PwC to the Committee during 2024 were £98,751 excluding VAT (2023: £113,438). Other than in relation to advice on remuneration, PwC provides subject matter expertise support to management on specific projects when requested. In 2024, this has included support in relation to regulatory and accounting advice. The Committee is satisfied that PwC engagement partners and teams which provided remuneration advice to the Committee do not have connections with the Group or the executive directors that may impair their objectivity and independence.

## Single total figure of remuneration (audited)

The table below sets out a single total figure of remuneration for each director for the year ended 31 December 2024 and the prior year:

| | | Salary/fees £'000 | Role-Based Allowance (RBA) £'000 | Taxable benefits[1] £'000 | Annual bonus[2] £'000 | LTIS/RSP[4] £'000 | Pension[3] £'000 | Total £'000 | Total fixed remuneration £'000 | Total variable remuneration £'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | | | |
| Ian McLaughlin | **2024** | **725** | **n/a** | **112** | **–** | **–** | **73** | **910** | **910** | **–** |
| | 2023 | 314 | n/a | 48 | – | – | 31 | 393 | 393 | – |
| Dave Watts | **2024** | **550** | **n/a** | **11** | **–** | **–** | **55** | **617** | **617** | **–** |
| | 2023 | 92 | n/a | 3 | – | – | 9 | 104 | 104 | – |
| **Non-executive directors** | | | | | | | | | | |
| Sir Peter Estlin[4] | **2024** | **275** | **n/a** | **1** | **n/a** | **n/a** | **n/a** | **276** | **276** | **n/a** |
| | 2023 | 116 | n/a | – | n/a | n/a | n/a | 116 | 116 | n/a |
| Angela Knight | **2024** | **109** | **n/a** | **1** | **n/a** | **n/a** | **n/a** | **110** | **110** | **n/a** |
| | 2023 | 112 | n/a | – | n/a | n/a | n/a | 112 | 112 | n/a |
| Paul Hewitt | **2024** | **95** | **n/a** | **5** | **n/a** | **n/a** | **n/a** | **100** | **100** | **n/a** |
| | 2023 | 112 | n/a | 5 | n/a | n/a | n/a | 117 | 117 | n/a |
| Graham Lindsay | **2024** | **90** | **n/a** | **5** | **n/a** | **n/a** | **n/a** | **95** | **95** | **n/a** |
| | 2023 | 112 | n/a | 2 | n/a | n/a | n/a | 114 | 114 | n/a |
| Michele Greene | **2024** | **75** | **n/a** | **–** | **n/a** | **n/a** | **n/a** | **75** | **75** | **n/a** |
| | 2023 | 71 | n/a | – | n/a | n/a | n/a | 71 | 71 | – |
| Oliver Laird[5] | **2024** | **61** | **n/a** | **–** | **n/a** | **n/a** | **n/a** | **61** | **61** | **n/a** |
| | 2023 | – | n/a | – | n/a | n/a | n/a | – | – | n/a |
| Karen Briggs[5] | **2024** | **61** | **n/a** | **–** | **n/a** | **n/a** | **n/a** | **61** | **61** | **n/a** |
| | 2023 | – | n/a | – | n/a | n/a | n/a | – | – | n/a |
| Jackie Noakes[5] | **2024** | **57** | **n/a** | **–** | **n/a** | **n/a** | **n/a** | **57** | **57** | **n/a** |
| | 2023 | – | n/a | – | n/a | n/a | n/a | – | – | n/a |
| Andrea Blance[6] | **2024** | **8** | **n/a** | **3** | **n/a** | **n/a** | **n/a** | **10** | **10** | **n/a** |
| | 2023 | 120 | n/a | 1 | n/a | n/a | n/a | 121 | 121 | n/a |
| Elizabeth Chambers[7] | **2024** | **28** | **n/a** | **15** | **n/a** | **n/a** | **n/a** | **43** | **43** | **n/a** |
| | 2023 | 96 | n/a | 14 | n/a | n/a | n/a | 110 | 110 | n/a |
| Margot James[7] | **2024** | **28** | **n/a** | **1** | **n/a** | **n/a** | **n/a** | **29** | **29** | **n/a** |
| | 2023 | 87 | n/a | – | n/a | n/a | n/a | 87 | 87 | n/a |

1 Executive directors receive standard market comparable benefits such as medical insurance. For the current CEO, the temporary travel allowance of £100,000 per annum is included here. NEDs have travel expenses reimbursed and, to the extent that those are taxable, grossed up for tax and NIC.
2 40% of any annual bonus earned is deferred into shares for an additional three years (subject to continued service, in normal circumstances).
3 Pension participation is via a defined contribution plan (or cash alternative) with no executive director having a prospective entitlement under a defined benefit plan.
4 The 2023 figure includes a backdated payment of £55,261 made in January 2024 to cover the period as Chairman from 15 September 2023 to 31 December 2023.
5 Appointed 27 March 2024.
6 Stepped down 1 February 2024.
7 Stepped down 15 May 2024.

## Payments made to past directors

### Previous CEO (Malcolm Le May)

Following the announcement of Malcolm's retirement on 24 January 2023, he was considered a good leaver and was entitled to a 12-month notice period under this contract of employment. He stepped down from the Board as an executive director on 1 August 2023 and in line with the Policy, he continued to receive his salary, role-based allowance, pension and other benefits during the remainder of his notice period in accordance with his service agreement and the Policy. The amounts received from 1 January 2024 to 24 January 2024 were salary (£47,241), role-based allowance (£7,086), cash in lieu of pension (£4,724) and other benefits (£712). His RSP 2021 award, which was adjusted downwards by 25% (see page 102), vested on 29 October 2024 with a value of £76,727. His unvested RSP and DBP awards for 2022 and 2023 will vest on their normal vesting dates in line with the relevant rules and the Policy. DBP awards will vest in full subject to any dividend equivalent adjustments and RSP awards will be time pro-rated to his last day of employment and subject to the performance underpin any dividend equivalent adjustments. The shareholding requirement will continue to apply for a period of two years from his date of cessation of employment in line with the Policy.

# Annual Report on Remuneration continued

## Payments made to past directors continued

### Previous CFO (Neeraj Kapur)

As reported last year, on 7 August 2023 Neeraj informed the Board that he would be stepping down from his role and as an executive director with immediate effect for personal reasons and Neeraj left employment on 23 February 2024. The amounts received during 2024 from 1 January 2024 to 23 February 2024 were salary (£83,125), pay in lieu of notice (£246,790), cash in lieu of pension (£8,313) and other benefits (£1,684). His RSP 2021 award, which was adjusted downwards by 25% (see page 102), vested on 29 October 2024 with a value of £42,312. His unvested RSP and DBP awards for 2022 and 2023 will vest on their normal vesting dates in line with the relevant rules and the Policy. DBP awards will vest in full subject to any dividend equivalent adjustments and RSP awards will be time pro-rated to his last day of employment and subject to the performance underpin any dividend equivalent adjustments. The shareholding requirement will continue to apply for a period of two years from his date of cessation of employment in line with the Policy.

No payments for loss of office were made in 2024.

## 2024 bonus outcome calculation (audited)

The bonus is based 60% on financial performance measures and 40% on non-financial performance measures. The tables below set out performance against the targets set for the 2024 bonus and the outcome. The impact of significant one-off adjustments reported in mid-2024 meant that the financial targets were not met for 2024.

### Details of the financial assessment

| | Performance range | | | | | | |
|---|---|---|---|---|---|---|---|
| Financial targets | Threshold 75% | Target 100% | Maximum 125% | Actual | Weighting | Outcome as % of max | Weighted outcome |
| Adjusted (L)/PBT | £9.3m | £12.4m | £15.5m | £(34.8)m | 25% | 0% | 0% |
| Adjusted ROTE | 1.3% | 1.7% | 2.1% | (7.0)% | 25% | 0% | 0% |
| Cost-Income ratio | 61.6% | 61.6% | 46.2% | 66.2% | 10% | 0% | 0% |

### Details of the non-financial assessment

The non-financial element was assessed at 60.3% achievement with this broken down, in 2024, as follows:

| Strategic pillars | Metric | Assessment of non-financial metrics | Rating |
|---|---|---|---|
| Strategy | **Tech transformation**<br>Delivery of four key tech transformation programmes:<br>› Gateway<br>› Data Transformation<br>› One Vanquis (single tenant)<br>› HR Transformation | **Gateway** – remains on track and is due to complete by mid-2026, providing us with a scalable, digital-first platform to support growth and delivering an additional £23-28m in cost savings. Development of the new Vanquis mobile app ahead of plan ready for implementation in 2Q25, further digitising the customer service proposition.<br>**Data Transformation** – Good progress made on the build and deployment of priority features, as aligned to our target architecture and Gateway roadmap.<br>**One Vanquis** – Successfully moved colleagues onto one IT platform, resulting in improved colleague and customer experience, and reducing costs.<br>**HR Transformation** – On track to implement one HR system, aligning people processes and technology, and enabling colleagues to be more efficient and work more collaboratively. | Above target (mid)<br>90% |
| | **Cards: widening of customer base** | We successfully repriced products across the portfolio on a risk-adjusted basis and introduced new balance transfer products. The business comprehensively reviewed customer cohorts by risk profile, vintage and acquisition channel. This review drove proactive volume management and as a result, growth actions were measured to ensure the future sustainable profitability of the portfolio. | Above target (plus)<br>100% |
| | **Reducing card declines**<br>Reducing card declines by providing 'not yet' options for customers. | While we did not deliver on this metric as originally envisaged, the Group has advanced its "not yet" proposition for customers who may not be immediately eligible for our products, but could be in the future. Instead of declining customers, we have increased our focus on supporting these individuals with money management tools through Snoop, or referrals to trusted partners such as H&T Pawnbrokers and Fair Finance, so that when the time is right, they can become part of our customer base. | Below threshold<br>0% |
| Customer | **Customer Satisfaction (CSAT)** | CSAT performance throughout the year has remained broadly in line with expectations. However, we experienced a decline in this spot score metric at year end due to a change in how we survey customers. This change was part of our ongoing efforts to improve customer insight to help us enhance our service. | Below threshold<br>0% |
| | **Complaints**<br>Complaints handling time (excluding responsible lending) | Our Operations outsourcing programme was completed in 2024, and we have seen significant improvement in this metric as we benefit from embedding our blended operating model with the support of our outsource partners. | Above target (plus)<br>100% |

| Strategic pillars | Metric | Assessment of non-financial metrics | Rating |
|---|---|---|---|
| Colleague and community | **Colleague engagement**<br>Great Place To Work Trust Index | Our Great Place To Work Trust Index increased 7 points from 53% (December 2023) to 60% (December 2024). This increase represents strong progress against our plan, particularly in the context of a challenging year. An action plan has been in place throughout the year to drive improved colleague engagement. Key initiatives included the creation of the LEAD Forum for our senior leadership population, our Connected Leaders development programme for all line managers, and continued alignment and enhancement of colleague policies and benefits. | On target (mid)<br>60% |
| | **Diversity in leadership**<br>Meeting the Women in Finance Charter's gender diversity targets in senior management by making progress towards having 40% female representation in VBG's senior management population by the end of 2026 | We signed up to the Woman in Finance Charter in 2019 and have set a target to achieve 40% female representation in our senior leadership population by the end of 2026. As we have delivered against our turnaround strategy, we have right-sized the business and evolved our organisation design to ensure we are operating as efficiently as possible. While we are below target, we have maintained focus on our signature actions including establishing our Women in Leadership network and Women's Mentoring Programme, and improving gender balance across our data and technology teams. | Below target (mid)<br>25% |
| | **Colleague volunteering**<br>Volunteering hours delivered to support the communities we serve<br>(ESG metric) | Colleagues can take two full day's paid leave to volunteer for a community organisation or charity of their own choosing. In addition, we offer a number of Company-led opportunities to colleagues through the Vanquis Foundation, such as team challenges supporting local community organisations and mentoring programmes for children and young people. | On target (mid)<br>60% |

### Risk overlay

A risk overlay approach was used for potential risk adjustment with a range of factual criteria for assessment agreed with the Committee. This forms the basis of our Group variable risk adjustment framework and allows for a more flexible and holistic approach to be adopted which considers not only the business outcomes (quantitative), but also how these have been achieved (qualitative).

After discussion with the Group CRO, and the Chair of the Group Risk Committee, the Committee concluded that, overall, the risk position has remained stable in 2024.

### Remuneration Committee discretion – final outcome for 2024

In determining the final bonus outcome, the Committee took into account a number of factors including the overall business performance, and the wider stakeholder experience. The Committee decided to exercise discretion and make a downwards adjustment to the bonus outcomes for the executive directors to zero.

# Annual Report on Remuneration continued

## Scheme interests awarded in the year (audited)

### Deferred Bonus Plan (DBP)

There were no DBP awards made during 2024 as a result of there being no bonus for performance year 2023 (as reported last year).

### RSP 2024 award grant

The RSP awards made during 2024 are set out below. As indicated in last year's report, an award of 100% of salary was made to both CEO and CFO despite the performance of the business in 2023 but conscious of the need to incentivise the executive directors who were both new to the business. The Committee determined there should be a downwards adjustment of 44% made to the RSP 2024 grant to take into account potential windfall gain (2023 RSP share price of £1.844 vs 2024 RSP share price of £0.479) and to ensure that the RSP operates within the share dilution limits. There was no adjustment made for dividend equivalents and the CSOP element of the RSP was not awarded. The face value is based on the Company's share price on 7 May 2024 of £0.479. The grant price is calculated using the average price of a Vanquis Banking Group share for the five dealing days prior to grant and discounted from that price at grant to reflect the absence of dividend equivalents during the vesting period.

| Executive director | Date of award | RSP award (share options) | Face value of award | Date of vesting | End of holding period |
|---|---|---|---|---|---|
| Ian McLaughlin | 7 May 2024 | 847,599 | £406,000 | 7 May 2027 | 7 May 2029 |
| Dave Watts[1] | 7 May 2024 | 643,006 | £308,000 | 7 May 2027 | 7 May 2029 |

1 The RSP 2024 grant for the CFO was 100% of salary for 2024 only and will revert to 75% of salary for any future grants.

These awards are conditional share awards without any performance targets. However, they are subject to underpins that will apply over the initial three-year vesting period. The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting:

- whether threshold performance levels have been achieved for the performance conditions for the bonus for each of the three years in the vesting period;
- the underlying financial performance progression of the Group over the vesting period;
- whether there have been any sanctions or fines issued by a regulatory body; participant responsibility may be allocated collectively or individually;
- whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually;
- the potential for windfall gains;
- the level of colleague and customer engagement over the vesting period; and
- the level of achievement of our approach to ESG as set out by the Board.

In all cases, vesting is subject to the Committee's holistic assessment based on business performance, individual performance or wider Group considerations. The RSP awards on vesting must be held (subject to sales to meet PAYE and NIC liabilities) for a period of two years following vesting.

## RSP 2021 award vesting (audited)

As noted in last year's report, the Committee's interim assessment as at 31 December 2024 suggested that a downwards adjustment of 25% would be required for the RSP 2021 awards. A final review was carried out in July and October 2024 and the Committee decided that for the previous CEO (Malcolm Le May) and previous CFO (Neeraj Kapur), there should be no further adjustment made to the vesting outcomes and these vested on 29 October 2024. The Committee reassessed the potential for windfall gains and decided that no further adjustment was required.

## RSP 2022 award vesting (audited)

The vesting of the RSP 2022 award is subject to an underpin which provides discretion for the Committee to consider whether any adjustment to vesting should be made. The underlying desire was (and remains) to ensure that participants have been positive custodians of: (i) the underlying financial health of the business; (ii) maintaining our reputation; (iii) making progress on our strategic imperative of 'being a leading specialist bank focused on underserved markets'; (iv) ensuring that we meet our ESG commitments (and, in particular, our social commitments); and (v) appropriately focused on our agreed risk appetite. The Committee reviewed performance against the underpin attached to the RSP 2022 awards (and the underlying desire as set out above) as at 31 December 2024 (the end of the last full performance year prior to vesting), and took into account a number of factors, including:

- formulaic threshold performance levels were exceeded overall for the performance conditions for the Bonus Plan for one of the three years in the vesting period, i.e. 2022. The threshold was not met for the financial year 2023 or 2024 However, the Committee noted that the poor performance in 2023 was fully taken into consideration for the RSP 2021;
- the financial performance progression of the Group over the vesting period was not in line with expectation;
- the regulatory position of the Company remains positive and there have been no sanctions or fines issued by a regulatory body;
- the potential for windfall gains (see below);
- there has been material damage to the reputation of the Group (as viewed by our investors) following the announcement of the interim results for the six months ended 30 June 2023. The Committee noted that this was considered and fully reflected in the RSP 2020 award vesting as previously disclosed; and
- the level of colleague and customer engagement over the vesting period remains satisfactory.

The Committee also took into account the decisions made in relation to the 2024 annual bonus, RSP 2020 award vesting, and RSP 2021 award vesting:

- the poor financial performance of 2023 and 2024 meant that there was no bonus payout for the 2023 and 2024 performance years respectively for the RSP 2022 award recipients;
- the significant reduction in share price over the vesting period; and
- the adjustment for the previous RSP 2020 award to reflect the damage to the reputation of the Group (as viewed by our investors), and the significant fall in share price in 2023 (underpinned by poor financial performance of 2023).

With respect to performance in 2024, the Committee needed to determine how best to apportion the issues that created the loss, given that they spanned the RSP's three-year period, these being the Vehicle Finance receivables review, other one-off items and the in-year 2024 trading loss. After careful consideration, the Committee concluded that a total downwards adjustment of 30% should be applied which is in line with decisions taken on previous RSPs but that it would be unreasonable to adjust fully in any one year. As a result the decision was taken to apply equally across the three years and hence a 10% downwards adjustment will be made to the RSP's issued in 2022, 2023 and 2024.

This results in a 10% downwards adjustment to the RSP 2022 for the previous CEO (Malcolm Le May) and the previous CFO (Neeraj Kapur), as well as to all other RSP 2022 award recipients.

The RSP 2022 award is subject to a dividend equivalent review at vest because the RSP 2022 award price was adjusted downwards at grant to take into account forecast consensus dividends during the vesting period. The Committee has reviewed the actual dividends paid during the vesting period (which were lower) and has exercised discretion and made an additional downwards adjustment of 2.8% to the RSP 2022 award for the previous CEO (Malcolm Le May) and the previous CFO (Neeraj Kapur). Downwards adjustments have been made to all other RSP 2022 award recipients.

## Deferred Bonus Plan (DBP) 2022 award vesting (audited)

The DBP 2022 award is subject to a dividend equivalent review at vest because the DBP 2022 award price was adjusted downwards at grant to take into account forecast consensus dividends during the vesting period. The Committee has reviewed the actual dividends paid during the vesting period (which were lower) and has exercised discretion and made an additional downwards adjustment of 2.8% to the RSP 2022 award for the previous CEO (Malcolm Le May) and the previous CFO (Neeraj Kapur).

## Fees from other directorships

Ian McLaughlin did not hold any external directorship for the period from 1 January 2024 to 31 December 2024. Dave Watts has been a Non-Executive Director for CAF Bank since 23 August 2021. He receives no fees from this appointment.

# Annual Report on Remuneration continued

## Statement of directors' shareholding and share interests (audited)

The table below shows the interests of the directors and connected persons in shares (owned outright or unvested) as at 31 December 2024. There has been a change to Dave Watts' shares of 714 owned outright due to Buy as you Earn and no further changes in any other of the directors' interests in the period between 31 December 2024 and 28 February 2025.

| | Shares owned outright | Unvested shares not subject to performance | Unvested share options subject to performance | Vested but unexercised options | Total scheme interests | Shareholding guideline % of salary | Current shareholding % of salary[1] | Guideline met? |
|---|---|---|---|---|---|---|---|---|
| **Executive directors** | | | | | | | | |
| Ian McLaughlin[5] | 29,327 | – | 1,866,538 | – | 1,866,538 | 200% | 2% | No |
| Dave Watts | 61,887 | – | 643,006 | – | 643,006 | 200% | 7% | No |
| **Non-executive directors** | | | | | | | | |
| Sir Peter Estlin[2] | 300,000 | – | – | – | – | n/a | n/a | n/a |
| Angela Knight | – | – | – | – | – | n/a | n/a | n/a |
| Paul Hewitt | 106,502 | – | – | – | – | n/a | n/a | n/a |
| Graham Lindsay[5] | 65,405 | – | – | – | – | n/a | n/a | n/a |
| Michele Greene | – | – | – | – | – | n/a | n/a | n/a |
| Oliver Laird | 26,900 | – | – | – | – | n/a | n/a | n/a |
| Karen Briggs | – | – | – | – | – | n/a | n/a | n/a |
| Jackie Noakes | | – | – | – | – | n/a | n/a | n/a |
| Andrea Blance[3] | – | – | – | – | – | n/a | n/a | n/a |
| Elizabeth Chambers | 27,000 | – | – | – | – | n/a | n/a | n/a |
| Margot James[4] | – | – | – | – | – | n/a | n/a | n/a |

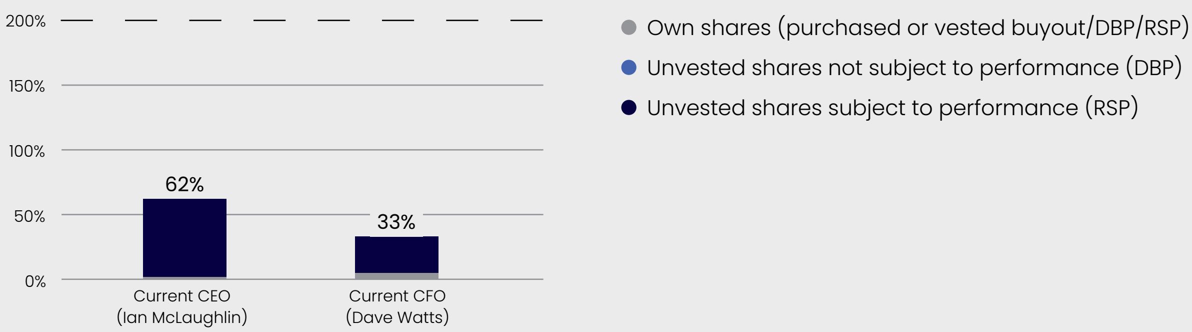
1 Rounded to the nearest whole percent. Shares owned outright and unvested shares not subject to performance are included when assessing current compliance to shareholding guideline. Based on a closing share price on 31 December 2024 of £0.455.
2 Includes 50,000 shares held by a person closely associated with Sir Peter Estlin.
3 As at 1 February 2024.
4 As at 15 May 2024.
5 In addition to ordinary shares acquired during the financial year and those shares disclosed in previously Annual Reports, Graham Lindsay's shareholding includes an additional 3,617 ordinary shares which he acquired under a dividend reinvestment plan between Sept 2019 and May 2024 and Ian McLaughlin's shareholding includes an additional 876 ordinary shares which he acquired under a dividend reinvestment plan between Sept 2023 and May 2024.

The shareholding guidelines for the current executive directors have not yet been met but the Policy provides for sufficient time to be compliant. A breakdown of the journey to compliance can be seen below.

## Statement of directors' compliance with the Share Ownership Policy

The following sets out the expected level of share ownership that the executive directors will acquire over the period 2024 to 2027. The current executive director holding requirement is 200% of base salary.

**Forecast ED shareholding position**




### Assumptions

1 Only share awards held on 31 December 2024 are included. Future RSP and DBP awards yet to be granted (for current executive directors (Ian McLaughlin and Dave Watts) are not included.

2 A 100% vesting outcome for RSPs 2023 and 2024 (interim assessment of 10% reduction is not yet reflected).

3 Figures are 'net of tax' and a personal tax rate of 47% over the period of vest.

4 Rounded to the nearest whole percent. Share price remains static, based on a closing share price on 31 December 2024 of £0.445.

## Relative importance of spend on pay

The table below shows how the Company's performance metrics compare to total colleague pay expenditure for the financial years ended 31 December 2023 and 31 December 2024.

| Relative importance of spend on pay | 2024 | 2023 (restated) | Year-on-year change |
|---|---|---|---|
| Shareholder distributions[1] | **£2.5m** | £38.4m | (93)% |
| Net income | **£458.5m** | £488.8m | (6)% |
| Adjusted (L)/PBT | **£(34.8)m** | £17.3m | (301)% |
| Adjusted EPS | **(9.7)p** | 4.5p | (316)% |
| All remuneration costs[2] | **£100.0m** | £111.7m | (10)% |

1 Reflects dividends only as there were no buybacks.
2 Remuneration costs include: aggregate gross wages and salaries paid to the Group's employees and share-based payment charge as referred to in the employment cost table on page 156.

## Service contracts

The executive directors are employed under contracts of employment with the Company. The principal terms of the executive directors' service contracts are as follows:

| | | | Notice period | |
|---|---|---|---|---|
| Executive director | Position | Date of contract | From Company | From director |
| Ian McLaughlin | Chief Executive Officer | 26 July 2023 | 12 months | 12 months |
| Dave Watts | Chief Financial Officer | 1 November 2023 | 12 months | 12 months |

The Chairman and non-executive directors have letters of appointment. Dates of the directors' letters of appointment are set out below:

| Name | Date of original appointment | Date and actual date of expiry |
|---|---|---|
| Sir Peter Estlin[1] | 19 April 2023 | 30 June 2027 |
| Angela Knight | 31 July 2018 | 30 June 2027 |
| Paul Hewitt | 31 July 2018 | 30 June 2027 |
| Graham Lindsay | 1 April 2019 | 30 June 2025 |
| Michele Greene | 9 March 2023 | 8 March 2026 |
| Oliver Laird | 27 March 2024 | 30 June 2027 |
| Karen Briggs | 27 March 2024 | 30 June 2027 |
| Jackie Noakes | 27 March 2024 | 30 June 2027 |
| Andrea Blance | 1 March 2017 | 1 February 2024 |
| Elizabeth Chambers | 31 July 2018 | 15 May 2024 |
| Margot James | 27 July 2020 | 15 May 2024 |

1 Sir Peter Estlin was appointed as director on 19 April 2023 and as Chairman on 15 September 2023.

# Annual Report on Remuneration continued

## Implementation of the Directors' Remuneration Policy in 2025

The Policy was approved at the AGM on 15 May 2023 and will continue to apply until the 2026 AGM unless changes are required. The table on page 94 at the beginning of the document Remuneration at a glance summarises the key features of the Policy and how we plan to implement it in 2024/25. Full details of the Policy can be found under the Shareholder Hub section of our website.

| Element of remuneration | Key features of Policy | Implementation in 2025 |
|---|---|---|
| **Salary** | An executive director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility.<br>When determining an appropriate level of base salary, the Committee considers:<br>› pay increases for other colleagues;<br>› remuneration practices within the Group;<br>› any change in scope, role and responsibilities;<br>› the general performance of the Group and each individual;<br>› the experience of the relevant director; and<br>› the economic environment. | No salary increases to 2024 salaries for CEO or CFO.<br>**Ian McLaughlin**<br>2025: £725,000<br>2024: £725,000<br>**Dave Watts**<br>2025: £550,000<br>2024: £550,000 |
| **Benefits** | Benefits include market standard benefits (including medical and health insurances). | Transitionary temporary travel allowance for Ian McLaughlin only. £100,000 per annum and expires on 26 July 2025. |
| **Role-Based Allowance (RBA)** | RBAs are non-pensionable and will be released in equal instalments over three years in the form of shares.<br>The maximum annual value of an RBA grant for an individual is 25% of base salary. | No change from 2023.<br>RBA of 0% of base salary. |
| **Pension** | The Company provides a pension contribution allowance that is fair, competitive and in line with corporate governance best practice. | No change from 2024.<br>CEO and CFO: cash allowance, 10% of salary. 10% is the norm for the Group's Pension Plan. |
| **Annual bonus** | The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of base salary.<br>The Annual Bonus Plan is based on a mix of financial and strategic/operational conditions and is measured over a period of one financial year.<br>The financial measures will account for no less than 50% of the bonus opportunity. | There is no change from 2024.<br>Maximum opportunity:<br>› CEO: 150% of salary.<br>› CFO:. 125% of salary.<br>Financial performance measures:<br>› statutory reported PBT (25%);<br>› statutory reported ROTE (25%); and<br>› cost-income ratio (10%).<br>40% non-financial will align to the 2025 business plan.<br>In addition, there is a risk overlay and Tier 1 capital ratio gateway.<br>**Deferral:**<br>At least 40% of the bonus is deferred, vesting pro-rata over three years, in VBG shares. |
| **Restricted Share Plan (RSP)** | Awards are granted annually to executive directors in the form of conditional awards or options. Awards vest at the end of a three-year period subject to:<br>› the executive director's continued employment at the date of vesting; and<br>› the satisfaction of an underpin as determined by the Committee whereby the Committee can adjust vesting for business, individual and wider Company performance.<br>A two-year holding period will apply following the three-year vesting period for all awards granted to the executive directors.<br>Upon vesting, sufficient shares may be sold to pay tax on the shares. | Change from 2024.<br>Last year we awarded, exceptionally, an RSP at 100% of salary to the CFO (Dave Watts) as part of his joining package. This was subsequently discounted by 44% at grant (see page 102). For future RSP awards, the maximum award will revert to 75% of salary, as previously disclosed.<br>The Committee has determined that no RSP awards will be granted in April 2025 and will review this position following the publication of the Group's H1 2025 results. Further details are set out on page 93. |

| Element of remuneration | Key features of Policy | Implementation in 2025 |
|---|---|---|
| **Shareholding requirements** | Normal shareholding requirement of 200% of salary.<br>Additional requirement to hold 200% of salary for two years following cessation of employment.<br>Executive directors have agreed to be bound by the terms of the requirements and Company Secretariat will monitor compliance. | No change from 2024.<br>The previous executive directors (Malcolm Le May and Neeraj Kapur) will remain subject to the post-employment shareholding requirements in line with the Policy. |
| **Malus and clawback** | Standard market practice (and regulatory requirements) and malus and clawback provisions as at the time the Policy was adopted. (see below). | No change from 2024. |
| **Chairman and NED fees** | Provides a competitive level of fees to support recruitment and retention of a Chairman (and NEDs) with the necessary experience to advise, and assist, the executives with establishing and monitoring the Group's strategic objectives. | No change from 2024 for NEDs or Chairman fees. |

## Malus and clawback

The Policy contains malus and clawback provisions which are aligned to the requirements set out in the FCA and PRA regulations for a Tier 3 bank. Malus is the adjustment of the Bonus Plan payments or unvested long-term incentive awards (including RSP awards) or the imposition of additional conditions because of the occurrence of one or more circumstances.

Clawback is the recovery of payments made under the Bonus Plan or vested long-term incentive awards (including RSP awards) as a result of the occurrence of one or more circumstances. Clawback may apply to all or part of a participant's payment under the Bonus Plan or RSP award and may be effected, among other means, by requiring the transfer of shares, payment of cash or reduction of awards or bonuses.

The circumstances in which malus and clawback could apply are as follows:

- discovery of a material misstatement resulting in an adjustment in the audited accounts of the Group or any Group company;
- the assessment of any vesting condition or condition in respect of an award under the Plan was based on error, or inaccurate or misleading information;
- the discovery that any information used to determine the award was based on error, or inaccurate or misleading information;
- action or conduct of a participant which amounts to fraud or gross misconduct;
- events or the behaviour of a participant have led to the censure of a Group company by a regulatory authority or have had a significant detrimental impact on the reputation of any Group company provided that the Committee is satisfied that the relevant participant was responsible or is attributable for the censure or reputational damage;
- failure of risk management including but not limited to a material breach of risk appetite and regulatory standards;
- material downturn in business performance as determined by the Committee; or
- corporate failure.

The table below sets out the periods for malus and clawback which align to the FCA and PRA regulations. The Committee believes that the rules of the plans and the Group's Malus and Clawback Policy provide sufficient powers to enforce malus and clawback where required. In 2024 the provisions set out under the Malus and Clawback Policy were not exercised.

| | Annual bonus (cash) | Annual bonus (deferred shares) | Restricted shares |
|---|---|---|---|
| **Malus** | Up to the date of the cash payment. | To the end of the three-year vesting period. | To the fifth anniversary of the award date. |
| **Clawback** | Clawback applies for a period of seven years, extendable up to one year.<br>The total malus and clawback period may be extended to 10 years where there is an ongoing internal or regulatory investigation. | Clawback applies for a period of seven years, extendable up to one year.<br>The total malus and clawback period may be extended to 10 years where there is an ongoing internal or regulatory investigation. | Two years following the fifth anniversary of the award date.<br>The total malus and clawback period may be extended to 10 years where there is an ongoing internal or regulatory investigation. |

## NED fees for 2025

Both NED fees and the Chairman fees were reviewed with no change by the Board in December 2024 and the Committee in January 2025.

| | 2025 | 2024 | % change |
|---|---|---|---|
| Chairman of the Board | £275,000 | £275,000 | 0% |
| Board fee[1] | £70,000 | £70,000 | 0% |
| Senior Independent Director | £15,000 | £15,000 | 0% |
| Committee Chair | £20,000 | £20,000 | 0% |
| Committee members | £5,000 | £5,000 | 0% |

1 Board fee covers all duties, including service on the VBG and VBL Nomination Committees (NomCo) or Company subsidiaries.

# Additional remuneration disclosures

## Our approach to fairness and wider workforce considerations

This section of the report brings visibility of remuneration across the entire workforce together in one place. In this section, we provide context to our director pay by explaining our colleague policies and our approach to fairness, including the following:

- the report received by the Committee on wider workforce pay policies and whether the approach to executive remuneration is consistent and the alignment of the incentives operated by the Company with its culture and strategy;
- general pay and conditions in the Group;
- gender diversity and pay gap; and
- comparison metrics on executive and colleague remuneration.

In order for the Committee to carry out its oversight review of wider workforce pay, policies and incentives, the Committee receives a report annually from the Group setting out key details of remuneration throughout the Group.

Details of the information reviewed by the Committee and findings are set out below.

## Overview of workforce remuneration and the Committee's review

The table illustrates how the Remuneration Policy for executive directors in 2024 cascaded throughout the colleague population.

| | | | Variable pay[2] | | | | |
|---|---|---|---|---|---|---|---|
| Colleague group | % of workforce | Average increase in base salaries[1] | Commission schemes | Annual bonus | Share plans[3] | Pension[4] | Benefits[5] |
| Executive directors | 0.2% | 0.0% | No | All | Yes | Yes | Yes |
| Senior management | 3.9% | 3.7% | No | All | Yes | Yes | Yes |
| Management | 26.5% | 7.1% | No | All | Yes | Yes | Yes |
| All other colleagues | 69.4% | 7.9% | No | All | Yes | Yes | Yes |

1 Base salaries:
- Base salaries are market competitive and determined with reference to role type, location, responsibility (level), experience and market practice.
- Annual salary increases are applied on an equitable and objective basis dependent on role type.
- Includes 2024 pay review and compares 31 December 2023 with 31 December 2024 data.
- Senior management excludes five promotions to either ExCo or MRT roles. With these promotions overall average for Senior Management would be 8.3%.

2 Variable pay:
- In line with our approach to executive director remuneration, a proportion of the remuneration for the wider workforce is in the form of variable pay, linked to the achievement of stretching targets that align with the Company's strategic goals.
- All colleagues are eligible for variable pay provided they have joined before 1 October of the previous performance year, are performing satisfactorily, and are not under notice of termination. Variable pay is linked to the Group's performance in the form of annual bonuses. Variable pay is determined with reference to financial performance and/or the achievement of non-financial objectives which are aligned to the Group's strategic priorities.

3 Share plans:
- Only some management, and all senior management and executive directors participate in the RSP.
- Historically, participation in the long-term incentive schemes has been limited since the Group's variable pay arrangements provide the strong linkage between workforce remuneration and the Group's financial performance and/or strategic priorities.
- All colleagues have access to share ownership schemes (SAYE (an all-employee plan enabling colleagues to save monthly and receive an option to purchase Group shares at a discount following a minimum of three years) and SIP (an all-employee plan enabling the colleagues to purchase Group shares on a monthly basis out of deductions from salaries, also receiving some Matching Awards from the Group)).

4 Pension:
- Maximum employer contributions are consistent across the Group (maximum 10% employer contribution for the Group DC arrangements), with minor deviations appropriate for role type or for historical reasons which were actively addressed in 2024. There also exists a NEST pension arrangement.

5 Benefits:
- Consistent approach applied and determined with reference to role type, market practice and seniority.

The levels of remuneration and the types offered will vary across the Company depending on a colleague's location, level of seniority and role. The Committee is not looking for a homogeneous approach; when conducting its review, it is paying particular attention to:

- whether the element of remuneration is consistent with the Company's remuneration principles;
- if there are differences, whether they are appropriate; and
- whether the approach is fair and equitable in the context of other colleagues.

The key findings of the Committee's holistic review for 2024 have been set out in the following table.

| Element | Findings |
|---|---|
| **Salary** | Average salary increases for colleagues across the Company are being applied on an equitable and objective basis. All colleagues, whatever their age, are paid above the National Living Wage (on a full-time basis). |
| **Pensions** | All colleagues are eligible for enrolment in a defined contribution pension arrangement and all colleagues are now eligible to join our main pension provider with the same terms and conditions across the Group. |
| **Benefits** | Benefits are offered according to the level of seniority of the role in line with market practice and Policy. Our bespoke benefits offering is broadly in line with similar companies. |
| **Incentives** | All of our colleagues have the ability to share in the success of the Company through incentive compensation in the form of variable pay linked to performance. |

The Committee is satisfied that the approach to remuneration across the Company is broadly consistent with the Company's principles of remuneration and pay. Further, in the Committee's opinion the approach to executive remuneration aligns with the wider Group Remuneration Policy and there are no anomalies specific to the executive directors that are outside of Policy.

## Communication and engagement with colleagues

The Board is committed to ensuring there is an open dialogue with our colleagues and the Committee has the authority to ask for additional information from the Company in order to carry out its responsibilities.

The Colleague Forum is an established arrangement to facilitate effective engagement between the Board and the workforce and to encourage workforce participation in shaping strategic initiatives and seek views on key decisions. It supports the Group in satisfying Provision 5 of the UK Corporate Governance Code 2018, as well as capturing meaningful input and feedback from colleagues.

Our Colleague Forum has colleague representatives from across all areas and all levels of the business and meets quarterly. The Designated Non-Executive Colleague Champion (who is also the Chair of the Remuneration Committee) works closely with the Colleague Forum in his capacity as engagement sponsor on behalf of the Board to agree a rhythm of dialogue and meeting attendance to further cement the link between the Colleague Forum and the Board.

Alongside the Colleague Forum, we commission an annual Colleague Engagement Survey, which is independently administered by Great Place To Work, as a channel for colleague voice and feedback. The output from each Colleague Engagement Survey is reviewed by the Board and appropriate actions are taken in response to any findings.

This is the third year that a consistent performance management framework was used fully across the Group to assess colleagues' performance and determine bonus allocations in line with the Group's values. Work has continued on harmonising pay and benefits opportunities for equivalent roles across all areas of the business through the reward framework and the alignment of pension schemes across the Group was completed in 2024. We have also published the minimum pay levels by level and location in our move to greater pay transparency.

# Additional remuneration disclosures continued

## Living Wage, equal opportunities and diversity initiatives

A summary of the Company's general policies in relation to Living Wage, equal opportunities and diversity initiatives as follows:

| Policy | Description |
|---|---|
| **Living Wage employer** | The National Living Wage is the amount of money all colleagues aged over 25 are legally entitled to. Our policy is to ensure that all colleagues, whatever their age, are paid above the National Living Wage. |
| **Equal opportunities and diversity initiatives** | We foster an environment of equal opportunity across all employment practices - from hiring and training to performance evaluations and career advancement. By embracing Inclusion and diversity, we harness the unique perspectives, experiences, and insights of our team members to better serve both our customers and communities.<br>We demonstrate our commitment to Inclusion & Diversity through several key initiatives: our participation in the Women in Finance Charter, our journey toward Disability Confident certification, and our achievement of Silver Status from LGBT Great for LGBTQ+ DE&I excellence within Financial Services.<br>We encourage continuous development and training by offering a variety of learning opportunities that cater to the diverse learning styles of our colleagues. In 2024, we continued to focus on developing a data-driven approach to improve the quality of our diversity data and analysis. This has allowed us to set gender diversity targets at a more granular level.<br>Furthermore, we continue to nurture our established partnerships with membership organisations to stay up to date with industry standards and align our policies and processes with best practices. Through collaboration, we can continuously improve our approach to inclusion, diversity and wellbeing, to create an inclusive and supportive workplace for all. |

## Gender pay gap

We feel strongly about the importance of having a workforce which represents the customers we serve and the communities we live and work in. We hire from diverse backgrounds, employing (as at 31 December 2024) 53.2% men and 46.8% women across our business, and our recruitment policies, salary and bonus structures are designed to be gender neutral.

Whilst the gender pay gap has improved in 2024 at a Group level, there is still further improvement needed. The Group recognises that the key driver behind both our hourly rate and bonus gap is a higher proportion of male colleagues in senior roles, and so we continue to remain focused on initiatives to increase female representation at senior management and leadership level. This is evidenced further by our commitment to the Women in Finance Charter.

The Group Gender Pay Gap Reports which are communicated internally to our colleagues can also be found on our website.

## CEO pay ratio

For the purposes of calculating the CEO pay ratio, we have used Option A, which takes into consideration the full-time equivalent basis of all UK employees and provides representative results of the employee pay conditions across the Company. For 2024 only the current CEO (Ian McLaughlin) has been used. For 2023 the CEO pay used in these calculations was the pro-rated blend of remuneration of the current CEO (Ian McLaughlin) and previous CEO (Malcolm Le May). The table shows that the CEO pay ratio has been improving (i.e. decreasing) since 2021. The main reasons for this are: (1) no salary increase for the CEO since 2022, (2) salary reviews since 2023 focused on the lower paid population, and (3) structural changes made to the business.

The volatility in this ratio is caused by the fact that the CEO pay is made up of a higher proportion of incentive pay than that of our colleagues, in line with the expectations of our shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio.

In order to normalise the impact year-on-year changes to short and long-term incentive payments, the information also shows the normalised CEO pay ratio when 'on-target' bonus payouts are used in the calculation. In assessing our pay ratio versus likely ratios from industry peers with a similar headcount, we believe that we are comparable but note that annual and long-term incentive payments have varied considerably amongst this group. We also recognise that ratios will be influenced by levels of colleague pay and, in the sector, colleague pay will be lower than in many other sectors of the economy.

| Year | 25th percentile pay ratio | Median pay ratio | 75th percentile pay ratio |
|---|---|---|---|
| **2024 (actual) Option A** | **26.7:1** | **17.4:1** | **11.1:1** |
| 2023 (actual) Option A | 34.7:1 | 23.8:1 | 13.1:1 |
| 2022 (actual)[1] Option A | 55.1:1 | 36.7:1 | 20.3:1 |
| 2021 (actual) Option B | 79.6:1 | 66.3:1 | 44.1:1 |
| 2020 (actual) Option B | 28.9:1 | 26.9:1 | 21.3:1 |
| **2024 (incl. target bonus) Option A** | **43.3:1** | **27.1:1** | **17.1:1** |
| 2023 (incl. target bonus) Option A | 56:1 | 37.3:1 | 20.7:1 |
| 2022 (incl. target bonus)[1] Option A | 60.1:1 | 44.2:1 | 24.2:1 |
| 2021 (incl. target bonus) Option B | 64.5:1 | 53.8:1 | 36.8:1 |
| 2020 (incl. target bonus) Option B | 55.8:1 | 51.8:1 | 41.0:1 |

1 Restated (downwards) for 2022 due to the single figure of remuneration for 2022 being reduced as a result of the downwards adjustment to the CEO's RSP 2020 which vested on 9 November 2023.

### Base salary and total pay and benefits for CEO and colleague percentiles

| | 2024 |
|---|---|
| **Base salary (£'000)** | **725** |
| **Total pay and benefits (£'000)** | **917[1]** |
| **Colleague headcount at 31 December 2024** | **1,259[2]** |
| **Base salary (£'000)** | |
| Colleague at the 25th percentile | **29.7** |
| Colleague at the 50th percentile | **50.7** |
| Colleague at the 75th percentile | **71.8** |
| **Total pay and benefits (£'000)** | |
| Colleague at the 25th percentile | **34.3** |
| Colleague at the 50th percentile | **52.8** |
| Colleague at the 75th percentile | **82.6** |

1 Includes all benefits including those that are not taxable benefits (Life Assurance/PHI).
2 Excludes 10 NEDs. Colleagues included in the CEO pay ratio are 1,583.

Total remuneration for each colleague was calculated on a full-time equivalent basis and the lower quartile, median and upper quartile colleagues were identified as at 31 December 2024. Colleague total remuneration includes: basic salary, pension, maternity/paternity pay, annual cash bonus and benefits. The total remuneration for the relevant colleagues was compared to that of the CEO.

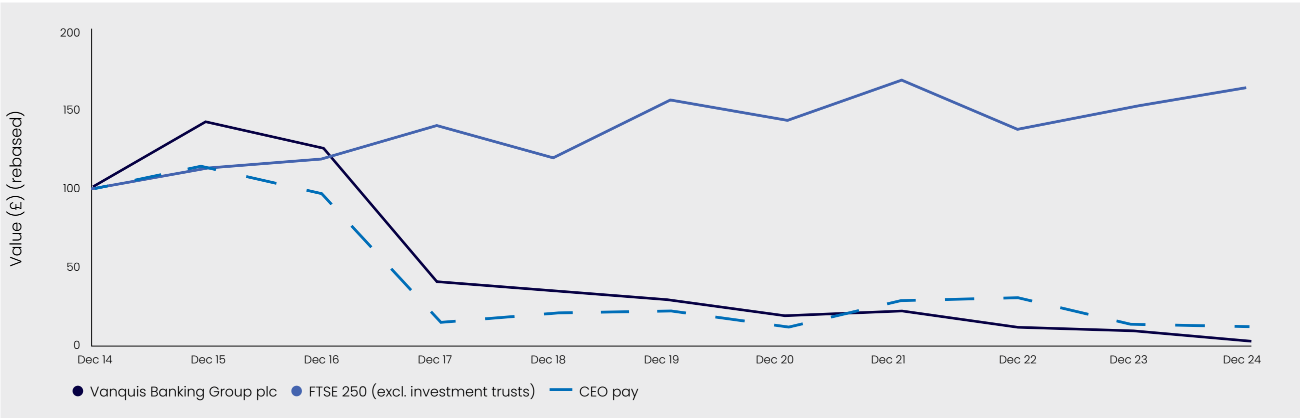
The Company believes that the median pay ratio for 2024 is consistent with the pay, reward and progression policies for the Company's colleagues. We also considered the pay composition of the colleagues who represent the median, lower and upper quartiles and were comfortable that it fairly represents pay in the Company.

# Additional remuneration disclosures continued

## CEO pay against total shareholder return (TSR)

The chart below shows the single figure of remuneration for our CEO over time rebased to 2014. We have also included our TSR performance over this period against the FTSE 250, based on £100 invested. The FTSE 250 was chosen as, in the opinion of the Committee, the size and complexity of the Company make this an appropriate basis for comparison.

### Pay performance: TSR chart




| | 2015 | 2016 | 2017 | | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | | 2024 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| CEO[1] | PC | PC | PC | MLM | MLM | MLM | MLM | MLM | MLM[2] | MLM | IM | IM |
| CEO single figure of remuneration (£'000) | 7,500 | 6,315 | 962 | 71 | 1,387 | 1,507 | 818 | 1,972 | 2,056[3] | 551[4] | 393 | 910 |
| Annual bonus/earning | 98 | 100 | – | – | 69 | 53 | – | 96 | 78 | – | – | – |
| LTIS/RSP vesting (% of maximum) | 100 | 100 | – | – | – | – | – | – | 65 | 75 | n/a | n/a |

1 Peter Crook (PC), Malcolm Le May (MLM) and Ian McLaughlin (IM).
2 The single figure of remuneration for 2022 has been restated (see 3 below).
3 The RSP 2020 award (which formed part of the CEO single figure of remuneration for 2022) is restated to reflect the 35% downwards adjustment applied in November 2023.
4 The RSP 2021 award (which forms part of the CEO single figure of remuneration for 2023) reflects a 25% downwards adjustment as determined as part of the interim assessment of the RSP 2021 award performance underpin.

The greater volatility of our CEO pay is due to the higher proportion of incentive pay in his package compared with that of our colleagues, which introduces a higher degree of variability in his pay each year versus colleagues.

## Percentage change in directors' and colleagues' remuneration

The Committee monitors the changes year on year between our directors' pay and average colleague pay. As per our Policy, salary increases applied to executive directors will typically be in line with those of the wider workforce. In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the percentage change from this financial year to previous financial year in executive director and NED total remuneration compared to the change for the average of the percentage change for colleagues within the Company. The comparator group is based on all colleagues.

| | Salary/fees | | | | | Taxable benefits | | | | | Short-term variable pay | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2024**[3] | 2023 | 2022 | 2021 | 2020 | **2024** | 2023[3] | 2022 | 2021 | 2020 | **2024** | 2023[3] | 2022 | 2021[1] | 2020 |
| **Executive directors** | | | | | | | | | | | | | | | |
| Ian McLaughlin[2] | **0%** | n/a | n/a | n/a | n/a | **0%** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a |
| Dave Watts[2] | **0%** | n/a | n/a | n/a | n/a | **0%** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a |
| **Non-executive directors** | | | | | | | | | | | | | | | |
| Sir Peter Estlin[5] | **67%** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a |
| Paul Hewitt | **-3%** | 0% | 9% | 5% | 0% | **0%** | 67% | 0% | 50% | n/a | **n/a** | n/a | n/a | n/a | n/a |
| Angela Knight | **-15%** | 0% | 9% | 2% | 0% | | n/a | 0% | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a |
| Graham Lindsay | **-20%** | 0% | 9% | 8% | 0% | **150%** | -60% | 150% | -50% | n/a | **n/a** | n/a | n/a | n/a | n/a |
| Michele Greene | **-14%** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a |
| Oliver Laird | **n/a** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a |
| Karen Briggs | **n/a** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a |
| Jackie Noakes | **n/a** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a | **n/a** | n/a | n/a | n/a | n/a |
| Average colleague | **8%** | 10% | 8% | 3% | 4% | **24%**[4] | 14% | 59% | 0% | 7% | **n/a** | -100% | -5% | —[1] | -54% |

1 No bonus was paid in 2020 and therefore there is no meaningful comparison with 2021.
2 Reflects pro-ration for time as executive director in 2023.
3 2023 data is annualised for IM/DW/PE.2023.
4 Extension of the medical insurance benefits to all colleagues during 2024.
5 Sir Peter Estlin was appointed as director on 19 April 2023 and as Chairman on 15 September 2023.
All data rounded to the nearest whole percent.

### Statement of shareholder voting

The table below shows shareholder voting results in respect of our 2023 Remuneration Report approved at the AGM held on 15 May 2024, and Directors' Remuneration Policy approved at the AGM held on 25 May 2023.

Vote on 2023 Annual Remuneration Report at the 2024 AGM.

| | Number of shares | Percentage |
|---|---|---|
| For | 194,800,439 | 97% |
| Against | 5,097,130 | 3% |
| Withheld | 32,254 | n/a |

Vote on Directors' Remuneration Policy at the 2023 AGM.

| | Number of shares | Percentage |
|---|---|---|
| For | 203,831,473 | 95% |
| Against | 11,098,605 | 5% |
| Withheld | 4,604 | n/a |

**Graham Lindsay**
Remuneration Committee Chair
13 March 2025

Directors' Report

## Our responsibilities as a listed business

In accordance with section 414C(11) of the Companies Act 2006, the directors present their report for the year ended 31 December 2024. Information relevant to the Directors' Report that has been covered in the Strategic Report has been listed below alongside its location. Both the Strategic Report and the Directors' Report have been prepared and presented in accordance with, and in reliance upon, applicable company law. The liabilities of the directors in connection with both the Directors' Report and the Strategic Report shall be subject to the limitations and restrictions provided by company law.

### Other statutory information (including that required by Listing Rule 6.6.1(13))



## Articles of association

The directors' powers are conferred on them by UK legislation and by the articles of association. Changes to the articles of association must be approved by shareholders passing a special resolution and must comply with the provisions of the Companies Act and the FCA's Disclosure Guidance and Transparency Rules.

## Corporate governance statement

The Board considers that the Company was compliant with all the provisions of the 2018 UK Corporate Governance Code (the Code) throughout 2024 other than as set out below.

The stepping down of Andrea Blance on 1 February 2024 meant that both the Audit and Remuneration Committees operated with only two members until 27 March 2024. The Board and Nomination and Governance Committee agreed that this temporary non-compliance was appropriate given that it would be time limited, the impending appointment of additional non-executive directors, and that both committees retained sufficient skills and expertise to discharge their duties.

Furthermore, at the time of non-compliance the Company had been outside of the FTSE 350 since September 2023; the Code notes that audit and remuneration committees of smaller companies are permitted to have two members. On 26 March 2024, the Board approved the appointments of three new non-executive directors with effect from 27 March 2024, with the Audit and Remuneration Committees comprising of four and three members respectively from that point. The Group was therefore only non-compliant with Provisions 24 and 32 between 1 February 2024 and 27 March 2024.

The Group's Corporate Governance Report is set out on pages 57 to 121.

## Directors

The membership of the Board and biographical details of the directors at the year end are given on pages 59 to 61 and are incorporated into this report by reference. Commentary about the Board's composition and Board tenure can be found on page 75.

All directors were present throughout 2024 and up to the date of signing the Annual Report and Financial Statements 2024, other than:

- Andrea Blance who stepped down from the Board on 1 February 2024;
- Jackie Noakes, Karen Briggs and Oliver Laird who joined the Board on 27 March 2024;
- Elizabeth Chambers and Margot James who stepped down from the Board on 15 May 2024; and
- Angela Knight and Paul Hewitt who stepped down after the Board meeting on 29 January 2025.

## Appointment and replacement of directors

Rules about the appointment and replacement of directors are set out in the Company's articles of association. In accordance with the recommendations of the Code, all directors will offer themselves for appointment or reappointment, as appropriate, at the 2025 AGM.

## Directors' indemnities

The articles of association permit the Company to indemnify directors of the Company (or of any associated company) in accordance with section 234 of the Companies Act.

The Company may fund expenditure incurred by directors in defending proceedings against them. If such funding is by means of a loan, the director must repay the loan to the Company, if they are convicted in any criminal proceedings or judgment is given against them in any civil proceedings. The Company may indemnify any director of the Company or of any associated company against any liability.

However, the Company may not provide an indemnity against:

1. any liability incurred by the director to the Company or to any associated company;
2. any liability incurred by the director to pay a criminal or regulatory penalty;
3. any liability incurred by the director in defending criminal proceedings in which they are convicted;
4. any liability incurred by the director in defending any civil proceedings brought by the Company (or an associated company) in which judgment is given against them; or
5. in connection with certain court applications under the Companies Act, no indemnity was provided and no payments pursuant to these provisions were made in 2024 or at any time up to the date of this report.

There were no other qualifying indemnities in place during this period. The Company maintains both a deed of indemnity in favour of the directors and directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors.

## Directors' powers

Subject to the articles of association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board. The directors currently have powers in relation to the issuing and buying back of the Company's shares, which were granted by shareholders at the 2024 AGM along with the right to disapply pre-emption rights in certain circumstances. The Board is seeking renewal of these powers at the 2025 AGM.

## Conflicts of interest

The Companies Act and the articles of association require the Board to consider any potential conflicts of interest of its members. The Board has a formal policy and operates formal procedures regarding conflicts of interest in order to identify and manage conflicts and to maintain independent judgement. All members of the Board have completed conflict of interest forms which are reviewed annually. All directors have an ongoing duty to notify the Company of any changes and to ensure that appropriate authorisation is sought where required and are required to renew and confirm their external interests annually. The Board (excluding the director concerned) considers and, if appropriate, authorises each director's reported actual and potential conflict of interest, taking into consideration what is in the best interests of the Company and whether the director's ability to act in accordance with his or her duties is affected. The Board will refer to the Conflict of Interest Policy for the most appropriate mitigating control. Records and Board minutes of all authorisations granted by the Board and the scope of any approvals given are held and maintained by the General Counsel and Company Secretary.

## Share capital

The Company's issued ordinary share capital comprises a single class of ordinary shares. The rights attached to the ordinary shares are set out in the articles of association. Each share carries the right to one vote at general meetings of the Company. No new shares were issued to satisfy awards made under the Long Term Incentive Scheme 2015 (LTIS), the Restricted Share Plan (RSP) or the Deferred Bonus Plan (DBP).

Directors' Report continued

## Rights of ordinary shares

All of the Company's issued ordinary shares are fully paid up and rank equally in all respects and there are no special rights with regard to control of the Company. The rights attached to them, in addition to those conferred on their holders by law, are set out in the articles of association. There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except:

1. where the Company has exercised its right to suspend its voting rights or to prohibit their transfer following the omission by their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act; or
2. where their holder is precluded from exercising voting rights by the FCA's Listing Rules or the City Code on Takeovers and Mergers.

## Directors' interests in shares

The below interests include those held by connected persons and interests in shares through the Company's share schemes.

| | Number of shares | |
|---|---|---|
| | **31 December 2024** | 31 December 2023 |
| Ian McLaughlin | **1,895,865** | 1,028,939 |
| Dave Watts | **704,893** | 40,000 |
| Sir Peter Estlin[1] | **300,000** | 100,000 |
| Paul Hewitt[2] | **106,502** | 34,205 |
| Jackie Noakes[3] | **–** | – |
| Karen Briggs[3] | **–** | – |
| Oliver Laird[3] | **26,900** | – |
| Angela Knight[2] | **–** | – |
| Graham Lindsay | **65,405** | 26,464 |
| Michele Greene | **–** | – |

1 Shareholding includes 50,000 shares held by a connected person.
2 Paul Hewitt and Angela Knight stepped down from the Board on 29 January 2025.
3 Jackie Noakes, Karen Briggs and Oliver Laird were appointed to the Board on 27 March 2024.

Between 31 December 2024 and 28 February 2025, being the latest practicable date prior to publication, there has been a change to Dave Watts' shares of 714 owned outright due to Buy as you Earn. There have been no further changes in any other of the directors' interests in the period.

## Dividend waiver

Information on dividend waivers currently in place can be found overleaf.

## Substantial shareholdings

In accordance with the Disclosure Guidance and Transparency Rules (DTR 5), the Company had been notified that the following persons hold directly or indirectly 3% or more of the voting rights of the Company:

| Interests as at 31 December 2024 Holders (descending %) | | Interests as at 28 February 2025 (being the latest practicable date before publication of the report) Holders (descending %) | |
|---|---|---|---|
| Schroder Investment Management | 19.93% | Schroder Investment Management | 19.98% |
| Redwood Capital Management | 17.49% | Redwood Capital Management | 17.49% |
| Artemis Investment Management | 9.96% | Artemis Investment Management | 9.97% |
| Janus Henderson Investors | 4.97% | Janus Henderson Investors | 4.71% |
| Premier Miton Investors | 4.08% | Premier Miton Investors | 4.02% |
| Hargreaves Lansdown, stockbrokers | 3.99% | Hargreaves Lansdown, stockbrokers | 3.92% |
| Harwood Capital | 3.70% | Harwood Capital | 3.70% |
| Jasper Lake Ventures Once LLP | 3.12% | NBIM | 3.61% |

All interests disclosed to the Company in accordance with DTR 5 that have occurred since 28 February 2025 can be found on the Group's website: www.vanquisbankinggroup.com.

## Profit and dividends

The operating profit before taxation, amortisation of acquisition intangibles and exceptional items amounts to adjusted (loss)/profit before tax £(34.8)m (2023: profit of £17.3m (restated)). As at the date of this report, the directors have declared dividends as follows:

| Ordinary shares (p per share) | |
|---|---|
| **Interim dividend** | |
| 2024 | £nil |
| 2023 (paid on 21 September 2023) | 5p |
| **Proposed final dividend** | |
| 2024 | £nil |
| 2023 (proposed to be paid on 30 May 2024) | 1p |
| **Total ordinary dividend** | |
| 2024 | £nil |
| 2023 | 6p |

## All-employee share schemes

The current schemes for employees resident in the UK are the Vanquis Banking Group Savings-Related Share Option Scheme 2022 (SAYE) and the Vanquis Banking Group Share Incentive Plan 2022 (SIP). No SAYE scheme was offered to employees in 2024. Share schemes are a long-established and successful part of the total reward package offered by the Company, encouraging and supporting employee share ownership. The Company's schemes aim to encourage employees' involvement and interest in the financial performance and success of the Group through share ownership. The Company's SIP offers employees the opportunity to further invest in the Company and to benefit from the Company's offer to match that investment on the basis of one matching share for every four partnership shares purchased.

| Scheme title | **Total participants as at 31 December 2024** | Total participants as at 31 December 2023 |
|---|---|---|
| SAYE | **284** | 439 |
| SIP | **133** | 106 |

## Executive share incentive schemes

Awards are also outstanding under the RSP, LTIS and DBP. DBP awards were not granted during the year as no bonus was paid for 2023. RSP options were granted under the RSP on 7 May 2024. Further information is set out on page 102.

## Vanquis Banking Group 2007 Employee Benefit Trust (EBT)

The EBT, a discretionary trust for the benefit of executive directors and employees, was established in 2007. The trustee, SG Kleinwort Hambros Trust (CI) Limited, is not a subsidiary of the Company. The EBT operates in conjunction with the LTIS, RSP, RBA and DBP and either purchases shares in the market or subscribes for the issue of new shares. The EBT is funded by loans from the Company which are then used to acquire, either via market purchase or subscription, ordinary shares to satisfy awards granted under the LTIS, RSP and DBP. Funds are used to acquire shares by way of market purchase for the RBA.

For the purpose of the financial statements, the EBT is consolidated into the Company and Group. As a consequence, the loans are eliminated and the cost of the shares acquired is deducted from equity as set out in note 30 on page 190 of the financial statements. In 2024, the EBT agreed to satisfy awards granted during the year under the RSP options under the RSP in relation to 5,112,263 shares in the Company. In 2024, the EBT also agreed to satisfy awards under the RBA of 10,148 shares in the Company by way of market purchase in relation to 2024.

As at 31 December 2024, the EBT held the non-beneficial interest in 1,020,669 shares in the Company (2023: 1,869,980). The EBT may exercise or refrain from exercising any voting rights in its absolute discretion and is not obliged to exercise such voting rights in a manner requested by the beneficiaries. The EBT waives its right to dividends in relation to shares held in the trust.

## Provident Financial Employee Benefit Trust (the PF Trust)

The PF Trust, a discretionary trust for the benefit of executive directors and employees, was established in 2003 and operated in conjunction with the PSP. The trustee, Provident Financial Trustees (Performance Share Plan) Limited, is a subsidiary of the Company. The PF Trust has not been operated with the Performance Share Plan (PSP) since 2012, when the previous PSP expired. The PF Trust was wound up in 2024.

## Vanquis Banking Group BAYE Trust (the BAYE Trust)

The BAYE Trust is a discretionary trust which was established in 2013 to operate in conjunction with the SIP. Equiniti Share Plan Trustee is trustee of the BAYE Trust. It is not a subsidiary of the Company. The BAYE Trust is funded by loans from the Company which are then used to acquire ordinary shares via market purchase to satisfy the Matching Awards for participants of the SIP.

For the purposes of the financial statements, the BAYE Trust is consolidated into the Company and Group. Participants in the SIP can direct the trustee on how to exercise its voting rights in respect of the shares it holds on behalf of the participant. As at 31 December 2024, the BAYE Trust held the non-beneficial interest in 384,809 shares (2023: 240,294 shares).

## Colleague engagement and investing in our workforce

We invest in our colleagues through recognition, reward, development, wellbeing, the working environment and culture. Colleagues are recognised through our 'Way to Go' recognition platform and our 'Perks at Work' scheme, where you can recognise colleagues for outstanding work, providing support and generally exhibiting behaviours that show they are living The Vanquis Way, the Group's values. You can also use the site to learn new hobbies and skills through the Perks Community Online Academy and save money on a wide range of expenses.

We have a Learning and Development hub which provides colleagues with an online portal to enhance their skills, performance and career. Colleagues are also provided access to LinkedIn Learning which helps to support the building of softer and technical skills.

We have a Group reward framework that enables clear career progression and movement around the Group. We have established mechanisms for colleague engagement including having a Designated Non-Executive Colleague Champion, a Colleague Forum, 'Stay Connected' and the GPTW survey (see pages 66 and 68).

## Colleague engagement and investing in our workforce continued

Information relevant to how we invest in our colleagues and where it can be found:

| Information | Location |
|---|---|
| Reward and recognition | 92 and 108 |
| Learning and development – management programmes, apprenticeships, mandatory e-learning and mentoring | 15 and 70 |
| Culture – equal opportunities, gender diversity, other diversity and inclusion and Colleague Survey results | 5, 7, 67 to 69 and 70 to 81 |
| Health and wellbeing – support and initiatives | 69 and 80 |
| Engagement – internal communication, Colleague Survey, Workforce Panels and Designated Non-Executive Colleague Champion | 7, 20, 66, 68 and 70 |

## Equal opportunities and diversity

The Group is committed to employment policies which follow best practice, based on equal opportunities for all colleagues irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment, religion or belief. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their aptitudes and abilities. To read about our approach to diversity and inclusion see pages 19 to 20.

As stated in 2023, we are members of the Government's Disability Confident Scheme for employers. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group including making reasonable adjustments where required. If a member of staff becomes disabled, every effort is made by the Group to ensure their continued employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

## Pensions

The Group operates two pension schemes in the UK. Employee involvement in the Group defined benefit pension scheme is achieved by the appointment of member-nominated trustees and by regular newsletters and communications from the trustees to members. In addition, there is a website dedicated to pension matters. The trustees manage the assets of the defined benefit pension scheme which are held under trust separately from the assets of the Group. Each trustee is encouraged to undertake training and regular training sessions on current issues are carried out at meetings of the trustees by the trustees' advisors. The trustees have a business plan and, at the start of each year, review performance against the plan and objectives from the previous year. In addition, they agree objectives and a budget for the current year. The trustees have a risk register and an associated action plan and a Conflicts of Interest Policy, both of which are reviewed at least annually. The trustees have implemented a de-risking investment strategy which has been agreed with the Company and is kept under close review. The objective of the strategy is to reduce the risk that the assets would be insufficient in the future to meet the liabilities of the scheme. The Company has put Pension Trustee Indemnity Insurance in place to cover all the Group's pension schemes where individuals act as trustees. The trustees are also protected by an indemnity within each scheme's rules and this insurance effectively protects the Group against the cost of potential claims impacting on the solvency of the pension schemes. The Group operates a Group Personal Pension Plan for employees who joined the Group from 1 January 2003. Employees in both these plans have access to websites which provide information about their funds and general information about the plan.

## Compliance

The Risk and Audit Committees oversee compliance and work together to review the systems and controls for the prevention of bribery.

## Health and Safety (H&S)

The Group is dedicated to upholding rigorous health and safety standards across all working environments, for colleagues, contractors, suppliers, and visitors. The Group places a high priority on the health, safety, and wellbeing of all individuals by clearly defining roles, assigning responsibilities, and delegating authority to ensure effective H&S management. In 2024, there was a strong focus on providing H&S training for colleagues working both in the UK and overseas to help them identify and address risks. High levels of assurance in H&S performance were achieved, leading to a decrease in accidents, and only one Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) reportable event. Thorough accident investigations were conducted to prevent future occurrences, while ongoing improvement remained a central component of the health and safety strategy.

## Anti-bribery and corruption

The Group has a policy on anti-bribery and corruption which reflects the requirements of the Bribery Act 2010.

The policy sets out the Group's zero-tolerance approach to bribery and corruption and its commitment to acting professionally, fairly and with integrity in all its business dealings and relationships, wherever it operates, and implementing and enforcing effective systems and controls to counter bribery and corruption. The policy applies to all employees, contractors and directors in relation to the business activities undertaken by, or on behalf of, the Group. It also applies to any third party which is undertaking business for or on behalf of the Group, which must comply with the policy or maintain equivalent standards and safeguards to prevent bribery and corruption. Under the policy, all employees, contractors, directors and relevant third parties of the Group and its divisions must comply with the following minimum requirements:

- they must not directly or indirectly engage in bribery or corruption in any form; and
- they also must not accept, solicit, agree to receive, promise, offer or give a bribe, or facilitate payment, kickback or other improper payment.

The policy also states that if an employee, contractor, director or relevant third party of the Group or its divisions becomes aware of a breach of the above minimum requirements they must immediately comply with applicable reporting protocols and procedures. The Group MLRO is the responsible person within the Group for receiving reports, and, as soon as is reasonably practicable, reports the incident to the Deputy Company Secretary. The Group provides anti-bribery and corruption training to all colleagues.

## Related policies

### Gifts and Corporate Hospitality Policy

The Group has a Corporate Hospitality Policy which sets out the Group's requirements for the review, approval and documentation of any gifts or corporate hospitality which are accepted, offered or provided. The Risk Committee oversees the Gifts and Corporate Hospitality Policy.

### Whistleblowing Policy

The Group has a Whistleblowing Policy which is overseen by the Board. The Group is committed to fostering a culture of openness, honesty and accountability and requires the highest possible standards of professional and ethical conduct. Should any Group colleagues have any reportable concerns, these can be raised anonymously either internally or through the Group's external third-party helpline facility as detailed in the Group Whistleblowing Policy. The Group has appointed a Whistleblowing Champion, being a non-executive director with responsibility for ensuring and overseeing the integrity of the Group's arrangements on whistleblowing, including policies and procedures. A Group Whistleblowing Forum is in place which reviews management information on whistleblowing disclosures and grievances and agrees on escalations to the Board. It also considers any concerns regarding persistent trends and shares best practice. The Group provides whistleblowing training to all colleagues, including executive directors.

## Overseas branches

The Group has no overseas branches.

## Political donations

The Group neither made any political donations nor incurred any political expenditure during the year.

## Research and development

The Group's research and development activities have predominantly related to the development of the Gateway platform as set out in note 19 on page 172 of the financial statements.

## Environment and greenhouse gas emissions

The Group's Greenhouse Gas (GHG) and energy use reporting is undertaken in accordance with our obligations under both The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy that has been implemented through The Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018. These emissions are reported in accordance with WRI/WBCSD GHG Protocol. For more information, please refer to pages 22 to 34.

The Group's total GHG emissions, in tonnes of $CO_2$ equivalent ($CO_2e$), along with details of our energy use and an intensity ratio, are reported in the table on page 33. SLR Consulting Limited has provided limited level ISAE 3000 (Revised) assurance in respect of this data. Its full, independent assurance statement is available online at: www.vanquisbankinggroup.com/sustainability. Where challenges have occurred in obtaining data, estimates have been used and assured by SLR Consulting.

The Group's Climate Risk Committee, which is chaired by Joe Sweeney, the Group Chief Risk Officer, and includes senior representatives from functions such as Finance, Risk, Operations and Sustainability, continues to support the business to assess, manage and report material climate-related risks and opportunities, and ensure that we continue to meet the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). This is done through the production of a climate-related financial disclosure that is structured in such a way that that it is fully consistent with the four pillars and 11 recommended disclosures of the TCFD and therefore meets the requirements of the Climate-related Financial Disclosure (CFD) Regulations 2022 and the UK Companies Act (that is, sections 414CB(2A)(a to h)). The Group's 2024 climate-related financial disclosure is set out on pages 22 to 34.

To help us to manage and reduce our wider impacts on the environment the Group continues to have in place an Environmental Management System (EMS). Our EMS helps us to identify, assess and reduce key environmental risks and impacts; set and deliver against environmental targets; and ensure our legal compliance. This EMS is independently audited each year against the requirements of the international management standard ISO 14001:2015. Following the environmental audits carried out in 2024, all the Group's business premises in Bradford, London, Chatham in Kent and Petersfield in Hampshire were re-certified to comply with the international standard ISO 14001:2015.

## Important events since the end of the financial year (31 December 2024)

See note 35 on page 195.

Directors' Report continued

## Financial instruments

Details of the financial risk management objectives and policies of the Group and the exposure of the Group to credit risk, liquidity risk and market risk are included on pages 144 to 148 of the financial statements.

## Significant agreements

There are no agreements between any Group company and any of its employees or any director of any Group company which provide for compensation to be paid to an employee or a director on termination of employment or for loss of office as a consequence of a takeover of the Company.

## Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The directors have chosen to prepare both the Group and parent company financial statements under United Kingdom adopted International Accounting Standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The directors are also required by the FCA's Disclosure Guidance and Transparency Rules (DTR) to include a management report containing a fair review of the business of the Group and the Company and a description of the principal risks, emerging risks and uncertainties facing the Group and Company.

The Directors' Report and the Strategic Report constitute the management report for the purposes of DTR 4.1.5R and DTR 4.1.8R. The directors are responsible for keeping proper accounting records that are sufficient to:

- show and explain the Company's transactions;
- disclose with reasonable accuracy at any time the financial position of the Company and Group; and
- enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report and Financial Statements 2024 will be published on the Group's website in addition to the paper version.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility statement

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with relevant IFRS and IFRIC interpretations and the Companies Act 2006.

The directors who held office during the financial year and to the date of this report were as follows:

| | |
|---|---|
| Sir Peter Estlin | Chairman |
| Ian McLaughlin | Chief Executive Officer |
| Dave Watts | Chief Financial Officer |
| Jackie Noakes | Independent Non-Executive Director |
| Karen Briggs | Independent Non-Executive Director |
| Oliver Laird | Independent Non-Executive Director |
| Graham Lindsay | Independent Non-Executive Director |
| Michele Greene | Senior Independent Non-Executive Director |

## Disclosure of information to auditor

In accordance with section 418 of the Act, each person who is a director as at the date of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's external auditor is unaware; and
- they have taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's external auditor is aware of that information.

## Auditor

Deloitte LLP, the external auditor for the Company, was first appointed in 2012 and, following a tender process in 2020, a resolution proposing its reappointment was passed at the 2024 AGM. The reappointment of Deloitte LLP as the Company's external auditor is proposed at the 2025 AGM.

## 2025 AGM

The 2025 AGM will be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London E14 5JJ, on 14 May 2025 at 1.00pm. The Notice of AGM, together with an explanation of the items of business, will be contained in the circular to shareholders dated 14 March 2025 and will be available on our website, www.vanquisbankinggroup.com.

Approved by the Board on 13 March 2025 and signed by order of the Board.

**Michael Mustard**
General Counsel and Company Secretary
13 March 2025

Independent auditor's report to the members of Vanquis Banking Group plc

# Report on the audit of the financial statements

## 1. Opinion

In our opinion:

- the financial statements of Vanquis Banking Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2024 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the material accounting policy information; and
- the related notes 1 to 36.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

## 2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 5 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## 3. Summary of our audit approach

| | | |
|---|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>› the estimation of expected credit losses in Credit Cards and Vehicle Finance; and<br>› the appropriateness of the contingent liability for Vehicle Finance commissions. | Within this report, key audit matters are identified as follows:<br>! Newly identified<br>↑ Increased level of risk<br>→ Similar level of risk<br>↓ Decreased level of risk |
| **Materiality** | The materiality that we used for the Group and parent company financial statements was £4.41m and £4.19m respectively which was determined on the basis of 1% of net assets, with the parent company materiality being capped at 95% of Group materiality. | |
| **Scoping** | The Group has moved from five operating segments to four in the current year, being: Credit Cards, Personal Loans, Second Charge Mortgages and Vehicle Finance. There is also the Corporate Centre which includes Snoop, Operations, Technology & Change, and support Functions which collectively serve the needs of the wider Group.<br>Snoop, previously presented as a separate segment, is now included within the Corporate Centre segment. This reclassification aligns with IFRS 8 from a quantitative perspective and management's internal reporting structure.<br>Therefore, our Group audit scope focused on Credit Cards, Personal Loans, Second Charge Mortgages and Vehicle Finance, which, together with the parent and corporate centre entities, account for 100% of the Group's net assets. | |
| **Significant changes in our approach** | Some significant changes in our approach include:<br>1. New key audit matter relating to the appropriateness of the contingent liability for Vehicle Finance commissions<br>2. Removal of Pension obligation as a key audit matter<br>1. As detailed in section 5.2 below, we have identified a new key audit matter in the current year relating to the appropriateness of the contingent liability for Vehicle Finance commissions due to uncertainty and judgement resulting from the Court of Appeal ruling and over whether a provision or contingent liability is required.<br>2. In the prior year, the valuation of the pension obligation was identified as a key audit matter due to the involvement of judgement in reflecting the actuarial valuation of the asset and liabilities of the defined benefit pension scheme at the balance sheet date under IAS 19 Employee Benefits. The valuation of the pension obligation involves judgement in relation to inflation, discount and mortality rates, with the most critical element identified as the discount rate assumption.<br>During the current year, we observed a stabilisation of market conditions and reduced fluctuations in the actuarial assumptions underpinning the valuation of the obligation. As a result, the area no longer exhibits the same level of risk or requires a significant amount of audit effort. Hence, it is not considered a key audit matter in the current year. | |

# Report on the audit of the financial statements continued

## 4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining an understanding of relevant controls around management's going concern assessment and forecasting process at both a divisional and Group level;
- evaluating management's going concern assessment, which includes stress testing and point of non-viability ('PONV') analysis, giving specific consideration to the Court of Appeal hearing regarding Vehicle Finance commissions, in order to understand, challenge and assess the key judgements made by management;
- reading correspondence with regulators to understand the capital and liquidity requirements imposed on the Group by the Prudential Regulation Authority ('PRA'), and evaluating any changes to those requirements;
- reviewing the most recent Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP'), with support from our prudential regulation specialists, and assessing management's capital and liquidity projections and stress testing, evaluating key assumptions and methods used in the capital and liquidity stress testing models;
- assessing and evaluating the forecasts, with support from our prudential regulation specialists including reconciliation of the opening capital and liquidity ratios to the year-end common reporting framework regulatory submissions and assessing whether the year-end balance sheet within the model was consistent with the audited position;
- challenging the cash flow forecast assumptions within the Group's corporate plan including key growth rate assumptions through a review of their budgeted cash flows in future periods. We have also performed an assessment over the forecasting accuracy in the previous years;
- challenging the availability and effectiveness of mitigating actions which could be taken by management to avoid or reduce the impact of macroeconomic stress; and
- reviewing the financial statement disclosures in respect of going concern and considering whether they are consistent with the knowledge we obtained during the course of the audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## 5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| 5.1. Estimation of expected credit losses in Credit Cards and Vehicle Finance | |
|---|---|
| **Key audit matter description** | The Group holds portfolios of receivables from credit cards, personal loans, second charge mortgages and vehicle financing arrangements, totalling £2,154.6m (2023 (restated): £2,159.0m), net of provisions. The Group's provision for impairment against amounts receivable from customers is £261.8m (2023 (restated): £581.9m).<br><br>Within **Credit Cards**, management has recognised a total ECL provision of £160m (2023 (represented): £197.1m) on gross receivables of £1,309.9m (2023 (represented): £1,474.8m), representing a decline in ECL coverage ratio from 13.4% to 12.2% over the period.<br><br>Within **Vehicle Finance**, management has recognised a total ECL provision of £96.5m (2023 (restated): £368.1m) on gross receivables of £831.9m (2023: £1,144.2m), representing a decline in ECL coverage ratio from 31.2% to 11.6% over the period. The decrease has been mainly driven by removal of Stage 3 impaired loans that met the criteria under the new charge-off policy and classified separately under post-charge-off assets ('PCOA').<br><br>The IFRS 9 Financial Instruments expected credit losses on amounts receivable from customers are determined by modelling expected credit performance of the receivables' portfolios. The underlying modelling techniques are complex and involve significant judgements regarding the quantum and timing of expected future cash flows to calculate expected credit losses. Given the material impact of the significant judgements involved, we also consider there is a risk of potential fraud due to the potential ability of management to introduce inappropriate bias to judgements made in the estimation process. |

# Report on the audit of the financial statements continued

## 5. Key audit matters continued

| 5.1. Estimation of expected credit losses in Credit Cards and Vehicle Finance continued | |
|---|---|
| **Key audit matter description** continued | IFRS 9 requires that an impairment assessment should be the best estimate of expected credit losses and that reasonable forward-looking information should be incorporated into the calculation as at the balance sheet date. The uncertainties in the macroeconomic environment mean there exists a wide range of scenarios with different loss outcomes. Management has recognised a model overlay utilising data from a third party. The model predicts industry level write-off rates using a combination of interest rates on credit cards, unemployment rate, debt to income ratios and a measure of macroeconomic volatility. There is significant judgement in determining the probability weighting of the scenarios adopted by management and the associated assumptions.<br><br>The expected credit loss provision estimate is driven by account-specific estimation of probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD') which represent the key areas of judgement.<br><br>Management has continued to conduct model redevelopment and calibration activities during the year, across both Credit Cards and Vehicle Finance. We have pinpointed our key audit matter to the redevelopment of the macro-PD model including the appropriateness of the macroeconomic scenarios and VF LGD model resulting in a net post-model adjustment ('PMA') of £3.8m being recognised at year end; and also model changes related to the Group's review into VF Stage 3 assets with the creation of the post-charge-off asset ('PCOA') of £17.3m at year end and the associated prior year restatement of £16.1m where it was identified that cash flows expected to be received from contracts projected to be received from customers on contracts identified for debt sale were being included beyond the expected sale date in addition to the cash flows from the debt sale.<br><br>Further detail in respect of these is set out in the statement of accounting policies, including the critical accounting judgements and key sources of estimation uncertainty on page 141 to 143, the amounts receivables from customers in note 12 of the financial statements and also within the Audit Committee report in page 86. |
| **How the scope of our audit responded to the key audit matter** | Within **Credit Cards** and **Vehicle Finance** we obtained an understanding of relevant controls relating to the identification, valuation and recording of expected credit losses.<br><br>In respect of the macroeconomic scenarios applied we involved our economics specialist to assess the appropriateness of the shape of the unemployment rate and debt to income curves and the respective weightings attached to the curves, whilst also testing the underlying data used in this assessment for completeness and accuracy. We also benchmarked the underlying unemployment economic variables against various external sources including His Majesty's Treasury forecasts, the Prudential Regulation Authority, the Office for National Statistics, and other available data.<br><br>We have evaluated the competence, capabilities and objectivity of management's third party expert involved in providing the historical economic data and forward-looking scenarios used by them in determining the industry-wide write-off. We have worked with our credit modelling specialists to perform analysis and test the reasonableness of the scalars prepared by the management based on the industry level write-off rates provided by the third party.<br><br>We involved our credit risk modelling specialists to assist in our assessment and challenge of management's model methodology related to their redevelopment and calibration activities and assessed the methodology for **Credit Cards** and **Vehicle Finance** against the requirements of IFRS 9. In performing these procedures, we further considered whether there were any indicators of bias in the methodology applied by management or in the estimation of the amount and timing of expected future cash flows, through a stand back assessment performed on the ECL coverage ratios derived from the models, post the application of the PMAs.<br><br>In respect of the PMAs recognised within Credit Cards and Vehicle Finance for the macro-PD model and VF LGD model, with the involvement of our credit risk modelling specialists, we have tested that the methodology changes have been reflected in the creation of the PMAs through assessment of the underlying scripts, tested the completeness and accuracy of the data used to form the PMAs and evaluated management's conclusions regarding the appropriateness of these changes in the current macroeconomic environment.<br><br>In respect of the PCOA within Vehicle Finance we have tested a cohort of accounts against management's charge-off criteria and assessed the key assumptions within the valuation of the PCOA including the timing and price of any debt sales. |
| **Key observations** | We considered the redevelopment of the macro-PD model and VF LGD model, which also encompasses model changes related to the Group's review into VF Stage 3 assets to be reasonable. Overall, based on our work performed, we found that the provision for expected credit losses in Credit Cards and Vehicle Finance is appropriate. |

# Report on the audit of the financial statements continued

## 5. Key audit matters continued

| 5.2. The appropriateness of the contingent liability for Vehicle Finance commissions | |
|---|---|
| **Key audit matter description** | In October 2024, the Court of Appeal ruled against two other lenders in three cases involving commission disclosure payments to motor finance dealers. The judgment redefined the legal duties of dealers acting as credit brokers, requiring clear disclosure of, and consent to, the existence, nature and amount of any commission paid. The lenders successfully applied for permission to appeal to the Supreme Court, which is due to be heard in early April 2025.<br><br>Moneybarn, as subsidiary of Vanquis Banking Group, offers vehicle finance through intermediaries, with the majority of these intermediaries being independent credit brokers.<br><br>Following the Court of Appeal ruling the Group reviewed its lending practices and has assessed that there are material factors distinguishing the Moneybarn book from the cases in the Court of Appeal judgment (including the commission disclosures provided to customers). As such, the Group has assessed to not provide for any amounts in this respect. This is due primarily to the conclusion of the aforementioned review which has been aided by the Group obtaining external legal advice, but also the uncertainty of the outcome of the Supreme Court appeal and/or any further judicial or regulatory intervention and other mitigating factors which would need to be considered to reliably measure any provision required under IAS 37 Provisions, Contingent liabilities and Contingent Assets.<br><br>Our key audit matter is based on the critical accounting judgement over whether a provision or contingent liability is required. Given the significant level of management judgement involved and incentive to not provide we have concluded this is a potential fraud risk.<br><br>Details of the contingent liability are included in note 33 and critical accounting judgement are disclosed within the Statement of Accounting Policies on page 143 and the Audit Committee Report on page 87. |
| **How the scope of our audit responded to the key audit matter** | We obtained an understanding of relevant controls relating to the review of the Group's assessment related to the Court of Appeal ruling.<br><br>We have assessed the IAS 37 criteria to determine if a provision or contingent liability should be recognised. With the involvement of our conduct risk specialists, we have evaluated external legal opinions obtained by the Group and the Group's assessment of their business practices which they believe are substantially different to other lenders and the cases involved in Court of Appeal judgment. As part of the review, we have evaluated the competence, capabilities, and objectivity of management's external legal advisor. In performing these procedures, we further considered whether there were any indicators of management bias on critical judgements made.<br><br>We also assessed the appropriateness of the disclosures in the financial statements. |
| **Key observations** | Overall, based on our work performed, the treatment of a contingent liability in respect of the Court of Appeal ruling on Vehicle Finance commissions is considered appropriate. |

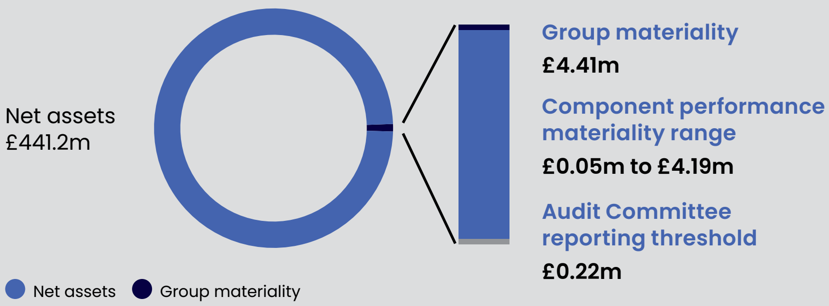
## 6. Our application of materiality

### 6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Materiality** | £4.41m (2023: £5.83m) | £4.19m (2023: £5.53m) |
| **Basis for determining materiality** | 1% of net assets (2023: 1% of net assets) | 1% of net assets (2023: 1% of net assets) capped at 95% of Group materiality |
| **Rationale for the benchmark applied** | Our benchmark upon which materiality is determined is consistent with the prior period. We determined that net assets continue to be a more stable and relevant measure used by investors, regulators and stakeholders when assessing the performance and longer-term prospects of the Group and parent company as well as the importance of net assets to the Group's regulatory capital position. | |



# Report on the audit of the financial statements continued

## 6. Our application of materiality continued

### 6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

| | Group financial statements | Parent company financial statements |
|---|---|---|
| **Performance materiality** | 65% (2023: 70%) of Group materiality | 65% (2023: 70%) of parent company materiality |
| **Basis and rationale for determining performance materiality** | In determining performance materiality, we considered a number of factors, including: our understanding of the control environment and controls reliance obtained, our understanding of the business, and the number of uncorrected misstatements identified in the prior year.<br>We have reassessed the performance materiality threshold to 65% of materiality in the current year to incorporate: the ongoing uncertainties in respect to the overall level of strategic change and transformation across the organisation over the past year, the prior period restatement of Vehicle Finance Stage 3 receivables (disclosed on page 135 of the Annual Report), and the continuing controls issues identified by our IT specialists which prevented us from taking a controls reliance approach over the credit card cycles (see section 7.2 of our report). | |

### 6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.22m (2023: £0.29m) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

## 7. An overview of the scope of our audit

### 7.1. Identification and scoping of components

The Group has four operating segments in the current year being: Credit Cards, Personal Loans, Second Charge Mortgages and Vehicle Finance. There is also the Corporate Centre which includes Snoop, Operations, Technology & Change, and support Functions which collectively serve the needs of the wider Group.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level.

Our Group audit scope focused on Credit Cards, Personal Loans, Second Charge Mortgages and Vehicle Finance, which together with the parent company and corporate centre entities, account for 100% of the Group's net assets. Credit Cards, Personal Loans, Second Charge Mortgages and Vehicle Finance are all led by the Group audit engagement partner.

### 7.2. Our consideration of the control environment

We identified the financial reporting, lending, and deposit business cycles as the most relevant to the audit, including the identification, valuation and recording of expected credit losses. Due to continuing control deficiencies first noted in the prior year, we only planned and successfully executed a controls reliance approach for retail deposits. As noted on page 84 of the Audit Committee Report, the known control issues within the legacy IT systems are expected to be fixed strategically through the IT platform modernisation.

In response to these deficiencies, we adopted a fully substantive approach to testing and did not place reliance on IT controls. This has been discussed within the Audit Committee Report set out on page 84.

### 7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements.

The Group continues to develop its assessment of the potential impacts of climate change which is currently being considered over the short term (zero to one year), medium term (one to five years) and long term (five or more years) time horizons within the Strategic Report on page 24.

As part of our audit, we have obtained management's climate-related risk assessment and held enquiries with the Head of Sustainability, the Chief Risk Officer and the Finance team to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. Management has identified there to be no material impact arising from climate change on the judgements and estimates made in the financial statements as explained in the statement of accounting policies disclosure on page 141.

We performed our own qualitative risk assessment of the potential impact of climate change material misstatement. Our procedures included reading disclosures included in the Strategic Report with the involvement of our climate change and sustainability specialists and audit team consideration as to whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We also evaluated whether appropriate disclosures have been made in the financial statements.

# Report on the audit of the financial statements continued

## 8.Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## 9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

## 10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

### 11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the Board;
- results of our enquiries of management, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance including the Court of Appeal ruling on Vehicle Finance commissions as disclosed in note 33 to the financial statements;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged; and
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations; and
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, financial instruments, share-based payments, data analytics, information technology, prudential regulatory, conduct risk and regulatory, climate change and sustainability, macroeconomic and credit risk modelling specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

# Report on the audit of the financial statements continued

## 11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

### 11.1. Identifying and assessing potential risks related to irregularities continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the estimation of expected credit losses in Credit Cards and Vehicle Finance and the appropriateness of the contingent liability for Vehicle Finance commissions. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, UK Listing Rules, pension legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the regulation set by the Financial Conduct Authority and the Prudential Regulation Authority relating to the Group's regulatory capital and liquidity requirements.

### 11.2. Audit response to risks identified

As a result of performing the above, we identified the estimation of expected credit losses in Credit Cards and Vehicle Finance and the appropriateness of the contingent liability for Vehicle Finance commissions as key audit matters related to the potential risk of fraud or non-compliance with laws and regulations. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Prudential Regulation Authority, the Financial Conduct Authority and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

# Report on other legal and regulatory requirements

## 12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

## Report on other legal and regulatory requirements continued

### 13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 135;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 56;
- the directors' statement on fair, balanced and understandable set out on page 83;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 89 and 90;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 90; and
- the section describing the work of the Audit Committee set out on pages 82 to 87.

### 14. Matters on which we are required to report by exception

#### 14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

#### 14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

### 15. Other matters which we are required to address

#### 15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the directors on 29 June 2012 to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 13 years, covering the years ending 31 December 2012 to 31 December 2024.

#### 15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

### 16. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This Auditor's Report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

**Kieren Cooper (Senior Statutory Auditor)**
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
13 March 2025

# Financial statements

## Consolidated income statement
For the year ended 31 December

| | Note | Group 2024 £m | Group 2023 (restated)[1] £m |
|---|---|---|---|
| Interest income | 2 | 565.4 | 556.0 |
| Interest expense | 3 | (145.4) | (113.4) |
| Net interest income | | 420.0 | 442.6 |
| Fee and commission income | 4 | 38.3 | 44.2 |
| Fee and commission expense | 4 | (1.9) | (1.7) |
| Net fee and commission income | 4 | 36.4 | 42.5 |
| Other income | | 2.1 | 3.7 |
| Total income | | 458.5 | 488.8 |
| Impairment charges | 12 | (191.0) | (165.5) |
| Risk-adjusted income | | 267.5 | 323.3 |
| Operating costs | | (403.8) | (335.3) |
| **Statutory loss before taxation** | 1,5 | (136.3) | (12.0) |
| Tax credit | 6 | 17.0 | 0.3 |
| **Statutory loss for the year attributable to equity shareholders** | | (119.3) | (11.7) |
| Add back: | | | |
| Tax credit | 6 | (17.0) | (0.3) |
| Amortisation of acquisition intangibles | 19 | 6.2 | 7.9 |
| Exceptional items | 1 | 24.1 | 21.4 |
| Goodwill write-off | 18 | 71.2 | — |
| **Adjusted (loss)/profit before tax** | | (34.8) | 17.3 |

1 Refer to accounting policies for detail of restatement.

## Consolidated statement of comprehensive income
For the year ended 31 December

| | Note | Group 2024 £m | Group 2023 (restated)[1] £m |
|---|---|---|---|
| **Loss for the year attributable to equity shareholders** | | (119.3) | (11.7) |
| **Items that will not be reclassified subsequently to the income statement:** | | | |
| – actuarial movements on retirement benefit asset | 21 | (11.6) | 6.4 |
| – tax on items taken directly to other comprehensive income | 6 | 2.9 | (1.5) |
| – impact of change in UK tax rate on items in other comprehensive income | 6 | — | (0.1) |
| Other comprehensive (expense)/income for the year | | (8.7) | 4.8 |
| **Total comprehensive expense for the year** | | (128.0) | (6.9) |

1 Refer to accounting policies for detail of restatement.

## Loss per share
For the year ended 31 December

| | Note | Group 2024 pence | Group 2023 (restated)[1] pence |
|---|---|---|---|
| Basic | 7 | (46.7) | (4.6) |
| Diluted | 7 | (46.7) | (4.6) |

1 Refer to accounting policies for detail of restatement.

## Dividends per share

For the year ended 31 December

| | | Group | |
|---|---|---|---|
| | Note | 2024 pence | 2023 pence |
| Interim dividend | 8 | — | 5.0 |
| Final dividend | 8 | — | 1.0 |

The total cost of dividends paid in the year was £2.5m (2023: £38.4m).

## Balance sheets

| | | Group | | | Company | |
|---|---|---|---|---|---|---|
| | Note | At 31 December 2024 £m | At 31 December 2023 (restated)[1] £m | At 1 January 2023 (restated)[1] £m | At 31 December 2024 £m | At 31 December 2023 £m |
| **Assets** | | | | | | |
| Cash and cash equivalents | 11 | 1,003.9 | 743.3 | 464.9 | 10.5 | 14.7 |
| Amounts receivable from customers | 12 | 2,153.7 | 2,155.8 | 1,896.9 | — | — |
| Trade and other receivables | 13 | 72.5 | 55.9 | 50.6 | 768.4 | 914.9 |
| Investments held at fair value through profit and loss | 14 | 2.3 | 5.4 | 10.7 | — | — |
| Current tax asset | | 3.9 | 8.3 | 0.2 | — | — |
| Property, plant and equipment | 15 | 7.1 | 8.1 | 8.3 | 0.5 | 0.7 |
| Right of use assets | 16 | 16.4 | 23.2 | 32.4 | 7.4 | 10.9 |
| Goodwill | 18 | 1.2 | 72.4 | 71.2 | — | — |
| Other intangible assets | 19 | 61.5 | 74.4 | 63.3 | 1.4 | 1.7 |
| Investment in subsidiaries | 20 | — | — | — | 247.9 | 241.6 |
| Retirement benefit asset | 21 | 27.8 | 38.2 | 30.7 | 27.8 | 38.2 |
| Derivative financial instruments | 22 | — | 1.3 | 11.3 | 0.6 | 1.0 |
| Deferred tax assets | 23 | 25.0 | 8.4 | 14.5 | — | — |
| **Total assets** | 1 | 3,375.3 | 3,194.7 | 2,655.0 | 1,064.5 | 1,223.7 |
| **Liabilities and equity** | | | | | | |
| **Liabilities** | | | | | | |
| Trade and other payables | 24 | 46.1 | 44.1 | 62.8 | 20.9 | 235.4 |
| Current tax liabilities | | — | — | — | 8.2 | 3.1 |
| Provisions | 25 | 15.5 | 5.8 | 5.2 | 5.6 | — |
| Lease liabilities | 26 | 32.5 | 40.9 | 49.3 | 11.3 | 13.6 |
| Retail deposits | 27 | 2,428.2 | 1,950.5 | 1,100.6 | — | — |
| Bank and other borrowings | 27 | 410.0 | 582.5 | 815.4 | 204.7 | 205.7 |
| Derivative financial instruments | 22 | 1.8 | 1.8 | 15.3 | 1.7 | 3.0 |
| Deferred tax liabilities | 23 | — | — | — | 5.6 | 7.8 |
| **Total liabilities** | 1 | 2,934.1 | 2,625.6 | 2,048.6 | 258.0 | 468.6 |
| **Equity attributable to owners of the parent** | | | | | | |
| Share capital | 29 | 53.2 | 53.2 | 52.6 | 53.2 | 53.2 |
| Share premium | | 276.3 | 276.3 | 273.5 | 276.3 | 276.3 |
| Merger reserve | | 278.2 | 278.2 | 278.2 | 280.5 | 280.5 |
| Other reserves | 31 | 10.8 | 12.1 | 12.4 | 10.0 | 11.3 |
| Retained earnings | | (177.3) | (50.7) | (10.3) | 186.5 | 133.8 |
| **Total equity** | 1 | 441.2 | 569.1 | 606.4 | 806.5 | 755.1 |
| **Total liabilities and equity** | | 3,375.3 | 3,194.7 | 2,655.0 | 1,064.5 | 1,223.7 |

1 Refer to accounting policies for detail of restatement.

In accordance with the exemption allowed by section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of other comprehensive income. The retained profit for the financial year reported in the financial statements of the Company was £62.3m (2023: £34.5m).

The financial statements on pages 130 to 199 were approved and authorised for issue by the Board of Directors on 13 March 2025 and signed on its behalf by:

**Ian McLaughlin**
Chief Executive Officer
Company Number – 668987

**Dave Watts**
Chief Financial Officer

## Financial statements continued

### Statements of changes in shareholders' equity

| Group | Note | Share capital £m | Share premium £m | Merger reserve £m | Other reserves £m | Retained earnings[1] £m | Total £m |
|---|---|---|---|---|---|---|---|
| At 31 December 2022 | | 52.6 | 273.5 | 278.2 | 12.4 | (2.0) | 614.7 |
| Prior year adjustment[1] | | – | – | – | – | (8.3) | (8.3) |
| At 1 January 2023 | | 52.6 | 273.5 | 278.2 | 12.4 | (10.3) | 606.4 |
| Loss for the year[1] | | – | – | – | – | (11.7) | (11.7) |
| Other comprehensive income/(expense): | | | | | | | |
| – actuarial movements on retirement benefit asset | 21 | – | – | – | – | 6.4 | 6.4 |
| – tax on items taken directly to other comprehensive income | 6 | – | – | – | – | (1.5) | (1.5) |
| – impact of change in UK tax rate[1] | 6 | – | – | – | – | (0.1) | (0.1) |
| Other comprehensive income for the year[1] | | – | – | – | – | 4.8 | 4.8 |
| Total comprehensive expense for the year[1] | | – | – | – | – | (6.9) | (6.9) |
| Dividends (note 9) | | – | – | – | – | (38.4) | (38.4) |
| Issue of share capital | | 0.6 | 2.8 | – | – | – | 3.4 |
| Share-based payment charge | 30 | – | – | – | 4.6 | – | 4.6 |
| Transfer of share-based payment reserve on vesting of share awards | | – | – | – | (4.9) | 4.9 | – |
| **At 31 December 2023[1]** | | 53.2 | 276.3 | 278.2 | 12.1 | (50.7) | 569.1 |
| At 1 January 2024 | | **53.2** | **276.3** | **278.2** | **12.1** | **(50.7)** | **569.1** |
| Loss for the year | | **–** | **–** | **–** | **–** | **(119.3)** | **(119.3)** |
| Other comprehensive income/(expense): | | | | | | | |
| – actuarial movements on retirement benefit asset | 21 | **–** | **–** | **–** | **–** | **(11.6)** | **(11.6)** |
| – tax on items taken directly to other comprehensive income | 6 | **–** | **–** | **–** | **–** | **2.9** | **2.9** |
| Other comprehensive expense for the year | | **–** | **–** | **–** | **–** | **(8.7)** | **(8.7)** |
| Total comprehensive expense for the year | | **–** | **–** | **–** | **–** | **(128.0)** | **(128.0)** |
| Dividends (note 9) | | **–** | **–** | **–** | **–** | **(2.5)** | **(2.5)** |
| Share-based payment charge | 30 | **–** | **–** | **–** | **2.7** | **–** | **2.7** |
| Transfer of share-based payment reserve on vesting of share awards | | **–** | **–** | **–** | **(4.0)** | **4.0** | **–** |
| Purchase of shares for share awards | | **–** | **–** | **–** | **–** | **(0.1)** | **(0.1)** |
| **At 31 December 2024** | | **53.2** | **276.3** | **278.2** | **10.8** | **(177.3)** | **441.2** |

1 Refer to accounting policies for detail of restatement.

Other reserves are further analysed in note 31.

## Statements of changes in shareholders' equity continued

| Company | Note | Share capital £m | Share premium £m | Merger reserve £m | Other reserves £m | Retained earnings £m | Total £m |
|---|---|---|---|---|---|---|---|
| At 1 January 2023 | | 52.6 | 273.5 | 280.5 | 11.6 | 130.3 | 748.5 |
| Profit for the year | | – | – | – | – | 34.5 | 34.5 |
| Other comprehensive income/(expense): | | | | | | | |
| – actuarial movements on retirement benefit asset | 21 | – | – | – | – | 6.4 | 6.4 |
| – tax on items taken directly to other comprehensive income | | – | – | – | – | (1.5) | (1.5) |
| – impact of change in UK tax rate | | – | – | – | – | (0.1) | (0.1) |
| Other comprehensive income for the year | | – | – | – | – | 4.8 | 4.8 |
| Total comprehensive income for the year | | – | – | – | – | 39.3 | 39.3 |
| Dividends (note 9) | | – | – | – | – | (38.4) | (38.4) |
| Issue of share capital | | 0.6 | 2.8 | – | – | – | 3.4 |
| Share-based payment charge | 30 | – | – | – | 2.5 | – | 2.5 |
| Transfer of share-based payment reserve on vesting of share awards | | – | – | – | (2.6) | 2.6 | – |
| Share-based payment movement in investment in subsidiaries | | – | – | – | (0.2) | – | (0.2) |
| **At 31 December 2023** | | 53.2 | 276.3 | 280.5 | 11.3 | 133.8 | 755.1 |
| At 1 January 2024 | | **53.2** | **276.3** | **280.5** | **11.3** | **133.8** | **755.1** |
| Profit for the year | | **–** | **–** | **–** | **–** | **62.3** | **62.3** |
| Other comprehensive income/(expense): | | | | | | | |
| – actuarial movements on retirement benefit asset | 21 | **–** | **–** | **–** | **–** | **(11.6)** | **(11.6)** |
| – tax on items taken directly to other comprehensive income | | **–** | **–** | **–** | **–** | **2.9** | **2.9** |
| Other comprehensive expense for the year | | **–** | **–** | **–** | **–** | **(8.7)** | **(8.7)** |
| Total comprehensive income for the year | | **–** | **–** | **–** | **–** | **53.6** | **53.6** |
| Dividends (note 9) | | **–** | **–** | **–** | **–** | **(2.5)** | **(2.5)** |
| Share-based payment charge | 30 | **–** | **–** | **–** | **1.5** | **–** | **1.5** |
| Transfer of share-based payment reserve on vesting of share awards | | **–** | **–** | **–** | **(1.7)** | **1.7** | **–** |
| Share-based payment movement in investment in subsidiaries | | **–** | **–** | **–** | **(1.1)** | **–** | **(1.1)** |
| Purchase of shares for share awards | | **–** | **–** | **–** | **–** | **(0.1)** | **(0.1)** |
| **At 31 December 2024** | | **53.2** | **276.3** | **280.5** | **10.0** | **186.5** | **806.5** |

The full merger reserve is considered distributable.

Other reserves are further analysed in note 31.

## Financial statements continued

### Statements of cash flows

For the year ended 31 December

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| **Cash flows from operating activities** | | | | | |
| Cash generated from/(used in) operations[1] | 34 | 483.8 | 640.2 | (23.5) | 248.0 |
| Finance costs paid | | (103.0) | (76.1) | (31.0) | (55.3) |
| Finance income received | | 51.2 | 26.6 | 15.9 | 24.4 |
| Tax received/(paid) | | 8.2 | (6.0) | – | – |
| **Net cash generated from/(used in) operating activities** | | 440.2 | 584.7 | (38.6) | 217.1 |
| **Cash flows from investing activities** | | | | | |
| Purchase of intangible assets | 19 | – | (19.0) | – | – |
| Purchase of property, plant and equipment | 15 | (2.2) | (3.3) | – | (0.3) |
| Proceeds from sale of available for sale investment | | 4.3 | 6.4 | – | – |
| Acquisition of a subsidiary | | – | (2.9) | – | – |
| Dividends received from subsidiaries | 32 | – | – | 40.0 | – |
| **Net cash generated from/ (used in) investing activities** | | 2.1 | (18.8) | 40.0 | (0.3) |
| **Cash flows from financing activities** | | | | | |
| Proceeds from bank and other borrowings[2] | | 5.0 | – | – | – |
| Repayment of bank and other borrowings[2] | | (174.0) | (238.5) | – | (163.5) |
| Payment of lease liabilities | | (9.7) | (11.2) | (3.0) | (4.4) |
| Dividends paid to Company shareholders | | (2.5) | (38.4) | (2.5) | (38.4) |
| Proceeds from issue of share capital | 29 | – | 0.1 | – | 0.1 |
| Purchase of own shares for share awards | | (0.1) | – | (0.1) | – |
| **Net cash used in financing activities** | | (181.3) | (288.0) | (5.6) | (206.2) |
| **Net increase/(decrease) in cash, cash equivalents and overdrafts** | | 261.0 | 277.9 | (4.2) | 10.6 |
| Cash, cash equivalents and overdrafts at beginning of year | | 741.8 | 463.9 | 14.7 | 4.1 |
| **Cash, cash equivalents and overdrafts at end of year** | | 1,002.8 | 741.8 | 10.5 | 14.7 |
| Cash, cash equivalents and overdrafts at end of year comprise: | | | | | |
| Cash at bank and in hand | 11 | 1,003.9 | 743.3 | 10.5 | 14.7 |
| Overdrafts (held in bank and other borrowings) | 27 | (1.1) | (1.5) | – | – |
| **Total cash, cash equivalents and overdrafts** | | 1,002.8 | 741.8 | 10.5 | 14.7 |

1 The classification of certain cash flows has been represented in 2023, impacting £1,100.0m in proceeds and £284.8m in repayments related to bank and other borrowings. These amounts, which are no longer considered to be financing cash flows, are now reported within cash generated from operations as an £815.2m movement in retail deposits.

Cash at bank and in hand includes £948.7m (2023: £681.5m) in respect of the liquid asset buffer, including other liquidity resources, held by Vanquis Bank Limited in accordance with the PRA's liquidity regime.

## General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is No. 1 Godwin Street, Bradford, England BD1 2SU. The Company is listed on the London Stock Exchange.

## Basis of preparation

The financial statements of the Group and Company are prepared in accordance with International Accounting Standards as adopted by the UK, International Financial Reporting Standards (IFRSs) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative financial instruments and investments held at fair value through profit and loss.

In assessing whether the Group is a going concern, the directors' review has been made on the basis that the Group continues to operate for the twelve months from the date of the approval of the financial statements. The directors considered the appropriateness of the going concern basis, the period of assessment, any reporting requirements, and solvency and liquidity risks, and included a variety of factors – forecasts and budgets, timing of cashflows and funding, the Group's primary market and any contingent liabilities. When considering the appropriateness of going concern the directors have also considered the Group's ability to meets its regulatory requirements (both capital and liquidity) at all times and not just a positive net asset measure.

The assessment of going concern for the Group for the purposes of the Annual Report and Financial Statements considered the following factors:

- The Group's corporate plan as approved in December 2024, which sets out financial, capital, liquidity and funding projections, together with an overview of relevant risks;
- The principal and emerging risks which could impact the performance of the Group, with a focus on capital and liquidity;
- In recognition of the waiver received in November 2022, which allows Vanquis Bank Limited to fund the vehicle finance business, we have considered that the waiver is due to be renewed for a further three years in October 2025;
- The severe but plausible downside scenario, which is designed to assess the potential impact of certain underlying risks on the Group's capital and funding resources, together with the availability and effectiveness of mitigating actions;
- Reverse stress testing analysis, which is designed to assess the point at which the Group is no longer a going concern; and
- The outcome of the pending Court of Appeal hearing on Vehicle Finance Commission scheduled for 1-3 April 2025 which remains uncertain. A possible scenario has been considered as part of the stress testing. This shows that the Group is able to maintain sufficient capital headroom above minimum requirements in such a scenario.

Having considered the Group's forecasts, the regulatory capital and liquidity of the Group, the regulatory outlook and the impact of the outcome of the Court of Appeal hearing on Vehicle Finance commission, the directors have a reasonable expectation that the Group will continue as a going concern for a period of at least 12 months from the date of approving these financial statements. Accordingly, the financial statements of the Group have been prepared on the going concern basis.

## Prior year restatement

In the current year, as part of the Group's review into Vehicle Finance Stage 3 assets, it was identified that cash flows projected to be received from debt sales 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 considers that a prior period restatement is appropriate and has retrospectively restated its results.

## Change in presentation on primary statements

As part of the work performed on the Stage 3 assets and review of our internal management reporting, it was identified that the presentation of Vehicle Finance gross customer interest earning balances were being incorrectly reduced by £51.6m. KPIs using this metric have therefore been retrospectively represented for all periods presented in this report. There was no impact to net receivables or on the reported balance sheet or income statement numbers as a result of this change. Vehicle Finance net interest margin reduced from 15.5% for 2023 to 14.5%

In addition, fraud costs have been represented from impairment to within operating costs in 2024 and the comparative numbers for 2023 restated. As part of this change, the reduction in customer receivables for Cards for fraud accounts has been represented from allowance account to gross receivables. There was no impact on net receivables as a result of this change.

## Statement of accounting policies continued

### Change in presentation on primary statements continued

The impact of the restatement and changes in presentation are set out below.

| | 2023 as reported £m | VF restatement £m | VF representation £m | Fraud representation £m | 2023 restated £m |
|---|---|---|---|---|---|
| Interest income | 556.0 | – | – | – | 556.0 |
| Interest expense | (113.4) | – | – | – | (113.4) |
| Net interest income | 442.6 | – | – | – | 442.6 |
| Fee and commission income | 44.2 | – | – | – | 44.2 |
| Fee and commission expense | (1.7) | – | – | – | (1.7) |
| Net fee and commission income | 42.5 | – | – | – | 42.5 |
| Other income | 3.7 | – | – | – | 3.7 |
| Total income | 488.8 | – | – | – | 488.8 |
| Impairment charges | (166.1) | (7.6) | – | 8.2 | (165.5) |
| Risk-adjusted income/(expense) | 322.7 | (7.6) | – | 8.2 | 323.3 |
| Operating costs | (327.1) | – | – | (8.2) | (335.3) |
| Statutory loss before taxation | (4.4) | (7.6) | – | – | (12.0) |
| Tax (credit)/charge | (1.6) | 1.9 | – | – | 0.3 |
| **Statutory loss for the year attributable to equity shareholders** | (6.0) | (5.7) | – | – | (11.7) |
| Gross customer interest earning balances | 2,351.1 | – | 51.6 | (1.6) | 2,401.1 |
| Post-charge-off asset (PCOA) | 299.2 | – | (51.6) | – | 247.6 |
| Deferred acquisition costs (DAC) | 89.6 | – | | – | 89.6 |
| Other | 1.0 | – | – | – | 1.0 |
| Gross receivables | 2,740.9 | – | – | (1.6) | 2,739.3 |
| Impairment provision | (565.8) | (16.1) | – | 1.6 | (580.3) |
| **Net receivables** | 2,175.1 | (16.1) | – | – | 2,159.0 |

### The impact of new standards not yet effective and not adopted by the Group from 1 January 2025

#### IFRS 18 Presentation and Disclosures in Financial Statements

IFRS 18 replaces IAS 1, carrying forward many of the requirements in IAS 1 unchanged and complementing them with new requirements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Furthermore, the IASB has made minor amendments to IAS 7 and IAS 33 Earnings per Share.

IFRS 18 introduces new requirements to:

- present specified categories and defined subtotals in the statement of profit or loss;
- provide disclosures on Management-Defined Performance Measures (MPMs) in the notes to the financial statements; and
- improve aggregation and disaggregation.

An entity is required to apply IFRS 18 for annual reporting periods beginning on or after 1 January 2027, with earlier application permitted. The amendments to IAS 7 and IAS 33, as well as the revised IAS 8 and IFRS 7, become effective when an entity applies IFRS 18. IFRS 18 requires retrospective application with specific transition provisions.

The Group anticipates that the application of these amendments may have an impact on the presentation of its consolidated financial statements in future periods.

There are no other new standards not yet effective and not adopted by the Group from 1 January 2025 which are expected to have a material impact on the Group.

### Basis of consolidation

The consolidated income statement, consolidated statement of comprehensive income, balance sheet, statement of changes in shareholders' equity, statement of cash flows and notes to the financial statements include the financial statements of the Company and all of its subsidiary undertakings drawn up from the date control passes to the Group until the date control ceases.

Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect returns.

All intra-group transactions and balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

The accounting policies of subsidiaries are consistent with the accounting policies of the Group.

### Interest income

Interest income is earned from Credit Cards, Personal Loans, Vehicle Finance and Second Charge Mortgages products. It also includes interest received from Vanquis Bank Limited's liquid asset buffer, held in the Bank of England central reserve account, and net fair value gains recognised in relation to the Group's derivative financial instruments.

Interest is calculated on credit card advances to customers using the effective interest rate on the daily balance outstanding.

## Interest income continued

Within Vehicle Finance and Personal Loans, interest income on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows. Directly attributable incremental issue costs are also taken into account in calculating the effective interest rate. Interest income continues to be accrued on impaired receivables using the original effective interest rate applied to the loan's carrying value. Interest income is recognised on the gross receivable when accounts are in IFRS 9 Stages 1 and 2 and on the net receivable for accounts in Stage 3. Accounts can only move between stages for interest income recognition purposes at the Group's interim or year-end balance sheet date. For Vehicle Finance, IFRS 16 is adopted for revenue recognition, except in relation to IFRS 9 Stage 3 in which interest income is recognised on the net receivable.

Directly attributable acquisition costs are capitalised as part of receivables and amortised over the life of the loan as a deduction to interest income.

Group interest income excludes intra-group transactions.

Company interest income includes intra-group transactions.

## Interest expense

Interest expense principally comprises the interest on retail deposits, senior and public bonds, securitisations and lease liability interest. For the Company, it also includes intra-group loan arrangements, and is recognised on an effective interest rate basis.

## Fee and commission income

Fee and commission income is earned from Credit Cards and is recognised at the time the charges are made to customers on the basis that the performance obligation is complete.

Group fee income excludes intra-group transactions.

## Dividend income

Dividend income is recognised in the income statement when the Company's right to receive payment is established.

## Goodwill

All acquisitions are accounted for using the purchase method of accounting.

Goodwill is an intangible asset and is measured as the excess of the fair value of the consideration over the fair value of the acquired identifiable assets, liabilities and contingent liabilities at the date of acquisition. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units which are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment is tested by comparing the carrying value of the asset to the discounted expected future cash flows from the relevant cash-generating unit. Expected future cash flows are derived from the Company's latest budget projections and the discount rate is based on the Company's risk-adjusted cost of equity at the balance sheet date.

Any goodwill impairment or write-off is charged to the income statement as part of operating costs.

## Investments in subsidiaries

The Company's investments in subsidiaries are stated at cost less provisions for impairment where required. Impairment provisions reflect the shortfall between the carrying value of the investment with the higher of: (i) fair value less costs to sell; and (ii) value in use of the subsidiary.

## Leases

### The Group and Company as a lessee

The Group and Company assess whether a contract contains a lease at inception of a contract. A right of use asset and a corresponding liability are recognised with respect to all lease arrangements where it is a lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets (less than £5,000). For these leases, the lease payment is recognised within operating expenses on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the rate implicit in the lease. This rate could not be readily determined; therefore, the incremental borrowing rate has been used. This is defined as the rate of interest that the lessee would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. For Vanquis Bank Limited, this would represent an average retail deposit rate; for all other companies this would be based on the assessment of their funding rate at the time.

The lease payments included in the measurement of the lease liability comprise:

- fixed lease payments;
- variable lease payments; and
- payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease, using the effective interest rate method, and reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- the lease contract is modified and the modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right of use asset comprises the initial measurement of the corresponding lease liability and is subsequently measured at cost less accumulated depreciation and impairment losses.

## Statement of accounting policies continued

### Leases continued

#### The Group and Company as a lessee continued

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The lease liability and right of use asset are presented as separate line items on the balance sheet. The interest on the lease and depreciation are charged to the income statement and presented within interest expense and operating costs respectively.

#### The Group and Company as a lessor

Vehicle Finance is considered a lessor for its conditional sale agreements to customers. IFRS 16 is adopted for revenue recognition, except in relation to IFRS 9 Stage 3 in which interest income is recognised on the net receivable. Impairment is accounted for under IFRS 9.

The Group subleases a portion of its office space and accounts for it as a finance lease.

### Other intangible assets

Other intangible assets include acquisition intangibles in respect of the broker relationships at Vehicle Finance, technology and brand of Snoop, standalone computer software and development costs of intangible assets across the Group.

The fair value of Vehicle Finance broker relationships on acquisition of the Moneybarn Group was estimated by discounting the expected future cash flows from Vehicle Finance core broker relationships over their estimated useful economic life which was deemed to be 10 years. The asset has been amortised on a straight-line basis over its estimated useful life and was fully amortised in 2024.

The fair value of Snoop's technology was estimated using multi-period excess earnings methodology. The fair value of Snoop's brand valuation was estimated using an income approach based on the Relief from Royalties Methodology. The estimated useful life of the technology was deemed to be nine years and of the brand was deemed to be five years. The assets are being amortised on a straight-line basis over their useful life.

Computer software and computer software development assets represent the costs incurred to acquire or develop software and bring it into use. Directly attributable costs incurred in the development of software are capitalised as an intangible asset if the software will generate future economic benefits. Directly attributable costs include the cost of software development employees and an appropriate portion of relevant directly attributable overheads.

Computer software and computer software development costs are amortised on a straight-line basis over their estimated useful economic life which is generally estimated to be between 3 and 10 years. The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date.

Other intangible assets are valued at cost less subsequent amortisation and impairment. Amortisation and impairment are charged to the income statement as part of operating costs. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell.

### 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 receivables are originated under a business model that intends to collect the contractual cash flows and includes only elements of principal and interest, so are subsequently measured at amortised cost less impairment provisions. The impairment provision recognised is based on the Probability of Default (PD) within 12 months, the Loss Given Default (LGD) and the Exposure at Default (EAD).

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 or a significant increase in PD, but has not defaulted. In absence of other factors indicating SICR, this will occur at 30 days past due.

An account moves to Stage 3 and is deemed to have defaulted at 90 days past due, or when a payment arrangement is initiated, or when other unlikeliness to pay factors arise (like customer bankruptcy proceedings).

Accounts are charged off when they meet certain criteria set out in the Group's charge-off policy and are generally expected to be sold to debt collection agencies. A post-charge-off asset (PCOA) is recognised based on expected future cash flows. The accounts remain held at amortised cost as the business model is unchanged.

#### Credit Cards

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

For Credit Cards, the PD is determined by utilising a customer's behavioural score used for underwriting the credit card. The LGD discounts the EAD which adjusts the current card balance for future expected spend and interest. It does not include any future credit line increases.

#### Vehicle Finance

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 customer data and outcomes.

An account moves from Stage 1 to Stage 2 when there has been a SICR or when the customer is assessed as vulnerable. Lifetime losses are recognised for all accounts in Stages 2 and 3.

A customer is deemed to have defaulted when they become three monthly payments in arrears or enter into a forbearance arrangement. 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.

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

#### Second charge mortgages

For second charge mortgages, the PD is determined on a portfolio-basis and applied at account level. The PD will increase if an account misses a payment and enters Stage 2 and will default at the point three payments are missed. The LGD uses the whole LTV capturing the first and second charge outstanding balances. The EAD reflects the estimated balance when three payments are missed.

## Amounts receivable from customers continued

### Personal Loans

For Personal Loans, the EAD follows the amortisation schedules of the loan and is adjusted for expected missed payments at point of default.

Following an SICR, evident from a missed monthly payment or a significant increase in PD, lifetime losses are recognised.

A customer is deemed to have defaulted when they become three minimum monthly payments in arrears or they enter a temporary payment arrangement. A customer is written off in the following cycle after becoming six minimum monthly payments in arrears.

### Customers under forbearance

Customers are moved to IFRS 9 Stage 3 and lifetime losses are recognised in all products 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

Macroeconomic provisions are part of the core model and 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.

The provisions consider the relationship between hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), debt to income ratio and default rates.

## Property, plant and equipment

Property, plant and equipment is shown at cost less accumulated depreciation and impairment, except for land, which is shown at cost less impairment.

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets to their estimated realisable values over their useful economic lives.

The following principal bases are used:

| | % | Method |
|---|---|---|
| Land | Nil | – |
| Leasehold improvements | Over the lease period | Straight line |
| Equipment (including computer hardware) | 10 to 33 1/3 | Straight line |
| Motor vehicles | 25 | Reducing balance |

The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date. All items of property, plant and equipment, other than land, are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Land is subject to an annual impairment test. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell. Gains and losses on disposal of property, plant and equipment are determined by comparing any proceeds with the carrying value of the asset and are recognised within operating costs in the income statement.

Depreciation is charged to the income statement as part of operating costs.

## Investments

### Investments held at fair value through profit and loss

Visa Inc shares are measured at fair value in the balance sheet as a reliable estimate of the fair value can be determined. Valuation adjustments arising as a result of routine mark-to-market revaluation are recognised in the income statement.

Fair value changes including any impairment losses and foreign exchange gains or losses are recognised within other income in the income statement. The fair value of monetary assets denominated in foreign currency is determined through translation at the spot rate at the balance sheet date.

Dividends on equity instruments are recognised in the income statement when the Group's right to receive the dividends is established.

## Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group continues to apply the requirements of IAS 39 to its hedging relationships.

Derivatives are recognised at fair value with changes recognised in the income statement. Hedge accounting allows the derivative to be designated as a hedge of another financial instrument. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item, the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk. The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

## Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand which includes amounts invested in the Bank of England reserve account held in accordance with the Prudential Regulation Authority's (PRA's) liquidity regime. Cash held as part of securitisations is not immediately available due to the terms of the arrangements. Bank overdrafts are presented in borrowings to the extent that there is no right of offset with cash balances.

## Intercompany

Expected credit losses on Company intercompany balances are assessed at each balance sheet date. The PDs and LGDs are determined for each loan based on the subsidiary's available funding and cash flow forecasts.

## Borrowings

Borrowings are recognised initially at fair value, being issue proceeds less any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds less transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate.

## Dividends paid

Dividend distributions to the Company's shareholders are recognised in the Group and the Company's financial statements as follows:

- final dividend: when approved by the Company's shareholders at the AGM; and
- interim dividend: when paid by the Company.

## Retirement benefits

### Defined benefit pension schemes

The charge in the income statement in respect of defined benefit pension schemes comprises the actuarially assessed current service cost of working employees up to when the scheme was closed, together with the interest on pension liabilities offset by the interest on pension scheme assets. All charges are recognised within operating costs in the income statement.

The retirement benefit asset recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of the schemes' assets less the present value of the defined benefit obligation at the balance sheet date. A retirement benefit asset is recognised to the extent that the Group and Company have an unconditional right to a refund of the asset or if it will be recovered in future years as a result of reduced contributions to the pension scheme.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement.

### Defined contribution pension schemes

Contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

## Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## Merger reserve

The merger reserve was created following a rights issue. and is considered distributable.

## Share-based payments

### Equity-settled schemes

The Company grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Deferred Bonus Plan (DBP), the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP) and the Company Share Option Plan (CSOP). All of these schemes are equity settled.

The cost of providing options and awards to Group and Company employees is charged to the income statement of the entity over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity. The grant by the Company of options and awards over its equity instruments to the employees of subsidiary undertakings is treated as an investment in the Company's financial statements. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding adjustment to the share-based payment reserve within equity.

The cost of options and awards is based on their fair value. A binomial model is used for calculating the fair value of SAYE options which have no performance conditions attached and the RSP for which vesting is based on the discretion of the Remuneration Committee. No charge has been recognised for the CSOP as it is linked to the RSP awards granted at the same time. Any gains made by an employee in relation to the CSOP reduce the number of shares exercisable under the RSP award.

The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

Cancellations by employees of contributions to the Group's SAYE plans are treated as non-vesting conditions and the Group recognises, in the year of cancellation, the amount of the expense that would have otherwise been recognised over the remainder of the vesting period.

Modifications are assessed at the date of modification and any incremental charges are recognised in the income statement.

A transfer is made from the share-based payment reserve to retained earnings when options and awards vest, lapse or are cancelled. In respect of the SAYE options, the proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

## Taxation

The tax charge represents the sum of current and deferred tax.

### Current tax

Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

### Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the future.

## Taxation continued

### Deferred tax continued

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the related temporary differences or carried forward tax losses can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

## Contingent liabilities

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but information about them is disclosed unless the possibility of any economic outflow in relation to settlement is remote.

## Securitisations

The Group has two securitisations in issue. The Group holds an exposure to the performance of these vehicles in the form of retained notes and has a contractual right to the variable returns of the vehicles. The transfers of the beneficial interest of amounts receivable from customers to the securitisations are not treated as sales by the Group and the assets not derecognised. The Group continues to recognise these assets within its own Balance Sheet after as it retains substantially all the risks and rewards through the receipt of interest income and deferred consideration from the securitisations for the transfer of the beneficial interest.

The securitisations are fully consolidated into the Group Accounts in accordance with IFRS 10.

## Exceptional items

Exceptional items are items which the directors consider should be disclosed separately to enable a full understanding of the Group's results. An exceptional item needs to meet at least two of the following criteria:

- the financial impact is material;
- it is one-off and not expected to recur; and
- it is outside the normal course of business.

Examples include, but are not limited to, costs arising from redundancy, acquisition or restructuring activities. The Audit Committee and Board may also apply judgement to determine whether an item should be classified as an exceptional item and be an allowable adjustment to a statutory measure.

## Critical accounting judgements and key sources of estimation uncertainty

In applying the accounting policies set out above, the Group and Company make judgements (other than those involving estimates) that have a significant impact on the amounts recognised and make estimates and assumptions that affect the reported amounts of assets and liabilities.

The estimates and judgements are based on historical experience; actual results may differ from these estimates.

In preparing the Group's financial statements, the Group has considered the impact of the results of our scenario analysis and climate-related risks on our financial performance, and while the effects of climate change represent a source of uncertainty, there has not been a material impact on our financial judgements and estimates due to the physical and transition climate-related risks in the short to medium term.

Due to the impact of any estimates in relation to the pension asset no longer being considered material, it is no longer included as critical source of estimation uncertainty.

### Amounts receivable from customers (note 12) Group: £2,153.7m (2023: £2,155.8m)

#### Critical accounting judgements

The Group reviews amounts receivable from customers for impairment at each balance sheet date. For the purposes of assessing the impairment, customers are categorised into IFRS 9 stages and cohorts which are considered to be the most reliable indication of future payment performance. The determination of expected credit losses involves complex modelling techniques and requires management to apply significant judgements to calculate expected credit losses. The most critical judgements are outlined below.

The determination of the Significant Increase in Credit Risk (SICR) thresholds to be used in the models for Credit Cards, Vehicle Finance and Personal Loans requires management judgement to optimise the performance and therefore effectiveness of the staging methodology. Assessments are made to determine whether there is objective evidence of an SICR which indicates whether there has been an adverse effect on Probability of Default (PD). An SICR for customers is when there has been a significant increase in behavioural score or when one contractual monthly payment has been missed.

For the purpose of IFRS 9, default is assumed when three contractual repayments have been missed.

The Group's impairment models are subject to periodic monitoring, independent validation and back testing performed on model components (where appropriate), including PD, EAD, and LGD to ensure management judgements remain appropriate.

## Statement of accounting policies continued

### Critical accounting judgements and key sources of estimation uncertainty continued

#### Amounts receivable from customers (note 12) Group: £2,153.7m (2023: £2,155.8m) continued

**Critical accounting judgements** continued

Limitations in the Group's impairment models or data inputs may be identified through the ongoing assessment and validation of the output of the models. In these circumstances, management makes appropriate adjustments to the Group's allowance for impairment losses to ensure that the overall provision adequately reflects all material credit risks. These adjustments are determined by considering the particular attributes of exposures which have not been adequately captured by the impairment models and range from changes to model inputs and parameters, at account level, through to more qualitative post-model overlays. Those changes applied to model inputs and parameters are deemed to be in-model overlays; more qualitative changes that have a higher degree of management judgement are deemed to be post-model overlays. All adjustments are reviewed quarterly and are subject to internal review and challenge to ensure that amounts are appropriately calculated. A breakdown of the in-model and post-model overlays is included within note 12.

During the prior year, the Group refined and recalibrated the impairment provisioning models for Cards, Vehicle Finance and Personal Loans, to better reflect the evolving receivables mix; this led to a release of c.£57.7m of impairment provision in FY23 and was recognised as a post model underlay. The models were fully implemented in the current year and the post model underlay released.

The revised definition of default criteria introduced as part of the model recalibration in 2023 resulted in a reclassification of c.£127m of receivables from Stage 3 into Stage 1, and a further c.£73m from Stage 2 into Stage 1 in Vehicle Finance when the models were fully implemented in 2024.

Credit performance across the Group remains stable and internal analysis shows no obvious signs of credit quality deterioration.

Macroeconomic impairment provision adjustments are recognised in the core model to reflect an increased PD, based on future macroeconomic scenarios. These provisions reflect the potential for future changes in hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), and debt to income ratio.

Management judgement was required to determine the appropriate macroeconomic indicators to be used in the model by assessing their correlation with credit losses incurred by the business. Unemployment is judged to be a key macroeconomic indicator as analysis has clearly evidenced a correlation between changes in unemployment and credit losses incurred by the business.

The models are expected to be redeveloped in 2025; however, for 2024 model overlay of £5.4m has been recognised which looks at Credit Card write-off rates, utilising data from a third party, Oxford Economics (OE). The OE model predicts industry level write-off rates using a combination of interest rates on Credit Cards, unemployment rate, debt to income ratio and a measure of macroeconomic volatility. The outputs from the OE model are calibrated to the VBG entry to default rate which is in turn used to derive the scalars applied to the lifetime probability of default model.

**Key sources of estimation uncertainty**

The level of impairment recognised is calculated using models which utilise historical payment performance to generate the estimated amount and timing of future cash flows from each cohort of customers in each arrears stage. The models are regularly monitored to ensure they retain sufficient accuracy. Sensitivity analysis has been performed in note 12 which shows the impact of a 1% movement of gross exposure into Stage 2 from Stage 1 on the allowance accounts.

**Vehicle Finance Stage 3 review**

During 1H24 a review was undertaken of the Vehicle Finance Stage 3 assets as indicated during the strategy seminar held on 27 March 2024. Vehicle Finance had been exhibiting an ever-growing Stage 3 gross receivable balance with a corresponding large and increasing ECL provision being held. As part of the review, receivables eligible for a potential debt sale were fully charged off resulting in a post-charge-off asset (PCOA) of £17.8m being recognised at 30 June 2024. This has decreased to £17.3m at 31 December 2024 as more accounts have been charged off, offset by two debt sales. The receivables within this PCOA have been split into several cohorts and an expected sale price determined for each cohort. Sensitivity analysis performed on the valuation indicates a 10% change in price would adjust the valuation by £1.6m.

The charge-off process led to a reduction in gross receivables of c.£261m and a release of impairment provision of £237m.

**Macroeconomic assumptions**

The unemployment data used in the macroeconomic provisions has been compiled from a consensus of sources including the Bank of England, HM Treasury, the Office for Budget Responsibility (OBR), Bloomberg and a number of prime banks. These estimates are used to derive base case, upside, downside and severe scenarios.

The table below shows the scenario five-year peak and average unemployment assumptions adopted and the weightings applied to each.

| Scenario for year ended 2024 | Base | Upside | Downside | Severe |
|---|---|---|---|---|
| Weighting | 60% | 15% | 20% | 5% |
| 2025 | 4.4 | 4.0 | 5.0 | 5.5 |
| 2026 | 4.5 | 4.1 | 6.3 | 7.6 |
| 2027 | 4.5 | 4.2 | 5.9 | 7.9 |
| 2028 | 4.5 | 4.2 | 5.3 | 6.8 |
| 2029 | 4.5 | 4.2 | 5.1 | 6.4 |
| Five-year peak | 4.5 | 4.3 | 6.5 | 8.3 |

| Scenario for year ended 2023 | Base | Upside | Downside | Severe |
|---|---|---|---|---|
| Weighting | 60% | 15% | 20% | 5% |
| 2024 | 4.5% | 3.9% | 4.8% | 5.1% |
| 2025 | 4.7% | 3.7% | 6.1% | 7.5% |
| 2026 | 4.7% | 4.2% | 6.2% | 8.0% |
| 2027 | 4.7% | 4.3% | 5.5% | 6.6% |
| 2028 | 4.7% | 4.4% | 5.2% | 5.8% |
| Five-year peak | 4.8% | 4.5% | 6.4% | 8.4% |

## Critical accounting judgements and key sources of estimation uncertainty continued

### Amounts receivable from customers (note 12) Group: £2,153.7m (2023: £2,155.8m) continued

**Macroeconomic assumptions** continued

The following table shows the scenario five-year peak and average expected entry to default rate from the Oxford Economics model.

| Scenario for year ended 2024 | Base | Upside | Downside | Severe |
|---|---|---|---|---|
| Weighting | 60% | 15% | 20% | 5% |
| 2025 | 1.14% | 1.08% | 1.19% | 1.20% |
| 2026 | 1.15% | 0.96% | 1.32% | 1.37% |
| 2027 | 1.15% | 0.90% | 1.41% | 1.48% |
| 2028 | 1.13% | 0.88% | 1.44% | 1.50% |
| 2029 | 1.12% | 0.88% | 1.42% | 1.48% |
| Five-year peak | 1.16% | 1.13% | 1.45% | 1.51% |

Weightings applied to the macroeconomic assumptions were approved at the December 2024 Assumptions Committee meeting. There has been no change in the weightings from 2023.

Sensitivity analysis has been performed on the weightings which shows that changing the weightings would not have a material impact on the allowance account.

### Goodwill (note 18): Group: £1.2m (2023: £72.4m) Investment in subsidiaries (note 20): Company: £56.7m (2023: £241.6m)

**Critical accounting judgements**

The Group and Company review their carrying values of goodwill and subsidiary investments at each balance sheet date.

For goodwill, the carrying value is compared to the discounted future cash flows of the business after deducting the carrying value of net assets held on the balance sheet relating to that business. Any difference between the carrying value and the surplus discounted cash flows is written off in the income statement.

For investments the carrying value is compared to the higher of the net assets at the balance sheet date or the discounted future cash flows of that business. Any difference between the carrying value of the investments and either the net assets or cash flow forecasts is booked as an impairment charge in the income statement. The impairment loss is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment review, which supports a higher valuation.

Where cash flow forecasts are used, IAS 36 requires the future value in use to be assessed over the useful remaining life of the asset. A terminal growth rate is applied to cash flows from Board-approved budgets which project out for a minimum of four years from the balance sheet date. These are then discounted back to a net present value based on a market-based cost of equity.

As a result of the review, the goodwill in relation to Moneybarn has been written off in full resulting in a £71.2m charge to the income statement.

Future cash flows should be discounted at a market-based cost of equity. The discount rate has been determined utilising the following inputs: (i) an average beta from comparable companies; (ii) risk-free rate from UK 10-year gilts; and (iii) an assessment of a market risk premium.

The discount rate has increased from 11% in 2023 to 13.5% in 2024 due to increases across all inputs.

Under IAS 36, the terminal growth rate must be the average growth rate for the 'products, industry or countries in which the entity operates'. Long-term UK GDP is assumed to be an appropriate rate to be used to extrapolate future growth. This has been set at 2% in 2024 (2023: 2%).

Sensitivity analysis of the Group's main assumptions is set out in note 20.

### Contingent liability: Vehicle Finance commissions (note 33)

**Critical accounting judgements**

Management has considered the requirements of IAS 37 to determine if a provision or contingent liability is required in relation to the Court of Appeal hearing regarding Vehicle Finance commissions.

The future application of the Court of Appeal Judgment remains highly uncertain, but the Group believes its position is differentiated on a number of grounds versus the three cases subject to the Judgment. In accordance with IAS 37, the Group has not provided for this matter (see note 33).

### Other accounting judgements: Intangibles (note 19) Group: £61.5m (2023: £74.4m)

All intangible assets have been reviewed for impairment under IAS 36. This includes the Credit Cards mobile app which was written off in full as a decision was made to rebuild this functionality using a more efficient design and build approach leading to an overall better customer experience. The resulted in a cost of £8.5m being recognised in 1H24 results.

In addition assets expected to be replaced by the Gateway platform in 2026 have been reviewed: a small number of these assets have been written off, and the useful economic lives of other assets were reassessed in light of their expected retirement by the Gateway platform. The impact of these in FY24 results was not material.

### Provisions: Customer remediation complaints (note 25)

During 2023 and into 2024 the Group experienced elevated levels of customer compensation claims from claims management companies. The majority of these claims are speculative in nature, primarily driven by unmerited CMC activity, and related to a wide range of different matters, primarily in respect of the lending process but with no common theme or systemic issue. During the second half of 2023 this activity began to stabilise within Vehicle Finance, with attention of the CMCs turning to the Cards product. During 2024, the increase in costs and provision resulted from higher than expected FOS fees for cases not upheld by us which are expected to subsequently be submitted to FOS for adjudication.

The cost to the Group of customer remediation costs, which relate to a wide range of different matters, amounts to £14.0m in 2024 (2023: £11.7m).

A provision of £7.4m (2023: £3.5m) is held at the balance sheet date for: (i) customer compensation claims received where compensation may be paid but which have not yet been assessed, upheld or compensation amounts agreed (£5.1m) (2023: £3.0m); and (ii) expected FOS fees for future claims which may be referred (£2.3m) (2023: £0.5m). The provision is determined based on the complaints volume pipeline at the period end, estimated uphold complaint rates, and average compensation amounts for each complaint type based on historical data.

## Statement of accounting policies continued

### Critical accounting judgements and key sources of estimation uncertainty continued

**Provisions: Customer remediation complaints (note 25)** continued

Financial Ombudsman Service (FOS) case fees of £750 per case were reduced to £650 during 1H24 and are payable on all cases referred to the FOS regardless of outcome. FOS case fees and resource costs incurred in processing complaint submissions amount to £33.4m (2023: £16.8m). Total FOS case fees incurred by the Group have increased reflecting the increase in total volumes referred to FOS. This increase is mainly due to the elevated volumes of unmerited cases submitted by CMCs and is not an indication of deteriorating underlying issues. These costs are based on complaints volume pipeline as at the period end. £8.1m is included within accruals at 31 December 2024 (2023: £4.8m).

Resource costs include permanent staff, temporary staff, and outsourced third-party resources employed in processing the resolution of these complaints.

The complaint volumes and uphold rates are set out below:

| Complaint volumes | 2024 | 2023 | Change % |
|---|---|---|---|
| CMC | 55,791 | 38,972 | 43% |
| Direct | 31,770 | 30,637 | 4% |
| **Total** | 87,561 | 69,609 | 26% |

| Complaint uphold rates | 2024 | 2023 | Change % |
|---|---|---|---|
| CMC | 6% | 11% | (5%) |
| Direct | 30% | 35% | (5%) |
| **Total** | 15% | 22% | (7%) |

| FOS referral volumes | 2024 | 2023 | Change % |
|---|---|---|---|
| CMC | 30,970 | 7,346 | 322% |
| Direct | 3,423 | 2,628 | 30% |
| **Total** | 34,393 | 9,974 | 245% |

| FOS uphold rates | 2024 | 2023 | Change % |
|---|---|---|---|
| CMC | 11% | 6% | 5% |
| Direct | 31% | 31% | 0% |
| **Total** | 13% | 14% | (1%) |

## Financial and capital risk management

### Financial risk management

The Group's activities expose it to a variety of financial risks, which can be categorised as credit risk, liquidity risk and market risk. The objective of the Group's Risk Management and internal control framework is to identify and assess the risks facing the Group and to minimise the potential adverse effects of these risks on the Group's financial performance. Financial risk management is overseen by the Group Risk Committee.

Further details of the Risk Management and Internal Control framework are described on pages 48 to 50.

#### (a) Credit risk

Credit risk is the risk that the Group will suffer loss in the event of a default by a customer, a bank counterparty or the UK Government. A default occurs when the customer or bank fails to honour repayments as they fall due.

**(i) Amounts receivable from customers**

The Group's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2024 is the carrying value of amounts receivable from customers of £2,153.7m (2023 (restated): £2,155.8m).

The Group Risk Committee is responsible for setting the credit policy.

The CRO is responsible for ensuring that the approach to lending is within sound risk and financial parameters and that key metrics are reviewed to ensure compliance with policy. The CRO discharges and informs this decision making through the Credit Committee.

The Group Credit Committee met nine times in 2024.

A customer's risk profile and credit line are evaluated at the point of application and, for revolving limits, at various times during the agreement. Internally generated scorecards based on historical payment patterns and other behavioural characteristics of customers are used to assess the applicant's potential default risk and their ability to manage a specific credit line. For new customers, the scorecards incorporate data from the applicant and sourced from external credit bureaux. Certain policy rules including customer profile, proposed loan size and vehicle type (where applicable) are also assessed in the decisioning process, as well as affordability checks to ensure that, at the time of application, the loan repayments are affordable. For existing customer lending, the scorecards also incorporate data on actual payment performance and product utilisation, together with data sourced from an external credit bureau each month to refresh customers' payment performance position with other lenders. Credit lines can go up as well as down according to risk assessment.

Arrears management is conducted by way of a combination of letters, inbound and outbound telephony, SMS, email and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing and retaining use of the vehicle. These include appropriate forbearance arrangements, or where the contract has become unsustainable for the customer, then an appropriate exit strategy is implemented.

## Financial risk management continued

### (a) Credit risk continued

#### (ii) Bank and government counterparties

The Group's maximum exposure to credit risk on bank and government counterparties as at 31 December 2024 was £1,017.7m (2023: £755.1m).

Counterparty credit risk arises as a result of cash deposits and collateral placed with banks and central governments and derivative contracts that are currently assets.

Counterparty credit risk is managed by the Group's Assets and Liabilities Committee (ALCO) and is governed by a Board-approved Counterparty Policy which ensures that the Group's cash deposits and derivative financial instruments are only made with high-quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. In addition, there is a maximum exposure limit for all institutions, regardless of credit rating. This is linked to the Group's regulatory capital base in line with the Group's regulatory reporting requirements on large exposures to the PRA.

### (b) Liquidity risk

Liquidity risk is the risk that the Group will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due.

Liquidity risk is managed by the Group's centralised Treasury department through daily monitoring of expected cash flows in accordance with a Board-approved Internal Liquidity Adequacy Assessment Process (ILAAP) and Group Funding and Liquidity Policy, which is designed to ensure that the Group is able to continue to fund the growth of the business. This process is monitored regularly by the Group (and Vanquis Bank) Assets and Liabilities Committee (ALCO). The ALCO monitors liquidity risk metrics within limits set by the Board, including meeting regulatory requirements.

The Group's risk appetite and Funding and Liquidity Policy are designed to ensure that the Group is able to continue to fund the growth of the business. The Group maintains liquidity to fund growth and meet contractual maturities in its retail deposit, securitisation and bond funding.

Vanquis Bank is a PRA-regulated institution. It is required to maintain a Liquid Asset Buffer (LAB), and other liquid resources, based upon daily stress tests detailed in the Group and Bank ILAAP, in order to ensure that it has sufficient liquid resources to fulfil its operational plans and meet its financial obligations as they fall due. It also maintains an operational buffer over such requirements in line with its risk appetite.

Both the Group and Vanquis Bank are required to meet the Liquidity Coverage Ratio (LCR). The LCR requires institutions to match net liquidity outflows during a 30-day period with a buffer of 'High-Quality' Liquid Assets (HQLA). The Group and Vanquis Bank have developed systems and controls to monitor and forecast the LCR and have been submitting regulatory reports on the ratio since 1 January 2014. As at 31 December 2024, the HQLA amounted to £947.1m (2023: £681.5m). HQLA have been in significant surplus to the minimum regulatory requirements throughout 2024. Vanquis Bank currently holds its LAB, including other liquid resources, solely in a Bank of England reserve account. As at 31 December 2024, the Group, on a consolidated basis, and Vanquis Bank, on an individual basis, had an LCR of 359%% (2023: 1,263%) and 338% (2023: 1,031%) respectively.

The Group transitioned to a traditional bank funding model in 2023, following the approval of the Core UK Group (CUG) large exposure waiver, from which the Group's funding consisted of: (i) retail deposits; (ii) securitisation of the Credit Cards and Vehicle Finance books; and (iii) liquidity and access to funding facilities at the Bank of England. The Group retains access to wholesale market funding and debt capital markets via the £2bn Euro Medium-Term Note (EMTN) programme (renewed in November 2024). The Group is now significantly funded by retail deposits, at 92% (December 2023: 84%) of total funding. Retail funding sources were diversified further in 2024 with the instruction of more cost-effective behavioural driven deposits, with the deposit mix now consisting of fixed-term savings products, notice accounts, easy access accounts and ISAs, and subject to cover by the Financial Services Compensation Scheme (FSCS). As a result of the strong performance of the deposit franchise, the Group fully repaid its drawings under the Bank of England Term Funding Scheme with additional incentives for SMEs (TFSME) ahead of its contractual maturity in 2025.

A maturity analysis of the undiscounted contractual cash flows of the Group's financial liabilities is shown below:

**Financial liabilities**

| 2024 – Group | Repayable on demand £m | <1 year £m | 1–2 years £m | 2–5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|---|
| Retail deposits | 780.9 | 1,165.2 | 414.6 | 144.2 | – | 2,504.9 |
| Bank and other borrowings: | | | | | | |
| – bank facilities | 1.1 | – | – | – | – | 1.1 |
| – securitisation | – | 11.2 | 78.6 | 127.2 | – | 217.0 |
| – Tier 2 capital | – | 17.8 | 17.8 | 53.3 | 244.4 | 333.3 |
| – ILTR | – | 5.1 | – | – | – | 5.1 |
| Total borrowings | 782.0 | 1,199.3 | 511.0 | 324.7 | 244.4 | 3,061.4 |
| Trade and other payables | – | 46.1 | – | – | – | 46.1 |
| Lease liabilities | – | 12.5 | 4.5 | 9.2 | 9.0 | 35.2 |
| Derivative financial instruments | – | 5.8 | (0.7) | 0.1 | – | 5.2 |
| **Total** | 782.0 | 1,263.7 | 514.8 | 334.0 | 253.4 | 3,147.9 |

# Financial and capital risk management continued

## Financial risk management continued

### (b) Liquidity risk continued

**Financial liabilities** continued

| 2023 – Group | Repayable on demand £m | <1 year £m | 1–2 years £m | 2–5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|---|
| Retail deposits | – | 1,137.6 | 467.0 | 408.7 | – | 2,013.3 |
| Bank and other borrowings: | | | | | | |
| – bank facilities | 1.5 | – | – | – | – | 1.5 |
| – senior public bonds | – | – | – | – | – | – |
| – securitisation | – | 13.6 | 207.4 | – | – | 221.0 |
| – retail bonds | – | – | – | – | – | – |
| – Tier 2 capital | – | 17.8 | 17.8 | 53.3 | 271.0 | 359.9 |
| – TFSME | – | 1.3 | 175.3 | – | – | 176.6 |
| Total borrowings | 1.5 | 1,170.3 | 867.5 | 462.0 | 271.0 | 2,772.3 |
| Trade and other payables | – | 44.1 | – | – | – | 44.1 |
| Lease liabilities | – | 10.7 | 10.7 | 11.3 | 11.9 | 44.6 |
| Derivative financial instruments | – | 6.2 | (0.7) | (3.7) | – | 1.8 |
| **Total** | 1.5 | 1,231.3 | 877.5 | 469.6 | 282.9 | 2,862.8 |

The unutilised Credit Card commitments are included in note 12.

| 2024 – Company | Repayable on demand £m | <1 year £m | 1–2 years £m | 2–5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|---|
| Bank and other borrowings: | | | | | | |
| – Tier 2 capital | – | 17.8 | 17.8 | 53.3 | 244.4 | 333.3 |
| Total borrowings | – | 17.8 | 17.8 | 53.3 | 244.4 | 333.3 |
| Trade and other payables | – | 20.9 | – | – | – | 20.9 |
| Lease liabilities | – | 4.7 | 0.8 | 2.4 | 4.8 | 12.7 |
| Derivative financial instruments | – | 5.8 | (0.5) | 0.1 | – | 5.4 |
| **Total** | – | 49.2 | 18.1 | 55.8 | 249.2 | 372.3 |

| 2023 – Company | Repayable on demand £m | <1 year £m | 1–2 years £m | 2–5 years £m | Over 5 years £m | Total £m |
|---|---|---|---|---|---|---|
| Bank and other borrowings: | | | | | | |
| – Tier 2 capital | – | 17.8 | 17.8 | 53.3 | 271.0 | 359.9 |
| Total borrowings | – | 17.8 | 17.8 | 53.3 | 271.0 | 359.9 |
| Trade and other payables | – | 235.4 | – | – | – | 235.4 |
| Lease liabilities | – | 3.7 | 3.7 | 2.4 | 5.6 | 15.4 |
| Derivative financial instruments | – | 6.2 | (0.2) | (3.0) | – | 3.0 |
| **Total** | – | 263.1 | 21.3 | 52.7 | 276.6 | 613.7 |

### (c) Market risk

Market risk is the risk of loss due to adverse market movements caused by active trading, or unmatched, positions taken in interest rates, foreign exchange markets, bonds and equities. 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 Group's exposure to market risk is primarily through interest rate risk.

**Interest rate risk**

Interest rate risk is the risk of potential loss through unhedged or mismatched asset and liability positions which are sensitive to changes in interest rates. Primarily, the Group is at risk of a change in external interest rates which leads to an increase in the Group's cost of borrowing without an offsetting increase in revenue. The Group's exposure to foreign exchange risk is de minimis.

The Group's exposure to movements in interest rates is managed by the ALCO and is governed by a Board-approved Market Risk Policy which forms part of the Group's treasury policies. Interest rates in the UK, which are impacted by factors outside of the Group's control, including the fiscal and monetary policies of the UK Government and central bank, as well as UK and international political and economic conditions, affect the Group's results, profitability and consequential return on capital in three principal areas: cost and availability of funding, margins and revenues and impairment levels.

## Financial risk management continued

### (c) Market risk continued

**Interest rate risk** continued

The Group seeks to limit its net exposure to changes in interest rates. This is achieved through a combination of diversified funding sources, including issuing fixed-rate debt, and by the use of derivative financial instruments such as interest rate swaps.

The Group's exposure to this risk is a consequence of its lending, deposit taking and other borrowing activities, as some of its financial assets and liabilities bear interest at rates that are linked to an underlying index, such as Sterling Overnight Index Average (SONIA) or Bank base rate. In contrast, others banking products are fixed, either for a term or their whole lives, referred to as Interest Rate Risk in the Banking Book (IRRBB).

The principal market-set interest rate used by the Group's and Bank's lenders is the SONIA. The SONIA index tracks the sterling overnight indexed swaps for unsecured transactions in the market. SONIA is the risk-free borrowing rate which is used to set rates for certain borrowings and swaps.

The Group's risk management and internal control framework for IRRBB continues to evolve in line with updates in regulatory guidance on methods expected to be used by banks to measure, manage, monitor and control such risks. The Group and Bank will continue to develop the interest rate risk framework to ensure ongoing compliance with the PRA rulebook.

The Group has adopted the standard methodology measurement of interest rate risk. The Group measures and monitors the following market risk drivers under the IRRBB framework through which risk exposure may arise:

- repricing, directional and yield curve risk – the risk of loss from a mismatch between the Group and Bank's assets and liabilities and movements in the overall direction of interest rates and relative movement in rate at different maturities on the yield curve;
- basis risk – the risk of loss because of the balance sheet being adversely affected by movements in different index rates;
- prepayment risk – the risk that an asset or liability repays quicker or slower than originally anticipated resulting in a mismatch between product and the natural offset or hedge;
- mark-to-market risk – the risk of volatility in the P&L arising from derivatives which are not in a hedge accounting relationship being mark to market through the P&L; and
- credit spread risk – the risk of loss because of a dislocation in rates between liquidity (within the HQLA) and swaps.

The Group measures these risks through a combination of economic value and earnings-based measures:

- economic value (EV) – a range of parallel and non-parallel interest rate stresses are applied to assess the change in market value from assets, liabilities and off-balance sheet items repricing at different times; and
- net interest income (NII) – impact on earnings from a range of interest rate stresses.

The Group monitors these measures on at least a monthly basis, which were as follows at 31 December:

| | **2024 £m** | 2023 £m |
|---|---|---|
| Economic value sensitivity | | |
| +200bps parallel shift in yield curve | **0.7** | 6.0 |
| -200bps parallel shift in yield curve | **8.2** | 6.0 |
| Net interest income sensitivity (over 12-month period) | | |
| +100bps parallel shift in yield curve | **1.1** | 0.1 |
| -100bps parallel shift in yield curve | **1.6** | 0.1 |

### Exposures to structured entities

At 31 December 2024, the Group has in issue two securitisations to diversify its sources of funding. As at the end of 2024, the Group has securitised £835.0m of receivables (2023: £831.9m), in exchange for receiving £200.0m (2023: £200.0m) of funding from external sources, and a further £5.0m (2023: £174.0m) of funding has been obtained by using a portion of retained notes as collateral in the Bank of England's Term Indexed Long-Term Repo (ILTR) facility.

The Group holds an exposure to the performance of these vehicles in the form of retained notes and has a contractual right to the variable returns of the vehicles. This risk is limited to the performance of the underlying assets, which have not been derecognised in the financial statements. The Group has no exposure to other contractual risks associated with the vehicles; no additional credit enhancements have been provided beyond the exposure created by the retained notes.

| | **2024** | | 2023 | |
|---|---|---|---|---|
| Vehicle | **Receivables secured £m** | **Notes in issue £m** | Receivables secured £m | Notes in issue £m |
| Oban Cards 2021-1 Holdings Limited | **518.2** | **453.1** | 510.9 | 453.1 |
| Moneybarn Financing Limited | **320.9** | **320.9** | 321.0 | 321.0 |

## Financial and capital risk management continued

### Capital risk management

To support the delivery of the Group's purpose, the Group operates a financial model that is founded on investing in customer-centric businesses offering attractive returns, which aligns an appropriate capital structure focused on optimising shareholder value, in a safe and sustainable manner. The Capital Principal Risk Policy of the Group helps to ensure capital resources are sufficient to support planned levels of growth.

The Group has in place a Capital Principal Risk Policy, which sets out the framework in which the Group aims to maintain a secure funding and capital structure and establishes defined capital risk appetite. Adherence to the policy ensures that the Group maintains minimum capital levels and that the capital held at business division levels is adequate to support the business' underlying requirements and is sufficient to support growth in that business. Internal capital is allocated to business lines and risk categories, calibrated to maximise return on equity while remaining within the risk appetite. The distribution of dividends is aligned with the Group's growth targets, whilst continuing to meet the required capital levels in line with regulatory requirements and internal risk appetite.

The Group is subject to supervision by the PRA on a consolidated basis, as a group containing an authorised bank. For regulatory purposes the Company is designated as a CRR consolidation entity, as defined by the PRA rulebook. As part of this supervision, the regulator will issue a total capital requirement (TCR) setting the amount of regulatory capital which the Group is required to hold at all times, in order to safeguard depositors from loss in the event of severe losses being incurred by the Group. The minimum regulatory capital requirement imposed by the PRA on firms is the sum of the total capital requirement, the combined Capital Requirements Directive (CRD) buffer requirements as applicable and the PRA buffer requirements as applicable. This requirement is set in accordance with the international Basel 3 rules, issued by the Basel Committee on Banking Supervision (BCBS), which, following the implementation of the Financial Services Act 2021 on 1 January 2022, are implemented through the PRA rulebook.

The Group's regulatory capital is monitored by the Board, its Risk Committee and the ALCO, which ensure that appropriate action is taken to ensure compliance with the regulator's requirements. The future regulatory capital requirement is also considered as part of the Group's planning process.

The minimum amount of regulatory capital held by the Group and Vanquis Bank Limited represents the higher of the imposed requirement and their respective internal assessments of minimum capital requirements based upon an assessment of risks facing the Group. The Internal Capital Adequacy Assessment Process (ICAAP) considers all risks facing the business, including credit, operational, counterparty, conduct, pension and market risks, and assesses the capital requirement for such risks in the event of downside stresses should such requirement exceed that set out under the Pillar 1 framework.

The Group complied with its externally imposed capital requirements during the current and prior year.

The following table reconciles the Group's equity to the regulatory capital resources for the Group.

| Regulatory capital (unaudited) | 2024 £m | 2023 (restated)[1] £m |
|---|---|---|
| Total equity[1] | **441.2** | 569.1 |
| Retirement benefit asset | **(27.8)** | (38.2) |
| Deferred tax on retirement benefit asset | **7.0** | 9.5 |
| Goodwill | **(1.2)** | (72.4) |
| Intangible assets | **(61.5)** | (74.4) |
| Deferred tax on intangible asset | **4.9** | 3.9 |
| Foreseeable dividend | **–** | (2.5) |
| Deferred tax assets not arising from temporary differences | **(18.3)** | (1.6) |
| **Common Equity Tier 1 capital** | **344.3** | 393.4 |
| Tier 2 capital | **200.0** | 200.0 |
| Total regulatory capital | **544.3** | 593.4 |
| Risk-weighted exposures | **1,834.8** | 1,975.6 |
| **CET1 ratio** | **18.8%** | 19.9% |
| **Total capital ratio** | **29.7%** | 30.0% |

1 Refer to accounting policies for details on the prior year restatement. The restatement resulted in deferred tax assets related to prior year losses, which do not arise from temporary differences - an adjustment to deduct 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) of CRR are met) has therefore been made in the restated position.

Pillar 3 complements Basel's Pillar 1 and Pillar 2 frameworks and seeks to encourage market discipline by developing a set of disclosure requirements which would allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. Pillar 3 disclosures for the Group, for the year ended 31 December 2024, are published as a separate document and are available on the Group's website.

## 1 Segment reporting

IFRS 8 requires segment reporting to be based on the internal financial information reported to the chief operating decision maker. The Group's chief operating decision maker is deemed to be the Group ExCo, whose primary responsibility is to support the CEO in managing the Group's day-to-day operations and analyse trading performance. The Group's segments are set out below, which are the segments reported in the Group's management accounts used by the Group ExCo as the primary means for analysing trading performance. The Group ExCo assesses profit performance using profit before tax measured on a basis consistent with the disclosure in the Group financial statements.

| | Credit Cards 2024 £m | Vehicle Finance 2024 £m | Second Charge Mortgages 2024 £m | Loans 2024 £m | Corporate Centre 2024 £m | Total 2024 £m |
|---|---|---|---|---|---|---|
| Interest income | 406.3 | 133.1 | 4.8 | 15.4 | 5.8 | 565.4 |
| Interest expense | (79.6) | (38.5) | (2.9) | (3.4) | (21.0) | (145.4) |
| **Net interest income** | 326.7 | 94.6 | 1.9 | 12.0 | (15.2) | 420.0 |
| Fee and commission income | 36.8 | – | – | – | 1.5 | 38.3 |
| Fee and commission expense | (1.7) | – | – | – | (0.2) | (1.9) |
| **Net fee and commission income** | 35.1 | – | – | – | 1.3 | 36.4 |
| Other income | 0.2 | – | – | – | 1.9 | 2.1 |
| **Total income** | 362.0 | 94.6 | 1.9 | 12.0 | (12.0) | 458.5 |
| Impairment charges | (123.9) | (60.4) | (0.2) | (5.7) | (0.8) | (191.0) |
| **Risk-adjusted income** | 238.1 | 34.2 | 1.7 | 6.3 | (12.8) | 267.5 |
| Adjusted operating costs | (185.3) | (42.2) | (0.2) | (10.5) | (64.1) | (302.3) |
| **Adjusted PBT/(LBT)** | 52.8 | (8.0) | 1.5 | (4.2) | (76.9) | (34.8) |
| Exceptional items including goodwill write-off | | | | | (95.3) | (95.3) |
| Amortisation of acquisition intangibles | | | | | (6.2) | (6.2) |
| **Statutory loss before taxation** | | | | | (178.4) | (136.3) |
| Tax credit | | | | | | 17.0 |
| **Statutory loss for the year attributable to equity shareholders** | | | | | | (119.3) |

| | Credit Cards 2023 £m | Vehicle Finance 2023 (restated)[1] £m | Second Charge Mortgages 2023 £m | Loans 2023 £m | Corporate Centre 2023 £m | Total 2023 (restated)[1] £m |
|---|---|---|---|---|---|---|
| Interest income | 371.0 | 150.3 | 0.4 | 25.9 | 8.4 | 556.0 |
| Interest expense | (51.6) | (28.7) | (0.2) | (4.0) | (28.9) | (113.4) |
| **Net interest income** | 319.4 | 121.6 | 0.2 | 21.9 | (20.5) | 442.6 |
| Fee and commission income | 44.2 | – | – | – | – | 44.2 |
| Fee and commission expense | (1.7) | – | – | – | – | (1.7) |
| **Net fee and commission income** | 42.5 | – | – | – | – | 42.5 |
| Other income | 1.3 | 2.0 | – | – | 0.4 | 3.7 |
| **Total income** | 363.2 | 123.6 | 0.2 | 21.9 | (20.1) | 488.8 |
| Impairment charges | (125.5) | (20.4) | – | (19.6) | – | (165.5) |
| **Risk-adjusted income** | 237.7 | 103.2 | 0.2 | 2.3 | (20.1) | 323.3 |
| Adjusted operating costs | (172.3) | (51.9) | (0.7) | (17.3) | (63.8) | (306.0) |
| **Adjusted PBT/(LBT)** | 65.4 | 51.3 | (0.5) | (15.0) | (83.9) | 17.3 |
| Exceptional items | | | | | (21.4) | (21.4) |
| Amortisation of acquisition intangibles | | | | | (7.9) | (7.9) |
| **Statutory loss before taxation** | | | | | (113.2) | (12.0) |
| Tax credit | | | | | | 0.3 |
| **Statutory loss for the year attributable to equity shareholders** | | | | | | (11.7) |

1 Refer to accounting policies for detail of restatement.

## Notes to the financial statements continued

### 1 Segment reporting continued

Acquisition intangibles represent the fair value of the broker relationships of £75.0m, which arose on the acquisition of Moneybarn in 2014; the fair value of intangible assets of £10.1m; and the brand name of £1.0m, arising on the acquisition of Snoop in 2023. The Moneybarn broker relationship intangible was fully amortised during the year. The amortisation charge in 2024 amounted to £6.2m (2023: £7.9m).

Revenue between business segments is not material.

Exceptional items represent a net exceptional charge of £24.1m in 2024 (2023: £21.4m) and comprise:

| | 2024 £m | 2023 £m |
|---|---|---|
| Strategy consultancy costs | 7.9 | 3.5 |
| Redundancy – outsourcing and other staff exits (note 10) | 6.2 | 7.2 |
| Other outsourcing costs | 3.5 | 2.2 |
| Property exit costs (note 16) | 3.5 | 4.1 |
| Total transformation costs | 21.1 | 17.0 |
| Other exceptional costs: | | |
| Snoop acquisition costs (note 17) | 1.7 | 3.0 |
| Legal and other advice | 0.8 | 1.0 |
| Repayment Option Plan (ROP) provision release (note 25) | — | (2.0) |
| CCD liquidation/scheme costs | (0.9) | 2.4 |
| Third-party settlement (note 25) | 1.4 | — |
| **Total exceptional items** | **24.1** | **21.4** |

| | Segment assets/ (liabilities) | | Segment liabilities | | Net assets/(liabilities) | |
|---|---|---|---|---|---|---|
| Group | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Credit Cards, Personal Loans and Second Charge Mortgages | 2,514.8 | 2,195.7 | (2,161.8) | (1,802.0) | 353.0 | 393.7 |
| Vehicle Finance (restated)[1] | 775.5 | 882.1 | (646.4) | (683.2) | 129.1 | 198.9 |
| Corporate Centre | (2.6) | 41.2 | (38.3) | (64.7) | (40.9) | (23.5) |
| Total before intra-group elimination | 3,287.7 | 3,119.0 | (2,846.5) | (2,549.9) | 441.2 | 569.1 |
| Intra-group elimination | 87.6 | 75.7 | (87.6) | (75.7) | — | — |
| **Total Group (restated)[1]** | **3,375.3** | **3,194.7** | **(2,934.1)** | **(2,625.6)** | **441.2** | **569.1** |

1 Refer to accounting policies for detail of restatement.

The presentation of segment net assets reflects the statutory assets, liabilities and net assets of each of the Group's divisions. This results in an intra-group elimination reflecting the difference between the central intercompany funding provided to the divisions and the external funding raised centrally. Credit Cards, Personal Loans and Second Charge Mortgages are recognised within Vanquis Bank Limited and are therefore combined for balance sheet reporting purposes.

The Group's businesses operate principally in the UK.

| | Capital expenditure | | Depreciation | | Amortisation | |
|---|---|---|---|---|---|---|
| Group | 2024 £m | 2023 £m | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Credit Cards, Personal Loans and Second Charge Mortgages | 12.7 | 12.9 | 1.4 | 1.3 | 8.2 | 8.6 |
| Vehicle Finance | 0.8 | 0.7 | 0.9 | 0.5 | 0.1 | 0.1 |
| Corporate Centre | 1.2 | 19.8 | 0.6 | 0.4 | 8.6 | 9.8 |
| **Total Group** | **14.7** | **33.4** | **2.9** | **2.2** | **16.9** | **18.5** |

Capital expenditure comprises expenditure on intangible assets of £12.5m (2023: £30.1m) and property, plant and equipment of £2.2m (2023: £3.3m). In 2023 it also included the acquisition intangible relating to Snoop of £11.1m.

The acquired intangible asset in respect of the acquisition of Vehicle Finance and Snoop is held on consolidation and, therefore, the amortisation charge has been allocated to Central in the above analysis, consistent with the segment net asset analysis.

## 2 Interest income

| Interest receivable from: | Group 2024 £m | Group 2023 (restated)[1] £m |
|---|---|---|
| Customer receivables (note 12) | **518.2** | 525.7 |
| Cash balances held on deposit and other (note 11) | **44.9** | 25.6 |
| Net fair value gains on derivative financial instruments (note 22) | **2.3** | 4.7 |
| **Total income** | **565.4** | 556.0 |

1 Refer to accounting policies for detail of restatement.

Interest income from customer receivables is recognised by applying the effective interest rate (EIR) to the carrying value of a loan. The EIR is calculated at inception and represents the rate which exactly discounts the future contractual cash receipts from a loan to the amount of cash advanced under that loan, plus directly attributable issue costs (e.g. aggregator/broker fees).

## 3 Interest expense

| Interest payable on: | Group 2024 £m | Group 2023 £m |
|---|---|---|
| Retail deposits | **99.8** | 57.7 |
| Senior public and retail bonds | **27.9** | 35.9 |
| Securitisation | **14.7** | 18.8 |
| Lease liabilities finance costs | **3.0** | 1.0 |
| **Total interest expense** | **145.4** | 113.4 |

## 4 Net fee and commission income

Fee income is recognised at the time the charges are made to the customer on the basis the performance obligation is complete.

| | Group 2024 £m | Group 2023 £m |
|---|---|---|
| Fee and commission income | **38.3** | 44.2 |
| Fee and commission expense | **(1.9)** | (1.7) |
| **Net fee and commission income** | **36.4** | 42.5 |

Fee income predominantly relates to Credit Cards and reflects default and overlimit fees as well as other ancillary income streams and interchange income.

## Notes to the financial statements continued

### 5 Profit before taxation

| Profit before taxation is stated after charging/(crediting): | Group 2024 £m | Group 2023 £m |
|---|---|---|
| Amortisation of other intangible assets: | | |
| – computer software (note 19) | **10.7** | 10.6 |
| – acquisition intangibles (note 19) | **6.2** | 7.9 |
| Depreciation of property, plant and equipment (note 15) | **2.9** | 2.2 |
| Loss on disposal of property, plant and equipment (note 15) | **0.3** | 1.3 |
| Loss on disposal of intangibles (note 19) | **—** | 0.5 |
| Depreciation of right of use assets (note 16) | **4.6** | 6.9 |
| Impairment of right of use assets (note 16) | **3.5** | 4.1 |
| Lease liability finance costs (note 3) | **3.0** | 1.0 |
| Impairment of amounts receivable from customers (note 12) | **189.8** | 166.1 |
| Employment costs (prior to exceptional redundancy costs (note 10 (b)) | **116.6** | 130.6 |
| Exceptional items: | | |
| - strategy consultancy costs | **7.9** | 3.5 |
| - redundancy – outsourcing and other staff exits (note 10) | **6.2** | 7.2 |
| - other outsourcing costs | **3.5** | 2.2 |
| - property exit costs (note 16) | **3.5** | 4.1 |
| - Snoop acquisition costs (note 17) | **1.7** | 3.0 |
| - legal and other advice | **0.8** | 1.0 |
| - Repayment Option Plan (ROP) provision release (note 25) | **—** | (2.0) |
| - third-party settlement (note 25) | **1.4** | — |
| - CCD liquidation/scheme costs (note 25) | **(0.9)** | 2.4 |

All of the above activities relate to continuing activities.

| Auditor's remuneration | Group 2024 £m | Group 2023 £m |
|---|---|---|
| Fees payable to the Company's auditor for the audit of Company and consolidated financial statements | **0.5** | 0.4 |
| Fees payable to the Company's auditor and its associates for other services: | | |
| – audit of Company's subsidiaries pursuant to legislation | **1.8** | 1.6 |
| – other non-audit services | **0.4** | 0.3 |
| **Total auditor's remuneration** | **2.7** | 2.3 |

### 6 Tax credit

| Tax (charge)/credit in the income statement | 2024 £m | 2023 (restated)[1] £m |
|---|---|---|
| Current tax – UK | **3.3** | 2.0 |
| Deferred tax (note 23) – UK | **13.7** | (0.4) |
| Impact of change in UK tax rate (note 23) | **—** | (1.3) |
| **Total tax credit** | **17.0** | 0.3 |

1 Refer to accounting policies for detail of restatement.

## 6 Tax credit continued

| | 2024 | | | | |
|---|---|---|---|---|---|
| | Adjusted PBT £m | Exceptional items £m | Amortisation £m | Goodwill write-off £m | Total £m |
| Loss on ordinary activities before tax | (34.8) | (24.1) | (6.2) | (71.2) | (136.3) |
| Loss before tax multiplied by standard rate of corporation tax in the UK of 25.0% | 8.7 | 6.0 | 1.6 | 17.8 | 34.1 |
| Effect of: | | | | | |
| – impact of change of UK tax rate (note (a)) | – | – | – | – | – |
| – write-off of deferred tax assets (note (b)) | (0.3) | – | – | – | (0.3) |
| – adjustments in respect of prior years (note (c)) | 1.3 | – | – | – | 1.3 |
| – non-deductible asset write-off (note (d)) | (0.6) | (0.2) | – | – | (0.8) |
| – non-deductible general expenses (note (e)) | (0.2) | (0.4) | – | (17.8) | (18.4) |
| – benefit of capital losses (note (f)) | 1.1 | – | – | – | 1.1 |
| **Total tax credit** | 10.0 | 5.4 | 1.6 | – | 17.0 |

| | 2023 (restated)[1] | | | |
|---|---|---|---|---|
| | Adjusted PBT £m | Exceptional items £m | Amortisation £m | Total £m |
| Profit/(loss) on ordinary activities before tax | 17.3 | (21.4) | (7.9) | (12.0) |
| Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 23.5% | (4.0) | 5.0 | 1.9 | 2.9 |
| Effect of: | | | | |
| – impact of change of UK tax rate (note (a)) | (1.3) | – | – | (1.3) |
| – write-off of deferred tax assets (note (b)) | (0.3) | – | – | (0.3) |
| – adjustments in respect of prior years (note (c)) | (1.5) | – | – | (1.5) |
| – non-deductible general expenses (note (e)) | (0.2) | (0.7) | – | (0.9) |
| – benefit of capital losses (note (f)) | 1.4 | – | – | 1.4 |
| **Total tax (charge)/credit** | (5.9) | 4.3 | 1.9 | 0.3 |

1 Refer to accounting policies for detail of restatement.

### (a) Impact of change of UK tax rate

In 2021, changes were enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023. In 2022, further changes were enacted which, with effect from 1 April 2023, reduced the bank corporation tax surcharge rate from 8% to 3% and increased the bank corporation tax surcharge allowance, being the threshold below which banking profits are not subject to the surcharge, from £25m to £100m.

To the extent the temporary differences on which deferred tax has been calculated were expected to reverse after 1 April 2023, deferred tax balances at 31 December 2022 were remeasured at 25% and, in the case of Credit Cards and Loans, at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (3%) of 28%, except to the extent the temporary differences reverse when profits from Credit Cards and Loans were expected to be below the bank surcharge threshold, in which case deferred tax balances were measured at the combined rate of 25%. At 31 December 2023, deferred tax balances in respect of Cards and Loans and movements in deferred tax balances during the year were further remeasured at 25% to the extent that the related temporary differences reverse when profits from Cards and Loans are expected to be below the surcharge threshold.

A tax charge of £nil (2023: charge of £1.3m) represents the income statement adjustment to deferred tax as a result of these changes.

### (b) Write-off of deferred tax assets

The tax charge in respect of deferred tax assets written off of £0.3m (2023: £0.3m) relates to share schemes awards where future deductions are expected to be lower (2023: lower) than previously anticipated and other deferred tax assets which have not been recognised.

### (c) Adjustment in respect of prior years

In 2024, the tax credit of £1.3m (2023: tax charge of £1.5m) in respect of prior years comprises: (a) a £0.9m reinstatement of deferred tax assets in respect of tax losses of discontinued operations previously written off which have now been used to shelter prior year tax liabilities; (b) a £0.8m tax credit from claiming capital allowances super deductions in prior years; (c) a tax charge of £0.8m due to lower tax deductions in respect of share scheme awards as a result of a lower than anticipated share price on vesting; and (d) a tax credit of £0.4m related to the finalisation of tax liabilities for prior periods.

## Notes to the financial statements continued

### 6 Tax credit continued

#### (c) Adjustment in respect of prior years continued

In 2023, the tax charge of £1.5m in respect of prior years was due to lower tax deductions in respect of share scheme awards as a result of a lower than anticipated share price on vesting and adjustments to prior year deferred tax assets which were no longer supportable.

#### (d) Non-deductible asset write-offs

A tax charge of £0.8m (2023: £nil) arises in respect of some of the write-offs of various assets and balance sheet items which are non-deductible for tax purposes.

#### (e) Non-deductible general expenses

In 2024, these primarily relate to the write-off of goodwill on consolidation and the exceptional adjustment to the consideration in respect of the acquisition of Snoop, neither of which are deductible for tax purposes.

In 2023, these primarily comprised exceptional costs in respect of the acquisition of Snoop.

#### (f) Benefit of capital losses

The conversion and subsequent sales in 2024 and 2023 of further tranches of the preferred stock in VISA Inc gave rise to capital gains which have been significantly offset by brought forward capital losses in respect of which a deferred tax asset was not previously recognised. This gives rise to a beneficial impact on the tax charge in 2024 of £1.1m (2023: £1.4m).

#### (g) Impact of bank corporation tax surcharge

The adverse impact of the bank corporation tax surcharge amounts to £nil (2023: £nil) as the taxable profits of Credit Cards and Personal Loans are below the annual threshold (£25m to 31 March 2023; £100m thereafter) below which banking profits are not subject to the surcharge.

The tax credit/(charge) on items taken directly to other comprehensive income is as follows:

| | Group | |
|---|---|---|
| | **2024 £m** | 2023 £m |
| Deferred tax credit/(charge) on actuarial movements on retirement benefit asset | **2.9** | (1.5) |
| Impact of change in UK tax rate | **—** | (0.1) |
| **Total tax credit/(charge) on items taken directly to other comprehensive income** | **2.9** | (1.6) |

## 7 (Loss)/earnings per share

Basic (Loss)/Earnings Per Share ((L)/EPS)) is calculated by dividing the (loss)/profit for the year attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year less the number of shares held by the Employee Benefit Trust which are used to satisfy the share awards such as DBP, PSP, LTIS, RSP and CSOP.

Diluted (L)/EPS calculates the effect on (L)/EPS assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated as follows:

(i) For share awards outstanding under performance-related share incentive schemes such as the Deferred Bonus Plan (DBP) (previously the Performance Share Plan (PSP)), the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP) and the Company Share Option Plan (CSOP), the number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if: (i) the end of the reporting period is assumed to be the end of the schemes' performance period; and (ii) the performance targets have been met as at that date.

(ii) For share options outstanding under non-performance-related schemes such as the Save As You Earn scheme (SAYE), a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of share options outstanding, with the difference being the dilutive potential ordinary shares. The Group also presents an adjusted EPS, prior to the amortisation of acquisition intangibles and exceptional items.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

Reconciliations of basic and diluted (L)/EPS for the Group are set out below:

| | 2024 | | | 2023 (restated)[1] | | |
|---|---|---|---|---|---|---|
| | Loss £m | Weighted average number of shares m | Per share amount pence | Loss £m | Weighted average number of shares m | Per share amount pence |
| **Basic loss per share** | (119.3) | 255.5 | (46.7) | (11.7) | 253.0 | (4.6) |
| **Diluted loss per share** | (119.3) | 255.5 | (46.7) | (11.7) | 253.0 | (4.6) |

1 Refer to accounting policies for detail of restatement.

The directors have elected to show an adjusted (loss)/earnings per share prior to the amortisation of acquisition intangibles which arose on the acquisition of Vehicle Finance in August 2014 (see note 19) and prior to exceptional items and goodwill write-off (see note 1). This is presented to show the adjusted earnings per share generated by the Group. A reconciliation of basic/diluted (loss)/earnings per share to adjusted basic and diluted (loss)/earnings per share is as follows:

| | 2024 | | | 2023 (restated)[1] | | |
|---|---|---|---|---|---|---|
| | (Loss)/ earnings £m | Weighted average number of shares m | Per share amount pence | (Loss)/ earnings £m | Weighted average number of shares m | Per share amount pence |
| **Basic (loss)/earnings per share** | (119.3) | 255.5 | (46.7) | (11.7) | 253.0 | (4.6) |
| Amortisation of acquisition intangibles, net of tax | 4.6 | — | 1.8 | 6.1 | — | 2.3 |
| Exceptional items, net of tax | 18.7 | — | 7.3 | 17.1 | — | 6.8 |
| Goodwill write-off, net of tax | 71.2 | — | 27.9 | — | — | — |
| **Adjusted basic (loss)/earnings per share** | (24.8) | 255.5 | (9.7) | 11.5 | 253.0 | 4.5 |
| **Diluted (loss)/earnings per share** | (119.3) | 255.5 | (46.7) | (11.7) | 253.0 | (4.6) |
| Amortisation of acquisition intangibles, net of tax | 4.6 | — | 1.8 | 6.1 | — | 2.3 |
| Exceptional items, net of tax | 18.7 | — | 7.3 | 17.1 | — | 6.7 |
| Goodwill write-off, net of tax | 71.2 | — | 27.9 | — | — | — |
| **Adjusted diluted (loss)/earnings per share** | (24.8) | 255.5 | (9.7) | 11.5 | 262.8 | 4.4 |

1 Refer to accounting policies for detail of restatement.

2023 weighted average number of shares of 253.0m has been adjusted by the dilutive effect of share options of 9.8m when calculating the adjusted dilutive earnings per share.

## Notes to the financial statements continued

### 8 Dividends

| | Group | |
|---|---|---|
| | **2024 £m** | 2023 £m |
| 2022 final – 10.3p per share | **–** | 25.7 |
| 2023 interim – 5.0p per share | **–** | 12.7 |
| 2023 – final 1.0p per share | **2.5** | – |
| **Dividends paid** | **2.5** | 38.4 |

The directors are not recommending a final dividend in respect of the financial year ended 31 December 2024.

### 9 Directors' remuneration

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

| | Group and Company | |
|---|---|---|
| | **2024 £m** | 2023 £m |
| Salary and other benefits | **2.4** | 2.5 |
| Share-based payment charge | **1.0** | 0.9 |
| **Total directors' remuneration** | **3.4** | 3.4 |

Salary and other benefits comprise salary/fees, bonus, benefits earned in the year and pension salary supplements for executive directors.

The share-based payment charge reflects the expected vesting of the Group's share-based incentives.

### 10 Employee information

#### (a) Average monthly number of employees in the Group

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Credit Cards, Personal Loans and Second Charge Mortgages** | **Vehicle Finance** | **Corporate Centre** | **Group** | Credit Cards and Personal Loans | Vehicle Finance | Corporate Centre | Group |
| Full time | **668** | **241** | **339** | **1,248** | 1,007 | 338 | 359 | 1,704 |
| Part time | **90** | **12** | **25** | **127** | 139 | 34 | 31 | 204 |
| **Total** | **758** | **253** | **364** | **1,375** | 1,146 | 372 | 390 | 1,908 |

The 28% reduction in workforce is predominantly in relation to the redundancy programme to simplify the Group's operating model and natural staff attrition.

During the year the Company had 162 (2023: 161) average full-time employees and 11 (2023: 14) average part-time employees.

#### (b) Employment costs

| | Group | | Company | |
|---|---|---|---|---|
| | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| Aggregate gross wages and salaries paid to the Group's employees | **97.3** | 107.1 | **16.1** | 18.8 |
| Employer's National Insurance contributions | **10.1** | 12.1 | **2.1** | 3.1 |
| Pension charge | **6.5** | 6.8 | **1.6** | 1.9 |
| Share-based payment charge (note 30) | **2.7** | 4.6 | **1.5** | 2.4 |
| Total employment cost prior to exceptional costs | **116.6** | 130.6 | **21.3** | 26.2 |
| Exceptional redundancy cost | **6.2** | 7.2 | **3.0** | 1.9 |
| **Total employment costs** | **122.8** | 137.8 | **24.3** | 28.1 |

The pension charge comprises the retirement benefit charge for defined benefit schemes and contributions to the stakeholder pension plan.

The decrease in the share-based payment charge from £4.6m in 2023 to £2.7m in 2024 primarily reflects the lower scheme costs in the year due to leavers. The share-based payment charge relates entirely to the equity-settled scheme.

## 11 Cash and cash equivalents

Cash and cash equivalents includes cash at bank and held in short-term deposits and Vanquis Bank Limited's liquid asset buffer, including other liquid resources.

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Central bank reserves | 948.7 | 683.1 | — | — |
| Cash at bank | 55.2 | 60.2 | 10.5 | 14.7 |
| **Total cash and cash equivalents** | 1,003.9 | 743.3 | 10.5 | 14.7 |

In addition to cash and cash equivalents, the Group had £1.0m of bank overdrafts at 31 December 2024 (2023: £1.5m) and the Company had £nil bank overdrafts (2023: £nil), both of which are disclosed within bank and other borrowings (see note 27).

All cash and cash equivalents are held with investment grade rated banks and are held in sterling.

Vanquis Bank Limited's total liquid asset buffer is held in the Bank of England central reserve account and amounted to £948.7m at 31 December 2024 (2023: £681.5m).

Cash and cash equivalents of £45.1m at 31 December 2024, held as part of securitisations, is not immediately available due to the terms of the arrangements.

The currency profile of cash and cash equivalents is held in pound sterling.

Cash and cash equivalents are non-interest bearing other than in respect of the cash held on deposit and the amounts held by Vanquis Bank Limited as a liquid asset buffer and other liquid resources which bear interest at rates linked to the Bank of England base rate.

## 12 Amounts receivable from customers

| | 2024 | | | 2023 (restated)[1] | | |
|---|---|---|---|---|---|---|
| | Due within one year £m | Due in more than one year £m | Total £m | Due within one year £m | Due in more than one year £m | Total £m |
| Credit Cards | 1,149.9 | — | 1,149.9 | 1,277.7 | — | 1,277.7 |
| Vehicle Finance | 227.5 | 507.9 | 735.4 | 226.7 | 549.4 | 776.1 |
| Second Charge Mortgages | — | 225.3 | 225.3 | — | 2.8 | 2.8 |
| Personal Loans | 9.7 | 34.3 | 44.0 | 15.0 | 87.4 | 102.4 |
| Total | 1,387.1 | 767.5 | 2,154.6 | 1,519.4 | 639.6 | 2,159.0 |
| Fair value adjustment for portfolio hedged risk | (0.8) | (0.1) | (0.9) | (2.3) | (0.9) | (3.2) |
| **Total reported amounts receivable from customers** | 1,386.3 | 767.4 | 2,153.7 | 1,517.1 | 638.7 | 2,155.8 |

1 Refer to accounting policies for detail of restatement and representation of fraud costs.

The fair value adjustment for the portfolio hedge risk relates to the unamortised hedged accounting adjustment in relation to the balance guaranteed swap, where hedge accounting has been discontinued (see note 22).

The gross amounts receivable from customers and allowance account which form the net amounts receivable from customers are as follows:

| | 2024 | | | | | 2023 (restated)[1] | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Group | Credit Cards £m | Vehicle Finance £m | Second Charge Mortgages £m | Personal Loans £m | Group £m | Credit Cards £m | Vehicle Finance £m | Second Charge Mortgages £m | Personal Loans £m | Group £m |
| Gross amounts receivable from customers | 1,309.9 | 831.9 | 225.5 | 49.1 | 2,416.4 | 1,474.8 | 1,144.2 | 2.8 | 117.5 | 2,739.3 |
| Allowance account | (160.0) | (96.5) | (0.2) | (5.1) | (261.8) | (197.1) | (368.1) | — | (15.1) | (580.3) |
| **Reported amounts receivable from customers** | 1,149.9 | 735.4 | 225.3 | 44.0 | 2,154.6 | 1,277.7 | 776.1 | 2.8 | 102.4 | 2,159.0 |

1 Refer to accounting policies for detail of restatement and representation of fraud costs.

## Notes to the financial statements continued

### 12 Amounts receivable from customers continued

#### Credit cards

Amounts receivable from customers for Credit Cards can be reconciled as follows:

| | 2024 | | | | 2023 (represented) | | | |
|---|---|---|---|---|---|---|---|---|
| Credit Cards | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m |
| **Gross carrying amount** | | | | | | | | |
| At 1 January | 1,199.5 | 161.2 | 114.1 | 1,474.8 | 1,116.1 | 148.6 | 186.6 | 1,451.3 |
| Originations[1] | 21.9 | – | – | 21.9 | 66.9 | – | – | 66.9 |
| Drawdowns | 2,007.5 | 76.5 | 8.5 | 2,092.5 | 2,245.2 | 74.1 | 13.2 | 2,332.5 |
| Net transfers and changes in credit risk: | | | | | | | | |
| – from Stage 1 to Stage 2 | (376.7) | 376.7 | – | – | (459.1) | 459.1 | – | – |
| – from Stage 1 to Stage 3 | (44.9) | – | 44.9 | – | (52.3) | – | 52.3 | – |
| – from Stage 2 to Stage 1 | 290.1 | (290.1) | – | – | 247.3 | (247.3) | – | – |
| – from Stage 2 to Stage 3 | – | (158.6) | 158.6 | – | – | (151.8) | 151.8 | – |
| – from Stage 3 to Stage 1 | 16.7 | – | (16.7) | – | 9.3 | – | (9.3) | – |
| – from Stage 3 to Stage 2 | – | 5.9 | (5.9) | – | – | 2.0 | (2.0) | – |
| Write-offs | (11.7) | (9.6) | (36.4) | (57.7) | (13.3) | (9.6) | (31.5) | (54.4) |
| Write-offs (debt sale) | – | – | (157.7) | (157.7) | – | – | (217.3) | (217.3) |
| Repayments | (2,320.5) | (107.1) | (31.1) | (2,458.7) | (2,312.7) | (147.7) | (40.0) | (2,500.4) |
| Interest and fee income | 345.6 | 46.6 | 2.9 | 395.1 | 340.5 | 45.4 | 7.8 | 393.7 |
| Other movements | 9.1 | (1.7) | (7.7) | (0.3) | 11.6 | (11.6) | 2.5 | 2.5 |
| **At 31 December** | 1,136.6 | 99.8 | 73.5 | 1,309.9 | 1,199.5 | 161.2 | 114.1 | 1,474.8 |
| **Allowance account** | | | | | | | | |
| At 1 January | (84.7) | (57.5) | (54.9) | (197.1) | (92.7) | (58.1) | (118.9) | (269.7) |
| Movements through income statement: | | | | | | | | |
| Originations[1] | (4.8) | – | – | (4.8) | (17.6) | – | – | (17.6) |
| Drawdowns and net transfers and changes in credit risk: | | | | | | | | |
| – from Stage 1 to Stage 2 | 66.2 | (152.0) | | (85.8) | 73.4 | (191.8) | – | (118.4) |
| – from Stage 1 to Stage 3 | 7.0 | – | (26.6) | (19.6) | 8.0 | – | (28.4) | (20.4) |
| – from Stage 2 to Stage 1 | (41.2) | 94.3 | – | 53.1 | (27.4) | 94.1 | – | 66.7 |
| – from Stage 2 to Stage 3 | – | 108.5 | (125.9) | (17.4) | – | 109.2 | (126.0) | (16.8) |
| – from Stage 3 to Stage 1 | (3.9) | – | 5.1 | 1.2 | (0.9) | – | 3.0 | 2.1 |
| – from Stage 3 to Stage 2 | – | (2.8) | 2.5 | (0.3) | – | (0.9) | 0.9 | – |
| – remeasuring with existing stage | (32.6) | (21.4) | 1.2 | (52.8) | (42.1) | (25.1) | 7.8 | (59.4) |
| – post-model overlays | 19.0 | (20.1) | (2.5) | (3.6) | 8.8 | 7.1 | 11.1 | 27.0 |
| – write-offs | (9.9) | (3.3) | (6.6) | (19.8) | (9.2) | (3.5) | (6.0) | (18.7) |
| – debt sales | – | – | 16.1 | 16.1 | – | – | 15.4 | 15.4 |
| – derecognition of Stage 3 interest | – | – | 3.3 | 3.3 | – | – | 5.1 | 5.1 |
| – recoveries | – | – | 3.1 | 3.1 | – | – | 7.2 | 7.2 |
| – revaluations | – | – | 3.3 | 3.3 | – | – | (0.8) | (0.8) |
| – other movements | – | – | 0.1 | 0.1 | 1.7 | 1.9 | (0.5) | 3.1 |
| **Total movements through income statement** | (0.2) | 3.2 | (126.9) | (123.9) | (5.3) | (9.0) | (111.2) | (125.5) |
| Movements through allowance account: | | | | | | | | |
| – write-offs (regular) | 12.0 | 9.7 | 36.4 | 58.1 | 13.3 | 9.6 | 31.5 | 54.4 |
| – write-offs (debt sale) | – | – | 173.2 | 173.2 | – | – | 217.3 | 217.3 |
| – debt sale proceeds | – | – | (60.6) | (60.6) | – | – | (71.3) | (71.3) |
| – derecognition of Stage 3 interest | – | – | (3.3) | (3.3) | – | – | (5.1) | (5.1) |
| – other | (0.4) | (0.1) | (5.9) | (6.4) | – | – | 2.8 | 2.8 |
| **Allowance account at 31 December** | (73.3) | (44.7) | (42.0) | (160.0) | (84.7) | (57.5) | (54.9) | (197.1) |
| **Reported amounts receivable from customers at 31 December** | 1,063.3 | 55.1 | 31.5 | 1,149.9 | 1,114.8 | 103.7 | 59.2 | 1,277.7 |
| Reported amounts receivable from customers at 1 January | 1,114.8 | 103.7 | 59.2 | 1,277.7 | 1,023.4 | 90.5 | 67.7 | 1,181.6 |

1 2023 originations have been represented to reflect the gross receivable and impairment provision for customer spend in their first month following acquisition.

## 12 Amounts receivable from customers continued

### Credit cards continued

Total Credit Cards interest and fee income from customers of £395.1m (2023: £393.7m) comprises £365.3m (2023: £349.5m) interest income and £29.8m (2023: £44.2m) of fee and commission income.

As at 31 December 2024 unutilised Credit Card commitments were £1,476.3m (2023: £1,332.4m).

An increase of 1% of the gross exposure into Stage 2 from Stage 1 would result in an increase in the allowance account of £4.3m (2023: £3.4m) based on applying the difference between the coverage ratios from Stage 1 to Stage 2 to the movement in gross exposure.

A breakdown of the in-model and post-model overlays for Credit Cards is shown below:

| Credit Cards | 2024 £m | 2023 (represented) £m |
|---|---|---|
| Core model | 155.6 | 209.4 |
| New model underlays (note (a)) | – | (12.7) |
| Post-model overlays | 4.4 | 0.4 |
| **Total allowance account** | **160.0** | **197.1** |

| | 2024 £m | 2023 (represented) £m |
|---|---|---|
| Post-model overlays | | |
| Macroeconomic model redevelopment (note (b)) | 4.0 | – |
| Other | 0.4 | 0.4 |
| **Total post-model overlays** | **4.4** | **0.4** |
| **Total over/(underlays)** | **4.4** | **(12.3)** |

2023 numbers have been represented for fraud, refer to accounting policies for detail.

#### (a) New model underlay

Throughout 2023 the Group, in line with its ongoing commitment to continue to enhance the quality and accuracy of expected credit loss modelling, took steps to refine and re-calibrate the IFRS 9 model suite across Credit Cards, Vehicle Finance and Personal Loans resulting in a release of £57.7m across all portfolios. Enhanced segmentation, refreshed data calibration, and a refinement to model input parameters indicated the need for a model rebuild underlay at 31 December 2023 and a PMA reflected to address this. The PMA was released in 2024 when the refinements to the models were fully embedded, removing the requirement for the underlay.

#### (b) Macroeconomic model redevelopment

The macroeconomic model was considered in 2023 as part of the wider model development, however due to volatility in the output, the model was not implemented. The model has been redeveloped in 2024 using an external third party macroeconomic data provider. As it was not fully embedded at the year end, a PMA has been recognised reflecting the difference between the incumbent macroeconomic model and the new output. Further work is expected in 2025 to develop a more suitable, internally built model and remove the requirement for the PMA.

## Notes to the financial statements continued

### 12 Amounts receivable from customers continued

A breakdown of the gross receivable by internal credit risk rating is shown below:

| Credit Cards | 2024 Stage 1 £m | 2024 Stage 2 £m | 2024 Stage 3 £m | 2024 Total £m | 2023 (restated) Stage 1 £m | 2023 (restated) Stage 2 £m | 2023 (restated) Stage 3 £m | 2023 (restated) Total £m |
|---|---|---|---|---|---|---|---|---|
| Good | 995.9 | 70.0 | – | 1,065.9 | 990.6 | 114.2 | – | 1,104.8 |
| Satisfactory | 140.7 | 29.8 | – | 170.5 | 208.9 | 47.0 | – | 255.9 |
| Lower quality | – | – | 73.5 | 73.5 | – | – | 114.1 | 114.1 |
| **Total** | 1,136.6 | 99.8 | 73.5 | 1,309.9 | 1,199.5 | 161.2 | 114.1 | 1,474.8 |

Low-quality receivables relate to defaulted accounts and are therefore assigned as Stage 3. Satisfactory receivables consist of accounts that are above a prescribed PD cut-off, dependent on the customer's credit score. High-quality receivables consist of accounts that are below a prescribed PD cut-off, dependent on the customer's credit score.

#### Vehicle Finance

Amounts receivable from customers for Vehicle Finance can be reconciled as follows:

| Vehicle Finance | 2024 Stage 1 £m | 2024 Stage 2 £m | 2024 Stage 3 £m | 2024 Total £m | 2023 (restated)[1] Stage 1 £m | 2023 (restated)[1] Stage 2 £m | 2023 (restated)[1] Stage 3 £m | 2023 (restated)[1] Total £m |
|---|---|---|---|---|---|---|---|---|
| **Gross carrying amount** | | | | | | | | |
| At 1 January | 391.7 | 224.8 | 527.7 | 1,144.2 | 351.0 | 169.3 | 452.0 | 972.3 |
| Originations | 311.1 | – | – | 311.1 | 381.6 | – | – | 381.6 |
| Transfers due to changes in credit risk: | | | | | | | | |
| – from Stage 1 to Stage 2 | (63.6) | 63.6 | – | – | (159.0) | 159.0 | – | – |
| – from Stage 1 to Stage 3 | (22.0) | – | 22.0 | | (129.5) | – | 129.5 | – |
| – from Stage 2 to Stage 1 | 125.8 | (125.8) | – | – | 18.6 | (18.6) | – | – |
| – from Stage 2 to Stage 3 | – | (15.9) | 15.9 | – | – | (59.4) | 59.4 | – |
| – from Stage 3 to Stage 1 | 38.3 | – | (38.3) | – | 11.9 | – | (11.9) | – |
| – from Stage 3 to Stage 2 | – | 41.7 | (41.7) | – | – | 18.8 | (18.8) | – |
| Write-offs | – | – | (374.9) | (374.9) | – | – | (9.7) | (9.7) |
| Repayments | (279.8) | (97.8) | (74.7) | (452.3) | (160.7) | (78.7) | (131.6) | (371.0) |
| Interest and fee income | 72.2 | 30.3 | 30.6 | 133.1 | 66.5 | 34.1 | 51.7 | 152.3 |
| Other movements | 32.6 | (0.8) | 38.9 | 70.7 | 11.3 | 0.3 | 7.1 | 18.7 |
| **At 31 December** | 606.3 | 120.1 | 105.5 | 831.9 | 391.7 | 224.8 | 527.7 | 1,144.2 |
| **Allowance account** | | | | | | | | |
| At 1 January | (18.2) | (27.0) | (322.9) | (368.1) | (15.9) | (25.8) | (275.2) | (316.9) |
| Movements through income statement: | | | | | | | | |
| – originations | (40.0) | – | – | (40.0) | (64.4) | – | – | (64.4) |
| Drawdowns and net transfers and changes in credit risk: | | | | | | | | |
| – from Stage 1 to Stage 2 | 15.9 | (44.9) | – | (29.0) | 21.2 | (23.1) | – | (1.9) |
| – from Stage 1 to Stage 3 | 1.9 | – | (11.1) | (9.2) | 34.4 | – | (46.4) | (12.0) |
| – from Stage 2 to Stage 1 | (13.0) | 38.8 | – | 25.8 | (0.9) | 3.2 | – | 2.3 |
| – from Stage 2 to Stage 3 | – | 27.3 | (42.4) | (15.1) | – | 11.6 | (20.6) | (9.0) |
| – from Stage 3 to Stage 1 | (2.3) | – | 11.1 | 8.8 | (0.3) | – | 2.1 | 1.8 |
| – from Stage 3 to Stage 2 | – | (14.8) | 20.1 | 5.3 | – | (1.8) | 3.8 | 2.0 |
| – remeasurements within existing stage | 38.1 | 0.1 | (49.2) | (11.0) | 5.6 | 5.3 | (18.2) | (7.3) |
| – post-model overlays | (0.6) | (1.0) | (3.9) | (5.5) | 2.1 | 3.6 | 43.2 | 48.9 |
| – write-offs | – | – | (30.4) | (30.4) | – | – | (8.6) | (8.6) |
| – debt sales | – | – | 0.1 | 0.1 | – | – | – | – |
| – derecognition of Stage 3 interest | – | – | 18.5 | 18.5 | – | – | 33.9 | 33.9 |
| – recoveries | – | – | (0.2) | (0.2) | – | – | (1.7) | (1.7) |
| – revaluations | – | – | 21.7 | 21.7 | – | – | (3.2) | (3.2) |
| – other movements | – | – | 0.2 | 0.2 | – | – | (1.2) | (1.2.) |
| **Total amount recorded in impairment charges** | – | 5.5 | (65.5) | (60.0) | (2.3) | (1.2) | (16.9) | (20.4) |

## 12 Amounts receivable from customers continued

### Vehicle Finance continued

| Vehicle Finance | 2024 Stage 1 £m | 2024 Stage 2 £m | 2024 Stage 3 £m | 2024 Total £m | 2023 (restated)[1] Stage 1 £m | 2023 (restated)[1] Stage 2 £m | 2023 (restated)[1] Stage 3 £m | 2023 (restated)[1] Total £m |
|---|---|---|---|---|---|---|---|---|
| Movements through allowance account: | | | | | | | | |
| – write-offs | – | – | 374.9 | 374.9 | – | – | 9.7 | 9.7 |
| – debt sale proceeds | – | – | (6.7) | (6.7) | – | – | – | – |
| – derecognition of Stage 3 interest | – | – | (18.5) | (18.5) | – | – | (33.9) | (33.9) |
| – other changes | – | – | (18.1) | (18.1) | – | – | 1.9 | 1.9 |
| **Allowance account at 31 December** | (18.2) | (21.5) | (56.8) | (96.5) | (18.2) | (27.0) | (322.9) | (368.1) |
| **Reported amounts receivable from customers at 31 December** | 588.1 | 98.6 | 48.7 | 735.4 | 373.5 | 197.8 | 204.8 | 776.1 |
| Reported amounts receivable from customers at 1 January | 373.5 | 197.8 | 204.8 | 776.1 | 335.1 | 143.5 | 168.2 | 646.8 |

1 Refer to accounting policies for detail of restatement.

Total Vehicle Finance interest and fee income from customers of £133.1m (2023: £152.3m) comprises £133.1m (2023: £150.3m) interest income and £nil (2023: £2.0m) of other income.

Other changes within gross receivables include the capitalisation of broker costs.

Included within Vehicle Finance receivables is £nil (2023: £2.1m) in relation to receivables classified as purchased or originated as credit impaired under IFRS 9.

An increase of 1% of the gross exposure into Stage 2 from Stage 1 would result in an increase in the allowance account of £0.9m (2023: £0.3m) based on applying the difference between the coverage ratios from Stage 1 to Stage 2 to the movement in gross exposure.

A breakdown of the in-model and post-model overlays for Vehicle Finance is shown below:

| Vehicle Finance | 2024 £m | 2023 (restated)[1] £m |
|---|---|---|
| Core model | 93.3 | 414.3 |
| New model underlays (note (a)) | – | (47.0) |
| Post-model overlays | 3.2 | 0.8 |
| **Total allowance account** | 96.5 | 368.1 |

| | 2024 £m | 2023 (restated)[1] £m |
|---|---|---|
| Post-model (under)/overlays: | | |
| 12-month PD recalibration (note (b)) | 2.8 | – |
| Macroeconomic LGD implementation (note (c)) | (0.9) | – |
| Macroeconomic model redevelopment (note (d)) | 1.4 | – |
| LGD recalibration (note (e)) | (0.6) | – |
| Borrowers in financial difficulty (note (f)) | – | 0.8 |
| Other | 0.5 | – |
| **Total post-model overlays** | 3.2 | 0.8 |
| **Total over/(underlays)** | 3.2 | (46.2) |

1 Refer to accounting policies for detail of restatement.

## Notes to the financial statements continued

### 12 Amounts receivable from customers continued

#### (a) Model overlay

Relates to new model development executed in 2023. Refer to Cards section for further details.

#### (b) 12-month PD recalibration

Monitoring of the 12-month PD model indicated a recalibration was required for the 'up to date' segment. A PMA has been recognised until the model can be updated in 2025.

#### (c) Macroeconomic LGD implementation

Refinements have been made to the macroeconomic LGD model implementation to; (i) reflect an upside scenario; (ii) refine the shape of the scenarios; and (iii) enhance how the scenarios were being applied. A PMA has been recognised until the model can be updated in 2025.

#### (d) Macroeconomic model redevelopment

Refer to Cards section for details.

#### (e) LGD recalibration

Following the introduction of the charge-off process and the revised definition of default during 2024 calibrations were required to components of the LGD model. A PMA has been recognised until the model can be updated in 2025.

#### (f) Borrowers in financial difficulty

An overlay was recognised for a selection of customer accounts that were deemed to be borrowers in financial difficulty. This was released in 2024.

The fraud overlay has been represented within the core model, refer to accounting policies for further detail.

A breakdown of the gross receivable by internal credit risk rating is shown below:

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| Vehicle Finance | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m |
| Good quality | 516.9 | 11.1 | — | 528.0 | 127.9 | 46.3 | — | 174.2 |
| Satisfactory quality | 78.9 | 35.8 | — | 114.7 | 229.9 | 87.3 | — | 317.2 |
| Lower quality | 10.4 | 39.7 | — | 50.1 | 32.5 | 29.5 | — | 62.0 |
| Below standard | 0.1 | 33.5 | 105.5 | 139.1 | 1.4 | 61.7 | 527.7 | 590.8 |
| **Gross carrying amount** | 606.3 | 120.1 | 105.5 | 831.9 | 391.7 | 224.8 | 527.7 | 1,144.2 |

Internal credit risk rating is based on the internal credit score of a customer at the balance sheet date.

## 12 Amounts receivable from customers continued

### Second charge mortgages

Amounts receivable from customers for second charge mortgages can be reconciled as follows:

| | 2024 | | | |
|---|---|---|---|---|
| | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m |
| **Gross carrying amount** | | | | |
| At 1 January | 2.8 | – | – | 2.8 |
| Originations | 217.7 | – | – | 217.7 |
| Net transfers and changes in credit risk: | – | – | – | – |
| – from Stage 1 to 2 | (1.2) | 1.2 | – | – |
| – from Stage 1 to 3 | (0.1) | – | 0.1 | – |
| Repayments | (8.9) | – | – | (8.9) |
| Interest income | 4.8 | – | – | 4.8 |
| Other movements | 9.1 | – | – | 9.1 |
| **At 31 December** | 224.2 | 1.2 | 0.1 | 225.5 |
| **Allowance account** | | | | |
| At 1 January | – | – | – | – |
| **Movements through income statement:** | | | | |
| Originations | (0.1) | – | – | (0.1) |
| Net transfers and changes in credit risk: | – | – | – | – |
| – from Stage 1 to 2 | – | (0.1) | – | (0.1) |
| **Total amount recorded in impairment charges** | (0.1) | (0.1) | – | (0.2) |
| **Allowance account at 31 December** | (0.1) | (0.1) | – | (0.2) |
| **Reported amounts receivable from customers at 31 December** | 224.1 | 1.1 | 0.1 | 225.3 |
| Reported amounts receivable from customers at 1 January | 2.8 | – | – | 2.8 |

| | 2023 | | | |
|---|---|---|---|---|
| | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m |
| **Gross carrying amount** | | | | |
| At 1 January | – | – | – | – |
| Originations | 2.8 | – | – | 2.8 |
| At 31 December | 2.8 | – | – | 2.8 |
| **Allowance account** | | | | |
| At 1 January and 31 December | – | – | – | – |
| **Allowance account at 31 December** | – | – | – | – |
| **Reported amounts receivable from customers at 31 December** | 2.8 | – | – | 2.8 |
| Reported amounts receivable from customers at 1 January | – | – | – | – |

Other movements in gross receivables predominantly relate to the capitalisation of deferred acquisition costs.

Total second charge mortgages interest and fee income from customers of £4.8m (2023: £0.4m) comprises solely of interest income.

An increase of 1% of the gross exposure into Stage 2 from Stage 1 would result in an increase in the allowance account of £nil (2023: £nil) based on applying the difference between the coverage ratios from Stage 1 to Stage 2 to the movement in gross exposure.

There are no post-model overlays for second charge mortgages in the current or prior year.

## Notes to the financial statements continued

### 12 Amounts receivable from customers continued

**Second charge mortgages** continued

A breakdown of the gross second charge mortgages receivable by internal credit risk rating is shown below:

| | 2024 | | | |
|---|---|---|---|---|
| | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m |
| Good | 224.2 | – | – | 224.2 |
| Satisfactory | – | 1.2 | – | 1.2 |
| Lower quality | – | – | 0.1 | 0.1 |
| **Total** | 224.2 | 1.2 | 0.1 | 225.5 |

| | 2023 | | | |
|---|---|---|---|---|
| | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m |
| Good | 2.8 | – | – | 2.8 |
| Satisfactory | – | – | – | – |
| Lower quality | – | – | – | – |
| **Total** | 2.8 | – | – | 2.8 |

Low-quality receivables relate to defaulted accounts and are therefore assigned as Stage 3. Satisfactory receivables consist of accounts that are above a prescribed PD cut-off, dependent on the customer's credit score. High-quality receivables consist of accounts that are below a prescribed PD cut-off, dependent on the customer's credit score.

**Personal Loans**

Amounts receivable from customers for Personal Loans can be reconciled as follows:

| | 2024 | | | | 2023 (represented) | | | |
|---|---|---|---|---|---|---|---|---|
| Personal Loans | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m |
| **Gross carrying amount** | | | | | | | | |
| At 1 January | 104.1 | 5.5 | 7.9 | 117.5 | 78.1 | 2.1 | 5.3 | 85.5 |
| Originations | 6.4 | – | – | 6.4 | 109.4 | – | – | 109.4 |
| Net transfers and changes in credit risk: | – | – | – | – | | | | |
| – from Stage 1 to Stage 2 | (24.7) | 24.7 | – | – | (22.1) | 22.1 | – | – |
| – from Stage 1 to Stage 3 | (4.0) | – | 4.0 | – | (10.0) | – | 10.0 | – |
| – from Stage 2 to Stage 1 | 13.8 | (13.8) | – | – | 5.8 | (5.8) | – | – |
| – from Stage 2 to Stage 3 | – | (12.9) | 12.9 | – | – | (12.5) | 12.5 | – |
| – from Stage 3 to Stage 1 | 0.7 | – | (0.7) | – | 0.2 | – | (0.2) | – |
| – from Stage 3 to Stage 2 | – | 0.9 | (0.9) | – | – | 0.1 | (0.1) | – |
| Write-offs | – | – | (20.6) | (20.6) | – | – | (18.2) | (18.2) |
| Repayments | (66.3) | (2.7) | (2.2) | (71.2) | (81.3) | (1.2) | (1.9) | (84.4) |
| Interest and fee income | 14.3 | 0.9 | 0.2 | 15.4 | 24.0 | 0.7 | 1.2 | 25.9 |
| Other movements | (0.1) | (0.2) | 1.9 | 1.6 | – | – | (0.7) | (0.7) |
| **At 31 December** | 44.2 | 2.4 | 2.5 | 49.1 | 104.1 | 5.5 | 7.9 | 117.5 |

## 12 Amounts receivable from customers continued

### Personal Loans continued

| | 2024 | | | | 2023 (represented) | | | |
|---|---|---|---|---|---|---|---|---|
| Personal Loans | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m |
| **Allowance account** | | | | | | | | |
| At 1 January | (6.3) | (2.4) | (6.4) | (15.1) | (5.0) | (0.7) | (3.5) | (9.2) |
| Originations | (0.8) | – | – | (0.8) | (8.4) | – | – | (8.4) |
| Movements through income statement: | | | | | | | | |
| Drawdowns and net transfers and changes in credit risk: | | | | | | | | |
| – from Stage 1 to Stage 2 | 3.0 | (7.5) | – | (4.5) | 5.2 | (8.7) | – | (3.5) |
| – from Stage 1 to Stage 3 | 0.5 | – | (2.2) | (1.7) | 2.2 | – | (5.9) | (3.7) |
| – from Stage 2 to Stage 1 | (1.4) | 3.5 | – | 2.1 | (0.9) | 1.9 | – | 1.0 |
| – from Stage 2 to Stage 3 | – | 6.1 | (8.5) | (2.4) | – | 5.3 | (7.0) | (1.7) |
| – from Stage 3 to Stage 1 | (0.1) | – | 0.3 | 0.2 | – | – | – | – |
| – from Stage 3 to Stage 2 | – | (0.4) | 0.6 | 0.2 | – | – | – | – |
| – remeasurement with existing stage | 2.8 | (0.4) | 0.7 | 3.1 | (0.4) | | 0.6 | 0.2 |
| – post-model overlays | (0.5) | 0.2 | 0.1 | (0.2) | (0.3) | (0.3) | (0.8) | (1.4) |
| – write-offs | – | – | (6.9) | (6.9) | – | – | (7.9) | (7.9) |
| – debt sales | – | – | 1.3 | 1.3 | – | – | 2.0 | 2.0 |
| – derecognition of Stage 3 interest | – | – | 0.7 | 0.7 | – | – | 1.1 | 1.1 |
| – recoveries | – | – | 3.2 | 3.2 | – | – | 1.9 | 1.9 |
| – revaluations | – | – | – | – | – | – | – | – |
| – other movements | – | – | – | – | 1.3 | 0.1 | (0.6) | 0.8 |
| **Total movements through income statement** | 3.5 | 1.5 | (10.7) | (5.7) | (1.3) | (1.7) | (16.6) | (19.6) |
| Movements through allowance account: | | | | | | | | |
| – write-offs | – | – | 20.6 | 20.6 | – | – | 18.2 | 18.2 |
| – debt sale proceeds | – | – | (1.3) | (1.3) | – | – | (2.0) | (2.0) |
| – derecognition of Stage 3 interest | – | – | (0.7) | (0.7) | – | – | (1.1) | (1.1) |
| – other | – | – | (2.9) | (2.9) | – | – | (0.1) | (1.4) |
| **Allowance account at 31 December** | (2.8) | (0.9) | (1.4) | (5.1) | (6.3) | (2.4) | (6.4) | (15.1) |
| **Reported amounts receivable from customers at 31 December** | 41.4 | 1.5 | 1.1 | 44.0 | 97.8 | 3.1 | 1.5 | 102.4 |
| Reported amounts receivable from customers at 1 January | 97.8 | 3.1 | 1.5 | 102.4 | 73.1 | 1.4 | 1.8 | 76.3 |

Total Personal Loans interest and fee income from customers of £15.4m (2023: £25.9m) comprises solely of interest income.

An increase of 1% of the gross exposure into Stage 2 from Stage 1 would result in an increase in the allowance account of £0.2m (2023: £0.4m) based on applying the difference between the coverage ratios from Stage 1 to Stage 2 to the movement in gross exposure.

A breakdown of the in-model and post-model overlays for Personal Loans is shown below:

| Personal Loans | 2024 £m | 2023 £m |
|---|---|---|
| Core model | 5.1 | 13.1 |
| New model overlays (note (a)) | – | 2.0 |
| Post-model overlays | – | – |
| **Total allowance account** | 5.1 | 15.1 |

## Notes to the financial statements continued

### 12 Amounts receivable from customers continued

**(a) Model overlay**

Relates to new model development executed in 2023. Refer to Credit Cards section for further details.

A breakdown of the gross receivable by internal credit risk rating is shown below:

| | 2024 | | | | 2023 | | | |
|---|---|---|---|---|---|---|---|---|
| Personal Loans | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m | Stage 1 £m | Stage 2 £m | Stage 3 £m | Total £m |
| Good | 33.0 | 1.4 | — | 34.4 | 73.1 | 0.6 | — | 73.7 |
| Satisfactory | 11.2 | 1.0 | — | 12.2 | 31.0 | 4.9 | — | 35.9 |
| Lower quality | — | — | 2.5 | 2.5 | — | — | 7.9 | 7.9 |
| **Total** | 44.2 | 2.4 | 2.5 | 49.1 | 104.1 | 5.5 | 7.9 | 117.5 |

Low-quality receivables relate to defaulted accounts and are therefore assigned as Stage 3. Satisfactory receivables consist of accounts that are above a prescribed PD cut-off, dependent on the customer's credit score. High-quality receivables consist of accounts that are below a prescribed PD cut-off, dependent on the customer's credit score.

The movement in directly attributable acquisition costs included within amounts receivable from customers can be analysed as follows:

| | 2024 | | | | | 2023 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Group | Credit Cards £m | Vehicle Finance £m | Second Charge Mortgages £m | Personal Loans £m | Group £m | Credit Cards £m | Vehicle Finance £m | Second Charge Mortgages £m | Personal Loans £m | Group £m |
| Brought forward | 32.3 | 56.0 | 0.1 | 1.2 | 89.6 | 30.3 | 44.3 | — | 1.3 | 75.9 |
| Capitalised | 5.8 | 31.6 | 9.2 | — | 46.6 | 15.1 | 37.6 | 0.1 | 1.5 | 54.3 |
| Amortised | (12.6) | (31.4) | (0.9) | (0.8) | (45.7) | (13.1) | (25.9) | — | (1.6) | (40.6) |
| Written off | — | (6.5) | — | — | (6.5) | — | — | — | — | — |
| **Carried forward** | 25.5 | 49.7 | 8.4 | 0.4 | 84.0 | 32.3 | 56.0 | 0.1 | 1.2 | 89.6 |

The impairment charge in respect of amounts receivable from customers can be analysed as follows:

| | Group | |
|---|---|---|
| Impairment charge on amounts receivable from customers | 2024 £m | 2023 £m |
| Credit Cards | 123.9 | 125.5 |
| Vehicle Finance | 60.0 | 20.4 |
| Second Charge Mortgages | 0.2 | — |
| Personal Loans | 5.7 | 19.6 |
| **Total impairment charge** | 189.8 | 165.5 |

The impairment in the income statement of £191.0m includes £1.2m in relation to loans held within trade and other receivables (note 13).

The average effective interest rate for the year ended 31 December 2024 was 28.3% for Credit Cards (2023: 23.9%), 24% for Vehicle Finance (2023: 27%), 8.9% for Second Charge Mortgages (2023: 9.1%) and 24.3% for Personal Loans (2023: 25.8%).

The average period to maturity of the amounts receivable from customers within Vehicle Finance is 34 months (2023: 35 months). The average period to maturity of the amounts receivable from customers within Second Charge Mortgages is 18.4 years (2023: 16.1 years) and 2.0 years for Personal Loans (2023: 1.7 years). Within Credit Cards, for the majority of customers, there is no fixed term for repayment other than a general requirement for customers to make a monthly minimum repayment towards their outstanding balance. This is currently the greater of 3% of the amount owed plus any fees and interest charges in the month and £10.

## 13 Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Other receivables | 34.2 | 19.5 | 9.4 | 9.5 |
| Stock | 2.0 | 1.8 | — | — |
| Finance lease receivable (note (a)) | 6.2 | 6.3 | — | — |
| Amounts placed on deposit by Group undertaking | — | — | 23.0 | 15.0 |
| Amounts owed by Group undertakings | — | — | 731.2 | 887.0 |
| Prepayments | 28.9 | 27.9 | 4.8 | 3.4 |
| Accrued income | 1.2 | 0.4 | — | — |
| **Total trade and other receivables** | 72.5 | 55.9 | 768.4 | 914.9 |

Amounts placed on deposit by Group undertaking represents funds placed on deposit via Vanquis Bank with the Bank of England. On a Group basis these amounts are presented within cash and cash equivalents.

There are £nil amounts past due in respect of trade and other receivables (2023: £nil). An impairment provision of £1.2m (2023: £nil) is held against loans included within other receivables.

Within the Company, an impairment provision of £nil (2023: £78.3m) is held against amounts owed by Group undertakings due in less than one year. The provision was previously held against loans to companies which were placed in members voluntary liquidation during the year. As part of pre-liquidation steps the loans were repaid and the provisions released.

The impairment provision consists of performing loans of £731.2m (2023: £887.0m), categorised as Stage 1 against which no provision is recognised, and in 2023 £78.3m of loans categorised as Stage 3 against which a provision of £78.3m was recognised. Performing loans have no provision recognised as the loan entities have sufficient expected cash flow to service their obligations and sufficient realisable net assets to sell in the event of a default. Non-performing loans are close to fully provided as they have either little or no expected cash flow and are recognised at the realisable value of net assets. The Company has assessed the estimated credit losses for these intercompany loans.

In 2023 the CCD companies entered voluntary liquidation, resulting in a credit to the income statement of £26.3m in the prior year arising from the release of an intercompany impairment provision previously held, as the balances were settled prior to liquidation (see note 32).

Amounts owed by Group undertakings are unsecured and repayable on demand or within one year, and generally accrue interest at rates linked to SONIA.

Stock represents cars held by Vehicle Finance where customer agreements have been terminated.

### (a) Finance lease receivable

In 2022, the Group entered into a finance lease arrangement to sub-lease 50% of the existing floor space of its London office. As a result the Group recognises a lease receivable, representing the amount of the Group's net investment outstanding in respect of the finance lease; 50% of the corresponding right of use asset was also derecognised (see note 16).

A maturity analysis of the amounts receivable under the finance lease is shown below:

| | Group | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Due within one year | 1.0 | — |
| Due between one and five years | 3.9 | 3.9 |
| Due in more than five years | 1.6 | 2.9 |
| Total | 6.5 | 6.8 |
| Unearned finance cost | (0.3) | (0.5) |
| **Total lease receivable** | 6.2 | 6.3 |

Undiscounted lease payments analysed as:

| | 2024 £m | 2023 £m |
|---|---|---|
| Recoverable after 12 months | 5.5 | 6.8 |
| Recoverable within 12 months | 1.0 | — |
| **Total** | 6.5 | 6.8 |

## Notes to the financial statements continued

### 13 Trade and other receivables continued

#### (a) Finance lease receivable continued

Net investment in the lease analysed as:

| | 2024 £m | 2023 £m |
|---|---|---|
| Recoverable after 12 months | 5.3 | 6.4 |
| Recoverable within 12 months | 0.9 | (0.1) |
| **Total** | **6.2** | 6.3 |

The finance lease arrangement does not include variable payments. The average effective interest rate contracted approximates to 1.6% per annum.

No impairment provision has been recognised against the lease receivable.

### 14 Investments

| | Group | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Visa shares | 2.3 | 5.4 |
| **Total investments** | **2.3** | 5.4 |

#### Visa shares

The Visa Inc shares represent preferred stock in Visa Inc held by Vanquis Bank Limited. The valuation of the preferred stock has been determined using the common stock's value as an approximation as both classes of stock have similar dividend rights. However, adjustments have been made for: (i) illiquidity, as the preferred stock is not tradeable on an open market and can only be transferred to other Visa members; and (ii) future litigation costs which could affect the valuation of the stock prior to conversion.

As at 31 December 2024, the total fair value of £2.3m of Visa shares comprised preferred stock only. During the year, common stock (19,300 Class A Common shares) was fully sold on 23 October 2024 for $284.36 (£223.37) per share.

### 15 Property, plant and equipment

| Group | Leasehold land and buildings £m | Equipment and vehicles £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2024 | 8.3 | 21.9 | 30.2 |
| Additions | — | 2.2 | 2.2 |
| Disposals | (0.2) | (2.3) | (2.5) |
| **At 31 December 2024** | 8.1 | 21.8 | 29.9 |
| **Accumulated depreciation and impairment** | | | |
| At 1 January 2024 | 2.0 | 20.1 | 22.1 |
| Charged to the income statement – depreciation | 0.8 | 2.1 | 2.9 |
| Disposals | (0.2) | (2.0) | (2.2) |
| **At 31 December 2024** | 2.6 | 20.2 | 22.8 |
| **Net book value at 31 December 2024** | 5.5 | 1.6 | 7.1 |
| Net book value at 1 January 2024 | 6.3 | 1.8 | 8.1 |

The loss on disposal of property, plant and equipment in 2024 amounted to £0.3m (2023: £1.3m). The loss comprised proceeds received of £nil (2023: £nil) less the net book value of disposals of £0.3m (2023: £1.3m).

## 15 Property, plant and equipment continued

Additions in 2024 and 2023 principally comprise expenditure in respect of the routine replacement of IT equipment.

| Group | Leasehold land and buildings £m | Equipment and vehicles £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2023 | 8.6 | 23.2 | 31.8 |
| Additions | 1.6 | 3.3 | 4.9 |
| Disposals | (1.9) | (4.6) | (6.5) |
| **At 31 December 2023** | 8.3 | 21.9 | 30.2 |
| **Accumulated depreciation and impairment** | | | |
| At 1 January 2023 | 2.8 | 20.7 | 23.5 |
| Charged to the income statement – depreciation | 0.1 | 2.1 | 2.2 |
| Disposals | (0.9) | (2.7) | (3.6) |
| **At 31 December 2023** | 2.0 | 20.1 | 22.1 |
| **Net book value at 31 December 2023** | 6.3 | 1.8 | 8.1 |
| Net book value at 1 January 2023 | 5.8 | 2.5 | 8.3 |

| Company | **Leasehold land and buildings £m** | **Equipment and vehicles £m** | **Total £m** |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2024 | **0.2** | **12.2** | **12.4** |
| Additions | **—** | **—** | **—** |
| Disposals | **—** | **—** | **—** |
| **At 31 December 2024** | **0.2** | **12.2** | **12.4** |
| **Accumulated depreciation** | | | |
| At 1 January 2024 | **0.1** | **11.6** | **11.7** |
| Charged to the income statement – depreciation | **—** | **0.1** | **0.1** |
| Disposals | **—** | **—** | **—** |
| **At 31 December 2024** | **0.1** | **11.7** | **11.8** |
| **Net book value at 31 December 2024** | **0.1** | **0.5** | **0.6** |
| Net book value at 1 January 2024 | **0.1** | **0.6** | **0.7** |

The profit on disposal of property, plant and equipment in 2024 amounted to £nil (2023: £nil) and represented proceeds received of £nil (2023: £nil) less the net book value of disposals of £nil (2023: £nil).

| Company | Leasehold land and buildings £m | Equipment and vehicles £m | Total £m |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2023 | 0.2 | 12.2 | 12.4 |
| Additions | — | — | — |
| Disposals | — | — | — |
| **At 31 December 2023** | 0.2 | 12.2 | 12.4 |
| **Accumulated depreciation** | | | |
| At 1 January 2023 | 0.1 | 11.4 | 11.5 |
| Charged to the income statement | — | 0.2 | 0.2 |
| Disposals | — | — | — |
| **At 31 December 2023** | 0.1 | 11.6 | 11.7 |
| **Net book value at 31 December 2023** | 0.1 | 0.6 | 0.7 |
| Net book value at 1 January 2023 | 0.1 | 0.8 | 0.9 |

## Notes to the financial statements continued

### 16 Right of use assets

| Group | Group 2024 £m | Group 2023 £m | Company 2024 £m | Company 2023 £m |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 January | **72.8** | 71.0 | **23.8** | 22.9 |
| Additions and revaluations | **1.3** | 1.8 | **0.7** | 0.9 |
| Disposals | **—** | — | **—** | — |
| **At 31 December** | **74.1** | 72.8 | **24.5** | 23.8 |
| **Accumulated depreciation and impairment** | | | | |
| At 1 January | **49.6** | 38.6 | **12.9** | 10.2 |
| Charged to the income statement – depreciation | **4.6** | 6.9 | **1.3** | 2.7 |
| Charged to the income statement – impairment | **3.5** | 4.1 | **2.9** | — |
| **At 31 December** | **57.7** | 49.6 | **17.1** | 12.9 |
| **Net book value at 31 December** | **16.4** | 23.2 | **7.4** | 10.9 |
| Net book value at 1 January | **23.2** | 32.4 | **10.9** | 12.7 |

Lease liabilities are disclosed in note 26.

The additions and revaluations relate to a revaluation of a property leases and, in 2023, computer equipment which is leased by the Group.

### 17 Acquisition of Snoop

The Group completed the acquisition of the entire share capital of Usnoop Limited, which trades as Snoop, on 7 August 2023 for consideration of £8.7m. Snoop is a money-saving financial technology company with customers across the UK. Goodwill of £1.2m was recognised in relation to the acquisition.

Costs of £3.0m associated with the acquisition including due diligence, legal, advisory and tax fees were charged as an exceptional cost in the prior year.

An assessment of the fair values of the identifiable assets and liabilities of Snoop as at the acquisition date was performed and there has been no change in the fair values in 2024.

Snoop generated revenues of £0.4m and losses of £2.5m in the period from acquisition to 31 December 2023, which were included in the consolidated statement of comprehensive income in 2023. If Snoop had been part of the Group for the 12 months to 31 December 2023, Group total income would be £489.6m and the statutory loss before tax would be £16.8m.

In 2024, the terms of certain post-consideration benefits were updated and a resulting cost of £1.7m recognised as an exceptional item.

## 18 Goodwill

| | Group | |
|---|---|---|
| | 2024 £m | 2023 £m |
| **Cost** | | |
| At 1 January | 74.5 | 73.3 |
| Additions | — | 1.2 |
| Write-off | (71.2) | — |
| **At 31 December** | **3.3** | **74.5** |
| **Accumulated impairment** | | |
| At 1 January and 31 December | 2.1 | 2.1 |
| **Net book value at 31 December** | **1.2** | **72.4** |
| Net book value at 1 January | 72.4 | 71.2 |

Goodwill with a net book value of £71.2m in 2023 related to the acquisition of Moneybarn in August 2014. The addition in 2023 related to the acquisition of Usnoop Limited (see note 17).

Goodwill is tested annually for impairment, or more frequently if there are any indications that goodwill might be impaired. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the cash flows of the cash-generating unit, discount rates and growth rates adopted.

Management adopts pre-tax discount rates which reflect the time value of money and the risks specific to the business.

The cash flow forecasts are based on the most recent financial budgets approved by the Group Board for the next five years and extrapolate cash flows for the following five years using a terminal growth rate of 2% (2023: 2%). The rate used to discount the forecast cash flows is 13.5% (2023: 11.0%); this represents the Company's risk-adjusted cost of capital.

Moneybarn goodwill was impaired in full in 2024 due to lower cash flows in the latest budget as the Group prioritises capital deployment for growth into Second Charge Mortgages and Credit Cards in the near term.

## Notes to the financial statements continued

### 19 Other intangible assets

| Group | 2024 Acquisition intangibles £m | 2024 Computer software £m | 2024 Total £m | 2023 Acquisition intangibles £m | 2023 Computer software £m | 2023 Total £m |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January | **86.1** | **85.1** | **171.2** | 75.0 | 68.5 | 143.5 |
| Additions | **—** | **12.5** | **12.5** | 11.1 | 19.0 | 30.1 |
| Disposals | **—** | **(15.5)** | **(15.5)** | — | (2.4) | (2.4) |
| **At 31 December** | **86.1** | **82.1** | **168.2** | 86.1 | 85.1 | 171.2 |
| **Accumulated amortisation and impairment** | | | | | | |
| At 1 January | **70.4** | **26.4** | **96.8** | 62.5 | 17.7 | 80.2 |
| Charged to the income statement – amortisation | **6.2** | **10.7** | **16.9** | 7.9 | 10.6 | 18.5 |
| Charged to the income statement – impairment | **—** | **8.5** | **8.5** | — | — | — |
| Disposals | **—** | **(15.5)** | **(15.5)** | — | (1.9) | (1.9) |
| **At 31 December** | **76.6** | **30.1** | **106.7** | 70.4 | 26.4 | 96.8 |
| **Net book value at 31 December** | **9.5** | **52.0** | **61.5** | 15.7 | 58.7 | 74.4 |
| Net book value at 1 January | **15.7** | **58.7** | **74.4** | 12.5 | 50.8 | 63.3 |

Acquisition intangibles represent the fair value of the broker relationships arising on the acquisition of Moneybarn in August 2014 and Snoop in 2023.

The Moneybarn intangible asset was being amortised over an estimated useful life of 10 years; the asset was fully amortised in 2024.

The Snoop intangible asset comprised £10.1m of internally generated core platform and technology, and £1.0m in relation to the 'Snoop' brand name arising on the acquisition of Snoop in 2023. These are being amortised over nine and five years respectively.

Research and development expenditure recognised within operating costs during 2024 was £0.7m (2023: £0.8m).

Additions to computer software in the year of £12.5m (2023: £19.0m) comprise £12.5m (2023: £18.9m) of internally generated assets and £nil (2023: £0.1m) of externally purchased software.

The £12.5m (2023: £18.9m) of internally generated assets predominantly relates to the development of the Gateway platform. The net book value of this asset is £39.6m as at 31 December 2024 and it is being amortised over an estimated useful life of 10 years from the date each component is available for use.

### 20 Investment in subsidiaries

| | Company 2024 £m | Company 2023 £m |
|---|---|---|
| **Cost** | | |
| At 1 January | **265.3** | 230.7 |
| Additions | **85.9** | 34.8 |
| Disposals | **(1.5)** | (0.2) |
| **At 31 December** | **349.7** | 265.3 |
| **Accumulated impairment losses** | | |
| At 1 January | **23.7** | 23.3 |
| Charge to the income statement | **78.5** | 0.4 |
| Disposals | **(0.4)** | — |
| **At 31 December** | **101.8** | 23.7 |
| **Net book value at 31 December** | **247.9** | 241.6 |
| Net book value at 1 January | **241.6** | 207.4 |

The movements in 2024 reflect steps taken to make two non-trading companies solvent in advance of them entering members' voluntary liquidation. This included the subscription of £3.2m of shares in Yes Car Credit Limited and £75.2m of shares in Provident Yes Car Credit Limited, both of which were subsequently impaired based on the value of the underlying assets of the companies.

Additions also included steps taken to increase the investment value of Provident Financial Holdings Limited by £7.5m as part of the transfer of trade and assets of its subsidiary PFG Corporate Services Limited, to Vanquis Bank Limited.

## 20 Investment in subsidiaries continued

Due to indicators of impairment, an investment valuation review was performed at the balance sheet date for the investment held in Provident Financial Holdings Limited utilising the higher of the discounted future cash flow forecasts of the underlying business or fair value. Whilst no impairment is required, sensitivity analysis has been performed based on the assumptions used in the cash flow valuations. A 1% movement in the discount rate would move the valuations by £92m, sufficient headroom would remain to not require impairment.

Disposals including £1.1m (2023: £0.2m) in relation to the movement are in relation to the share options/awards provided to the subsidiary employees. Under IFRS 2, the fair value of the share options/awards issued is required to be treated as capital contribution and an investment in the relevant subsidiary, net of any share options/awards that have vested.

The movements in 2023 also reflect steps taken to make a number of dormant and non-trading companies solvent in advance of them entering members' voluntary liquidation. Included within the £34.8m of additions was the subscription of a further £34.4m of shares in Provident Financial Holdings Limited and the transfer of the full 100% ordinary share capital of Greenwood Personal Credit to the Company from another Group company equal to the company's net asset value of £0.4m.

The cost, accumulated impairment losses and carrying value of investments at 31 December 2024 are shown below:

| Company | Cost £m | Accumulated impairment losses £m | Carrying value £m |
|---|---|---|---|
| Provident Financial Holdings Limited | 238.6 | – | 238.6 |
| Provident Financial Group Limited | 29.9 | (22.6) | 7.3 |
| Provident Yes Car Credit Limited | 75.2 | (75.2) | – |
| Yes Car Credit Limited | 3.2 | (3.2) | – |
| Other | 2.8 | (0.8) | 2.0 |
| **Net book value at 31 December** | 349.7 | (101.8) | 247.9 |

The following are the subsidiary undertakings which, in the opinion of the directors, principally affect the profit or assets of the Group or are a guaranteeing subsidiary of the Group's certain borrowings. A full list of subsidiary undertakings in included in note 36. All subsidiaries are consolidated and held directly by the Company except for those noted below, which are held by wholly owned intermediate companies.

| Company | | Activity | Country of incorporation | Class of capital | % holding |
|---|---|---|---|---|---|
| Vanquis Bank | Vanquis Bank Limited | Financial services | England | Ordinary | 100[1] |
| Moneybarn | Duncton Group Limited | Financial services | England | Ordinary | 100[1] |
| | Moneybarn Group Limited | Financial services | England | Ordinary | 100[1] |
| | Moneybarn No. 1 Limited | Financial services | England | Ordinary | 100[1] |
| Central | Provident Financial Holdings Limited | Intermediate holding company | England | Ordinary | 100 |

1 Shares held by wholly owned intermediate companies.

The above companies operate principally in their country of incorporation.

## 21 Retirement benefit asset

### (a) Pension schemes – defined benefit

The retirement benefit asset reflects the difference between the present value of the Group's obligation to current and past employees to provide a defined benefit pension and the fair value of assets held to meet that obligation. As at 31 December 2024, the fair value of the assets exceeded the obligation and hence a net pension asset has been recorded.

The Group operates a defined benefit scheme, the Provident Financial Staff Pension Scheme. The scheme is of the funded, defined benefit type. It is now also closed to future accrual.

The scheme provides pension benefits which were accrued on a final salary and, more recently, on a cash balance basis. With effect from 1 August 2021, it was fully closed to future accrual and benefits are no longer linked to final salary, although accrued benefits are subject to statutory inflationary increases.

The scheme is a UK registered pension scheme under UK legislation. The scheme is governed by a Trust Deed and Rules, with trustees responsible for the operation and governance of the scheme. The trustees work closely with the Group on funding and investment strategy decisions. The most recent actuarial valuation of the scheme was carried out as at 1 June 2021 by a qualified independent actuary. The valuation used for the purposes of IAS 19 Employee Benefits has been based on the results of the 2021 valuation to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

## Notes to the financial statements continued

### 21 Retirement benefit asset continued

#### (a) Pension schemes – defined benefit continued

The Group is entitled to a refund of any surplus, subject to tax, if the scheme winds up after all benefits have been paid. As a result, the Group recognises surplus assets under IAS 19.

The Group is exposed to a number of risks, the most significant of which are as follows:

- Investment risk – the liabilities for IAS 19 purposes are calculated using a discount rate set with reference to corporate bond yields. If the assets underperform this yield a deficit will arise. The scheme has a long-term objective to reduce the level of investment risk by investing in assets that better match liabilities.
- Change in bond yields – a decrease in corporate bond yields will increase the liabilities, although this will be partly offset by an increase in matching assets.
- Inflation risk – some of the liabilities are linked to inflation. If inflation increases then liabilities will increase, although this will be partly offset by an increase in assets. As part of a long-term de-risking strategy, the scheme has increased its portfolio in inflation matched assets.
- Life expectancies – the scheme's final salary benefits provide pensions for the rest of members' lives (and for their spouses' lives). If members live longer than assumed, then the liabilities in respect of final salary benefits increase.

The net retirement benefit asset recognised in the balance sheet of the Group and the Company is as follows:

| | Group and Company | | | |
|---|---|---|---|---|
| | 2024 | | 2023 | |
| | £m | % | £m | % |
| Equities | **63.7** | **14** | 55.5 | 11 |
| Corporate bonds | **46.6** | **10** | 191.0 | 37 |
| Government bonds | **316.8** | **70** | 145.1 | 28 |
| Index linked government bonds | **—** | **—** | 110.9 | 22 |
| Other quoted securities | **—** | **—** | 9.5 | 2 |
| Cash and money market funds | **26.6** | **6** | 0.9 | — |
| Total fair value of scheme assets | **453.7** | **100** | 512.9 | 100 |
| Present value of funded defined benefit obligation | **(425.9)** | | (474.7) | |
| **Net retirement benefit asset recognised in the balance sheet** | **27.8** | | 38.2 | |

The Company and the pension trustees have agreed a low-risk investment strategy which involves hedging the inflation and interest rate risks associated with the liabilities of the pension scheme, whilst also holding a modest allocation to growth funds, such as equities. This position is reviewed periodically by the trustees, which consult the Company as part of this process.

The valuation of the retirement benefit asset has decreased from £38.2m at 31 December 2023 to £27.8m at 31 December 2024. A high-level reconciliation of the movement is as follows:

| Group and Company | 2024 £m | 2023 £m |
|---|---|---|
| Pension asset as at 1 January | **38.2** | 30.7 |
| Cash contributions made by the Group | **0.8** | 0.8 |
| Return on assets being held to meet pension obligations in excess of discount rate | **(54.6)** | (7.8) |
| Change in demographic assumptions | **(0.9)** | 19.3 |
| Increase/(decrease) in discount rate used to discount future liabilities | **48.2** | (7.4) |
| Change in inflation rate used to forecast pensions | **(4.5)** | 1.1 |
| Actuarial/membership experience | **0.2** | 1.2 |
| Other | **0.4** | 0.3 |
| **Pension asset as at 31 December** | **27.8** | 38.2 |

The amounts recognised in the income statement were as follows:

| | Group and Company | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Administration costs and taxes | **(1.3)** | (1.1) |
| Interest on scheme liabilities | **(21.7)** | (23.0) |
| Interest on scheme assets | **23.4** | 24.4 |
| **Credit recognised in the income statement** | **0.4** | 0.3 |

The credit recognised in the income statement of the Group and the Company has been included within operating costs.

## 21 Retirement benefit asset continued

### (a) Pension schemes – defined benefit continued

Movements in the fair value of scheme assets were as follows:

| | Group and Company | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Fair value of scheme assets at 1 January | 512.9 | 520.7 |
| Interest on scheme assets | 23.4 | 24.4 |
| Actuarial movement on scheme assets | (54.6) | (7.8) |
| Contributions by the Group/Company | 0.8 | 0.8 |
| Net benefits paid out | (28.8) | (25.2) |
| **Fair value of scheme assets at 31 December** | **453.7** | **512.9** |

The Group contributions over 2025 are expected to be £0.8m.

Movements in the present value of the defined benefit obligation were as follows:

| | Group and Company | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Present value of the defined benefit obligation at 1 January | (474.7) | (490.0) |
| Administration costs and taxes | (1.3) | (1.1) |
| Interest on scheme liabilities | (21.7) | (23.0) |
| Actuarial movement – experience | 0.2 | 1.2 |
| Actuarial movement – demographic assumptions | (0.9) | 19.3 |
| Actuarial movement – financial assumptions | 43.7 | (6.3) |
| Net benefits paid out | 28.8 | 25.2 |
| **Present value of the defined benefit obligation at 31 December** | **(425.9)** | **(474.7)** |

The liabilities of the scheme are based on the current value of expected benefit payments over the next 80 years. The weighted average duration of the scheme liabilities is approximately 12 years (2023: 13 years).

The principal actuarial assumptions used at the balance sheet date were as follows:

| | Group and Company | |
|---|---|---|
| | 2024 % | 2023 % |
| Price inflation – RPI | 3.20 | 3.10 |
| Price inflation – CPI | 2.75 | 2.60 |
| Rate of increase to pensions in payment | 3.00 | 2.95 |
| Inflationary increases to pensions in deferment | 2.75 | 2.60 |
| Discount rate | 5.55 | 4.65 |

The pension increase assumption shown above applies to pensions increasing in payment each year in line with RPI up to 5%. Pensions accrued prior to 2000 are substantially subject to fixed 5% increases each year. In deferment, increases prior to retirement are linked to CPI.

The mortality assumptions are based on the Self-Administered Pension Scheme (SAPS) series 3 tables (2023: SAPS series 3 tables):

- female non-pensioners: 105% of the 'Middle' table (2023: 105% of the 'Middle' table);
- male non-pensioners: 105% of the 'Middle' table (2023: 105% of the 'Middle' table);
- female pensioners: 102% of the 'Middle' table (2023: 102% of the 'Middle' table); and
- male pensioners: 99% of the 'All' table (2023: 99% of the 'All' table).

The above multipliers and table types were chosen following a study of the scheme's membership. Where the multiplier is greater than 100%, this reflects a shorter life expectancy within the scheme compared to average pension schemes, with the opposite being true where the multiplier is less than 100%. Also, the use of the 'Middle' table typically leads to slightly lower life expectancy compared to using the corresponding 'All' table.

## 21 Retirement benefit asset continued

### (a) Pension schemes – defined benefit continued

Future improvements in mortality are based on the Continuous Mortality Investigation (CMI) 2023 model with a long-term trend of 1.00% pa, the core parameters for the initial addition and smoothing parameter but with a weighting of 0%, 0%, 25% and 25% on 2020, 2021, 2022 and 2023 experiences respectively. All other available parameters for the mortality improvements model were adopted at the default (core) level.

Under these mortality assumptions, the life expectancies of members are as follows:

| | Male | | Female | |
|---|---|---|---|---|
| Group and Company | 2024 years | 2023 years | 2024 years | 2023 years |
| Current pensioner aged 65 | 21.2 | 21.2 | 23.0 | 22.9 |
| Current member aged 45 from age 65 | 21.2 | 21.1 | 24.0 | 23.8 |

The table below shows the sensitivity on the defined benefit obligation (not including any impact on assets) of changes in the key assumptions. Depending on the scenario, there would also be compensating asset movements.

| | Group and Company | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Discount rate decreased by 0.5% | 24.4 | 30.5 |
| Inflation increased by 0.1% | 2.2 | 2.7 |
| Life expectancy increased by one year | 16.4 | 19.5 |

The actual return on scheme assets compared to the expected return is as follows:

| | Group and Company | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Interest on scheme assets | 23.4 | 24.4 |
| Actuarial movement on scheme assets | (54.6) | (7.8) |
| **Actual return on scheme assets** | (31.2) | 16.6 |

Actuarial gains and losses are recognised through other comprehensive income in the period in which they occur.

An analysis of the amounts recognised in the statement of other comprehensive income is as follows:

| | Group and Company | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Actuarial movement on scheme assets | (54.6) | (7.8) |
| Actuarial movement on scheme liabilities | 43.0 | 14.2 |
| **Total movement recognised in other comprehensive income in the year** | (11.6) | 6.4 |
| **Cumulative movement recognised in other comprehensive income** | (159.9) | (148.3) |

The history of the net retirement benefit asset recognised in the balance sheet and experience adjustments for the Group is as follows:

| Group and Company | 2024 £m | 2023 £m |
|---|---|---|
| Fair value of scheme assets | 453.7 | 512.9 |
| Present value of funded defined benefit obligation | (425.9) | (474.7) |
| **Retirement benefit asset recognised in the balance sheet** | 27.8 | 38.2 |
| Experience (losses)/gains on scheme assets: | | |
| – amount (£m) | (54.6) | (7.8) |
| – percentage of scheme assets (%) | (12.0) | (1.5) |
| Experience (gains)/losses on scheme liabilities: | | |
| – amount (£m) | (0.2) | (1.2) |
| – percentage of scheme liabilities (%) | – | 0.3 |

In June 2023, the UK High Court issued a ruling in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. This was subject to appeal in 2024 and the original ruling was upheld. The Group has determined there to be no impact on the pension scheme as a result of the ruling.

## 21 Retirement benefit asset continued

### (b) Pension schemes – defined contribution

The Group operates a Group Personal Pension Plan into which Group companies contribute a proportion of pensionable earnings of the member (typically ranging between 5.1% and 10.6%) dependent on the proportion of pensionable earnings contributed by the member through a salary sacrifice arrangement (typically ranging between 3% and 8%). The assets of the scheme are held separately from those of the Group and Company.

The Group also operates a separate pension scheme for auto-enrolment into which the Company and subsidiaries contribute a proportion of qualifying earnings of the member of 4%. The assets of the scheme are held separately from those of the Group or the Company. The pension charge in the consolidated income statement represents contributions paid by the Group in respect of these plans and amounted to £6.9m for the year ended 31 December 2024 (2023: £7.1m). Contributions made by the Company amounted to £2.0m (2023: £2.2m). £nil of contributions were payable to the fund at the year end (2023: £0.6m).

The Group contributed £nil in 2024 into individual personal pension plans in the year (2023: £nil).

## 22 Derivative financial instruments

The Group is counterparty to three derivative financial instruments.

The securitisation Balance Guarantee Swap (front BGS) manages the market risk associated with movements in interest rates in the accounts of the securitisation. The front BGS is a bespoke over-the-counter interest rate swap that resizes in line with changes to the size and expected maturity profile of the loans in the securitisation. Only the interest rate risk on the portfolio is hedged; other risks such as credit risk are managed but not hedged.

The Group Balance Guarantee Swap (back BGS) eliminates the front BGS on consolidation in the Group accounts. The front BGS manages a risk that exists in the SPV accounts, but does not exist upon consolidation. The back BGS was transacted at historical rates and in compensation the Group received cash consideration for taking on a liability.

The front and back BGS naturally hedge and no hedge accounting is applied. Hedge accounting was discontinued on the front BGS in September 2022 with the hedging adjustment amortising over the remaining life of the receivables. Until termination, the hedging arrangement was accounted for under IAS 39 under the portfolio hedging rules.

The Tier 2 swap is a vanilla unamortising swap that manages the Group's sensitivity to changes in interest rates arising from long-dated fixed-rate Tier 2 capital and short-dated Bank of England reserves.

The Tier 2 swap pays annually a floating rate of daily compounded SONIA and receives a fixed annual rate of 3.521% biannually. The swap matures in October 2026.

In 2023 the Company had entered into eight internal retail deposit swaps with Vanquis Bank Limited. The rationale for entering into these swaps was to hedge interest rate risk on deposits of Vanquis Bank Limited. At a Group level the swaps are fully offset. In 2024, two out of eight swaps have reached maturity.

The Group has elected to apply fair value hedge accounting in the consolidated accounts under IAS 39. The effectiveness of the hedge is assessed prospectively using matched terms with a single scenario analysis. The (Tier 2) swap has been specifically designed to match the underlying liability. Retrospectively, the swap only experiences ineffectiveness from different interpolation bases.

| | Group | | Company | |
|---|---|---|---|---|
| Fair value of derivatives | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| Securitisation balance guarantee swap | **(0.3)** | 1.3 | **–** | – |
| Group balance guarantee swap | **(0.2)** | (1.8) | **(0.2)** | (1.8) |
| Tier 2 swap | **(1.3)** | – | **(1.3)** | – |
| Internal retail deposit swaps | **–** | – | **0.4** | (0.2) |

The internal retail deposit swaps held by the Company relate to an asset of £0.6m (2023: £1.0m) and liability of £0.2m (2023: £1.2m).

| | Group | | Company | |
|---|---|---|---|---|
| Notional value of derivatives | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| Securitisation balance guarantee swap | **296.4** | 304.7 | **–** | – |
| Group balance guarantee swap | **296.4** | 304.7 | **296.4** | 304.7 |
| Tier 2 swap | **200.0** | 200.0 | **200.0** | 200.0 |
| Internal retail deposit swaps | **–** | – | **130.0** | 380.0 |

| | Group | | Company | |
|---|---|---|---|---|
| Fair value adjustment for hedged risk | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| Securitisation balance guarantee swap (hedge accounting terminated in 2022) | **(0.9)** | (3.2) | **–** | – |
| Tier 2 swap | **2.5** | 1.0 | **2.5** | 1.0 |

## Notes to the financial statements continued

### 22 Derivative financial instruments continued

The unamortised fair value adjustment for the discontinued portfolio hedge of £0.9m (2023: £3.2m) is included within amounts receivable from customers (see note 12).

The fair value adjustment for the Tier 2 swap of £2.5m (2023: £1.0m) is included within bank and other borrowings (see note 27).

| Hedge ineffectiveness | Group 2024 £m | Group 2023 £m | Company 2024 £m | Company 2023 £m |
|---|---|---|---|---|
| Securitisation balance guarantee swap (hedge accounting terminated in 2022) | – | – | – | – |
| Tier 2 swap | – | 0.1 | – | 0.1 |
| Total | – | 0.1 | – | 0.1 |

Hedge ineffectiveness is recognised within interest expense.

The total Group hedge ineffectiveness in 2024 was £nil (2023: £0.1m credit). The only hedging relationship in the Company relates to Tier 2 swap with £nil ineffectiveness charge in the year (2023: £0.1m).

Had hedge accounting not been applied, the Group and Company would have recognised a total charge of £1.5m in the income reflecting the movement in the derivative (2023 £3.6m).

### 23 Deferred tax

Deferred tax is a future tax liability or asset resulting from temporary differences between the accounting value of assets and liabilities and their value for tax purposes or from tax losses carried forward at the reporting date. No expiry date applies to these losses.

Deferred tax arises primarily in respect of: (a) property, plant and equipment which is depreciated on a different basis for tax purposes (accelerated capital allowances); (b) the Group's retirement benefit asset; (c) Vanquis Bank's investment in the preference shares in VISA Inc which are recognised at fair value for accounting purposes but which are taxed only on disposal; (d) the opening balance sheet adjustments to restate the IAS 39 balance sheet to an IFRS 9 basis for which tax deductions are typically available over 10 years; and (e) other temporary differences including: (i) deductions for employee share awards which are recognised differently for tax purposes; (ii) certain cost provisions for which tax deductions are only available when the costs are paid; (iii) the opening balance sheet adjustment in respect of the change of accounting treatment of directly attributable acquisition costs in Vanquis Bank which is taxable over 10 years; (iv) the opening balance sheet adjustment in respect of the adoption of IFRS 16 Leases which is deductible over the average period of the relevant leases; (v) the balance guaranteed swap entered into as part of the Vehicle Finance securitisation; and (vi) certain intangible fixed asset additions where tax deductions have been accelerated.

In addition, a deferred tax liability is recognised in respect of the acquisition of Snoop relating to the intangible asset in respect of software development costs which are amortised in future periods but for which tax deductions are not available. The deferred tax liability recognised at 31 December 2023 relating to the acquisition of Vehicle Finance, relating primarily to the intangible asset in respect of Vehicle Finance broker relationships which are amortised in future periods but for which tax deductions are not available, unwound during the period.

In 2021, changes were enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023. In 2022, further changes were enacted which, with effect from 1 April 2023, reduced the bank corporation tax surcharge rate from 8% to 3% and increased the bank corporation tax surcharge allowance, being the threshold below which banking profits are not subject to the surcharge, from £25m to £100m.

To the extent the temporary differences on which deferred tax has been calculated were expected to reverse after 1 April 2023, deferred tax balances at 31 December 2022 were remeasured at 25% and, in the case of Credit Cards and Loans, at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (3%) of 28%, except to the extent the temporary differences reverse when profits from Credit Cards and Loans were expected to be below the bank surcharge threshold, in which case deferred tax balances were measured at the combined rate of 25%. At 31 December 2023, deferred tax balances in respect of Cards and Loans and movements in deferred tax balances during the year were further remeasured at 25% to the extent that the related temporary differences reverse when profits from Cards and Loans are expected to be below the surcharge threshold.

A tax charge of £nil (2023: charge of £1.3m) represents the income statement adjustment to deferred tax as a result of these changes and an additional deferred tax credit of £nil (2023: credit of £0.1m) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income.

## 23 Deferred tax continued

The movement in the deferred tax balance during the year can be analysed as follows:

| Asset/(liability) | Group 2024 £m | Group 2023 £m | Company 2024 £m | Company 2023 £m |
|---|---|---|---|---|
| At 1 January | 8.4 | 14.5 | (7.8) | (5.3) |
| Credit/(charge) to the income statement | 13.7 | (0.4) | (0.7) | (0.9) |
| Acquisition of Snoop | – | (2.8) | – | – |
| Credit/(charge) on other comprehensive income prior to impact of change in UK tax rate | 2.9 | (1.5) | 2.9 | (1.5) |
| Impact of change in UK tax rate: | | | | |
| – (charge)/credit to the income statement | – | (1.3) | – | – |
| – (charge)/credit to other comprehensive income | – | (0.1) | – | (0.1) |
| **At 31 December** | 25.0 | 8.4 | (5.6) | (7.8) |

| Group – asset/(liability) | 2024 Accelerated capital allowances £m | Visa shares £m | Tax losses £m | IFRS 9 £m | Retirement benefit obligations £m | Other temporary differences £m | Total £m |
|---|---|---|---|---|---|---|---|
| At 1 January | 1.4 | (1.4) | 1.9 | 19.6 | (9.6) | (3.5) | 8.4 |
| Credit/(charge) to the income statement | 1.3 | 0.9 | 17.6 | (5.0) | (0.3) | (0.8) | 13.7 |
| Acquisition of Snoop | – | – | – | – | – | – | – |
| Credit/(charge) on other comprehensive income prior to change in UK tax rate | – | – | – | – | 2.9 | – | 2.9 |
| Impact of change in UK tax rate: | | | | | | | |
| – (charge)/credit to the income statement | – | – | – | – | – | – | – |
| – (charge)/credit to other comprehensive income | – | – | – | – | – | – | – |
| **At 31 December** | 2.7 | (0.5) | 19.5 | 14.6 | (7.0) | (4.3) | 25.0 |

| Group – asset/(liability) | 2023 Accelerated capital allowances £m | Visa shares £m | Tax losses £m | IFRS 9 £m | Retirement benefit obligations £m | Other temporary differences £m | Total £m |
|---|---|---|---|---|---|---|---|
| At 1 January | 1.6 | (3.0) | 0.6 | 26.3 | (7.7) | (3.3) | 14.5 |
| (Charge)/credit to the income statement | (0.1) | 1.2 | 1.3 | (4.6) | (0.3) | 2.1 | (0.4) |
| Acquisition of Scoop | – | – | – | – | – | (2.8) | (2.8) |
| Credit/(charge) on other comprehensive income prior to change in UK tax rate | – | – | – | – | (1.5) | – | (1.5) |
| Impact of change in UK tax rate: | | | | | | | |
| – (charge)/credit to the income statement | (0.1) | 0.4 | – | (2.1) | – | 0.5 | (1.3) |
| – credit/(charge) to other comprehensive income | – | – | – | – | (0.1) | – | (0.1) |
| **At 31 December** | 1.4 | (1.4) | 1.9 | 19.6 | (9.6) | (3.5) | 8.4 |

### Deferred tax assets on losses and other temporary differences

No expiry date applies to these losses.

At 31 December 2024, there were £31.7m (2023: £32.0m) of pre-acquisition carried forward UK tax losses in Snoop for which a deferred tax asset has not been recognised as there are restrictions that apply to the utilisation of pre-acquisition tax losses and therefore the offset against future profits is not sufficiently certain at this stage.

No deferred tax asset has been recognised in respect of the Group's capital losses carried forward of £123.0m (2023: £127.4m) as it is not probable that future chargeable gains will be realised against which these losses can be utilised.

## Notes to the financial statements continued

### 23 Deferred tax continued

#### Deferred tax assets on losses and other temporary differences continued

An analysis of the deferred tax liability for the Company is set out below:

| Company – asset/(liability) | 2024 Accelerated capital allowances £m | 2024 Other temporary differences £m | 2024 Retirement benefit obligations £m | 2024 Total £m | 2023 Accelerated capital allowances £m | 2023 Tax losses £m | 2023 Other temporary differences £m | 2023 Retirement benefit obligations £m | 2023 Total £m |
|---|---|---|---|---|---|---|---|---|---|
| At 1 January | **0.3** | **1.5** | **(9.6)** | **(7.8)** | 0.3 | 0.6 | 1.5 | (7.7) | (5.3) |
| Credit/(charge) to the income statement | **0.1** | **(0.5)** | **(0.3)** | **(0.7)** | – | (0.6) | – | (0.3) | (0.9) |
| Credit/(charge) on other comprehensive income | **–** | **–** | **2.9** | **2.9** | – | – | – | (1.5) | (1.5) |
| Impact of change in UK tax rate: – (charge)/credit to other comprehensive income | **–** | **–** | **–** | **–** | – | – | – | (0.1) | (0.1) |
| **At 31 December** | **0.4** | **1.0** | **(7.0)** | **(5.6)** | 0.3 | – | 1.5 | (9.6) | (7.8) |

### 24 Trade and other payables

| | Group 2024 £m | Group 2023 £m | Company 2024 £m | Company 2023 £m |
|---|---|---|---|---|
| Trade payables | **6.1** | 7.5 | **0.5** | – |
| Amounts owed to Group undertakings | **–** | – | **14.5** | 228.7 |
| Other payables including taxation and social security | **5.1** | 5.0 | **2.9** | 1.2 |
| Accruals | **34.9** | 31.6 | **3.0** | 5.5 |
| **Total trade and other payables** | **46.1** | 44.1 | **20.9** | 235.4 |

The amounts owed to Group undertakings are unsecured and accrue interest at rates linked to SONIA. Included within the amounts owed to Group undertakings in 2023 was £208.6m of funding provided from the Vehicle Finance securitisation via Provident Financial Holdings Limited. During 2024, the loan was offset against the intercompany receivable which was recognised when the funding was originally drawn therefore this loan is now £nil.

Included within accruals are £8.1m (2023: £4.8m) of Finance Ombudsman Service (FOS) case fees for amounts payable on cases.

### 25 Provisions

| Provisions | 2024 Customer compliance £m | 2024 Dilapidations £m | 2024 Scheme £m | 2024 Redundancy £m | 2024 Legal settlement £m | 2024 Others £m | 2024 Total £m | 2023 Scheme £m | 2023 ROP £m | 2023 Customer compliance £m | 2023 Others £m | 2023 Total £m |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| At 1 January | **3.5** | **0.2** | **1.0** | **–** | **–** | **1.1** | **5.8** | 1.2 | 2.0 | 1.4 | 0.6 | 5.2 |
| Created in the year | **16.0** | **6.2** | **–** | **6.2** | **1.5** | **0.1** | **30.0** | – | – | 10.7 | 0.3 | 11.0 |
| Reclassified in the year | **–** | **–** | **–** | **–** | **(1.4)** | **–** | **(1.4)** | – | – | – | 0.6 | 0.6 |
| Utilised in the year | **(12.1)** | **–** | **–** | **(4.9)** | **–** | **(0.6)** | **(17.6)** | (0.2) | – | (8.4) | (0.2) | (8.8) |
| Released in the year | **–** | **–** | **(1.0)** | **–** | **(0.1)** | **(0.2)** | **(1.3)** | – | (2.0) | (0.2) | – | (2.2) |
| **At 31 December** | **7.4** | **6.4** | **–** | **1.3** | **–** | **0.4** | **15.5** | 1.0 | – | 3.5 | 1.3 | 5.8 |

## 25 Provisions continued

| | Company | | | | |
|---|---|---|---|---|---|
| | 2024 | | | 2023 | |
| Provisions | Redundancy £m | Dilapidations £m | Total £m | Scheme £m | Total £m |
| At 1 January | — | — | — | 0.1 | 0.1 |
| Created in the year | 2.5 | 5.3 | 7.8 | — | — |
| Utilised in the year | (2.2) | — | (2.2) | (0.1) | (0.1) |
| Released in the year | — | — | — | — | — |
| **At 31 December** | 0.3 | 5.3 | 5.6 | — | — |

### Customer compliance: £7.4m (2023: £3.5m)

The customer remediation provision relates to general customer compliance matters. This includes the costs of processing a temporary uplift in unmerited customer claims from CMCs (uphold rate only 11%). An amount for expected FOS fees is also included in the provision.

### Dilapidations: £6.4m (2023: £0.2m); Company: £5.3m (2023: £nil)

Additional dilapidations costs recognised in 2024 and provisions now being held for all properties.

### The Scheme of Arrangement (the Scheme): Group: £nil (2023: £1.0m); Company: £nil (2023: £nil)

The Scheme of Arrangement was sanctioned on 30 July 2021 with the objective to ensure all customers with redress claims are treated fairly and outstanding claims are treated consistently for all customers who submit a claim under the Scheme.

Customer settlements in relation to the Scheme of Arrangement commenced in 2022. All remaining provision was released through exceptionals in 2024 and the Scheme closed.

Other provisions predominantly include:

### Redundancy £1.3m (2023: £nil) Company: £0.3m (2023: £nil)

Costs expected to be paid out as part of redundancy programmes during the year.

### Legal settlement £nil (2023: £nil)

Amounts were recognised in the year for an expected settlement with a third party. The amount was agreed and the provision transferred to accruals in advance of being settled in early 2025.

### Other: £0.4m (2023: £1.1m)

This predominantly relates to smaller provisions held.

## 26 Lease liabilities

A maturity analysis of the lease liabilities is shown below:

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Due within one year | 12.5 | 10.7 | 4.7 | 3.7 |
| Due between one and five years | 13.7 | 21.2 | 3.2 | 5.3 |
| Due in more than five years | 9.0 | 12.7 | 4.8 | 6.4 |
| **Total** | 35.2 | 44.6 | 12.7 | 15.4 |
| Unearned finance cost | (2.7) | (3.7) | (1.4) | (1.8) |
| **Total lease liabilities** | 32.5 | 40.9 | 11.3 | 13.6 |

Right of use assets are disclosed in note 16.

Lease payments for the Group of £12.7m (2023: £11.2m) include: (i) capital repayments of £9.7m (2023: £10.2m); (ii) interest of £3.0m (2023: £1.0m); and (iii) short-term lease cash outflows of £nil (2023: £nil). At 31 December 2024, the Group is also committed to £nil (2023: £nil) for short-term leases. Total cash outflows for the Company amounted to £5.2m (2023: £4.4m) and include: (i) capital repayments of £3.0m (2023: £4.0m); and (ii) interest of £2.2m (2023: £0.4m).

## Notes to the financial statements continued

### 27 Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | 2024 £m | 2023 £m | 2024 £m | 2023 £m |
| Retail deposits | 2,428.2 | 1,950.5 | — | — |
| Bank and other borrowings | 412.5 | 583.5 | 207.2 | 206.7 |
| Total | 2,840.7 | 2,534.0 | 207.2 | 206.7 |
| Fair value adjustment for hedged risk | (2.5) | (1.0) | (2.5) | (1.0) |
| **Total reported retail deposits and borrowings** | 2,838.2 | 2,533.0 | 204.7 | 205.7 |

#### (a) Facilities and borrowings

A breakdown of retail deposits and borrowings is shown below:

| | Group | |
|---|---|---|
| | 2024 £m | 2023 £m |
| Retail deposits: | 2,398.9 | 1,924.9 |
| – accrued interest | 29.3 | 25.6 |
| **Total retail deposits (note (b))** | 2,428.2 | 1,950.5 |
| Bank and other borrowings: | | |
| – Vehicle Finance securitisation (note (e)) | 200.0 | 200.0 |
| – Tier 2 (note (f)) | 200.0 | 200.0 |
| – Central Bank facilities (note (g)) | 5.0 | 174.0 |
| – bank overdrafts | 1.1 | 1.5 |
| – accrued interest | 8.5 | 10.8 |
| – arrangement fees | (2.1) | (2.8) |
| **Total bank and other borrowings** | 412.5 | 583.5 |
| **Total retail deposits and borrowings** | 2,840.7 | 2,534.0 |

#### (b) Retail deposits

Vanquis Bank Limited is a PRA-regulated bank and is majority funded through retail deposits. As at 31 December 2024, £2,428.2m (2023: £1,950.5m) of term, notice and easy access account deposits had been taken. The deposits in issue at 31 December 2024 have been issued at rates of between 0.4% and 6.2%.

A reconciliation of the movement in retail deposits is set out below:

| Group | 2024 £m | 2023 £m |
|---|---|---|
| At 1 January | 1,950.5 | 1,100.6 |
| New funds received | 1,107.5 | 1,100.0 |
| Maturities | (1,082.9) | (529.6) |
| Retentions | 537.1 | 313.4 |
| Cancellations | (135.9) | (68.6) |
| Interest | 51.9 | 34.7 |
| **At 31 December** | 2,428.2 | 1,950.5 |

## 27 Borrowings continued

### (c) Maturity profile

The maturity of retail deposits and borrowings, together with the maturity of facilities, is as follows:

| Group | 2024 Borrowing facilities available £m | 2024 Borrowings £m | 2023 Borrowing facilities available £m | 2023 Borrowings £m |
|---|---|---|---|---|
| Repayable: | | | | |
| On demand (uncommitted) | 377.1 | 377.1 | 1.5 | 1.5 |
| In less than one year | 1,462.9 | 1,462.9 | 1,115.4 | 1,115.4 |
| Between one and two years | 621.4 | 621.4 | 803.8 | 803.8 |
| Between two and five years | 143.6 | 143.6 | 379.7 | 379.7 |
| In more than five years | 200.0 | 200.0 | 200.0 | 200.0 |
| Accrued interest | — | 37.8 | — | 36.4 |
| Arrangement fees | — | (2.1) | — | (2.8) |
| **Total Group** | 2,805.0 | 2,840.7 | 2,500.4 | 2,534.0 |

Retail deposits and borrowings are stated after deducting £2.1m (2023: £2.8m) of unamortised arrangement fees and the addition of accrued interest of £37.8m (2023: £36.4m).

| Company | 2024 Borrowing facilities available £m | 2024 Borrowings £m | 2023 Borrowing facilities available £m | 2023 Borrowings £m |
|---|---|---|---|---|
| Repayable: | | | | |
| On demand (uncommitted) | — | — | — | — |
| In less than one year | — | — | — | — |
| Between one and two years | — | — | — | — |
| Between two and five years | — | — | — | — |
| In more than five years | 200.0 | 200.0 | 200.0 | 200.0 |
| Accrued interest | — | 8.2 | — | 8.2 |
| Arrangement fees | — | (1.0) | — | (1.5) |
| **Total Company** | 200.0 | 207.2 | 200.0 | 206.7 |

As at 31 December 2024, the weighted average period to maturity of the Group's committed facilities, including retail deposits, was 1.3 years (2023: 1.8 years) and for the Company's committed facilities was 7.0 years (2023: 8.0 years). Excluding retail deposits, the weighted average period to maturity of the Group's committed facilities was 4.7 years (2023: 3.7 years).

### (d) Interest rate and currency profile

The interest rate exposure on retail deposits and borrowings is as follows:

| | Group 2024 £m | Group 2023 £m | Company 2024 £m | Company 2023 £m |
|---|---|---|---|---|
| Fixed | 1,644.7 | 2,157.2 | 207.2 | 206.7 |
| Floating | 1,196.0 | 376.8 | — | — |
| **Total** | 2,840.7 | 2,534.0 | 207.2 | 206.7 |

All retail deposits and borrowings are in sterling; therefore, there is no foreign exchange exposure in the current or prior year.

### (e) Vehicle Finance securitisation

The Group renegotiated the bilateral securitisation facility in December 2024; the facility has a 12-month amortisation period (if not refinanced) commencing in June 2026 and an ultimate maturity date in June 2027.

### (f) Tier 2

On 7 October 2021, the Group issued Tier 2 subordinated bonds for a total amount of £200m. The bonds have a 10.25-year maturity that is callable at the Group's discretion between 5 and 5.25 years, and that pays a coupon of 8.875%. The issuance was written from the Group's £2bn EMTN Programme.

## Notes to the financial statements continued

### 27 Borrowings continued

#### (g) Central Bank Facilities

In January 2021, Vanquis Bank Limited, via a special purpose entity, issued a series of asset backed floating rate notes as part of the securitisation of Credit Card receivables. The senior notes issued in the transaction have been rated AAAsf/Aaa(sf)/AAAsf by Fitch Ratings, Kroll Bond Rating Agency and Standard & Poor's, respectively, and the bonds are listed on the London Stock Exchange.

During the year, the Group has utilised facilities provided by the Bank of England through its Sterling Monetary Framework. These facilities enable either funding on or off-balance sheet liquidity to be provided to Vanquis Bank Limited on the security of eligible collateral, currently in the form of designated pools of the Bank's notes described above, with the amount available based on the value of the security given, subject, where appropriate, to a haircut.

Drawings under the Term Funding Scheme for SMEs (TFSME) (2023: £174m) were full repaid during the year. Drawings under the Indexed Long-Term Repo (ILTR) scheme of £5.0m (2023: £nil) have a maturity of six months on drawdown and a rate of interest set in an auction process. At 31 December 2024, the average rate of interest on the Group's ILTR drawings was 0.15% above BBR. The Group makes drawings under the ILTR programme from time to time for liquidity purposes.

#### (h) Undrawn committed borrowing facilities

The Group and Company had no undrawn committed borrowing facilities at the end of 2024 or 2023.

#### (i) Weighted average interest rates and periods to maturity

The weighted average interest rate and the weighted average period to maturity of the Group and Company's fixed-rate retail deposits and borrowings are as follows:

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | 2024 | | 2023 | |
| | Weighted average interest rate % | Weighted average period to maturity years | Weighted average interest rate % | Weighted average period to maturity years | Weighted average interest rate % | Weighted average period to maturity years | Weighted average interest rate % | Weighted average period to maturity years |
| Sterling | **5.0** | **1.2** | 5.0 | 1.8 | **8.9** | **7.0** | 8.9 | 8.0 |

#### (j) Fair values

The fair values of the Group and Company's retail deposits and borrowings are compared to their book values as follows:

| | Group 2024 | | Company 2024 | |
|---|---|---|---|---|
| | Book value £m | Fair value £m | Book value £m | Fair value £m |
| Retail deposits | **2,428.2** | **2,400.4** | **–** | **–** |
| Bank loans and overdrafts | **1.1** | **1.1** | **–** | **–** |
| Securitisation | **200.0** | **199.1** | **–** | **–** |
| Tier 2 | **204.7** | **168.8** | **204.7** | **168.8** |
| Central Bank facilities | **4.2** | **4.2** | **–** | **–** |
| **Total** | **2,838.2** | **2,773.6** | **204.7** | **168.8** |

| | Group 2023 | | Company 2023 | |
|---|---|---|---|---|
| | Book value £m | Fair value £m | Book value £m | Fair value £m |
| Retail deposits | 1,950.5 | 1,916.2 | – | – |
| Bank loans and overdrafts | 1.5 | 1.5 | – | – |
| Securitisation | 200.2 | 200.8 | – | – |
| Tier 2 | 205.7 | 184.1 | 205.7 | 184.1 |
| Central Bank facilities | 175.1 | 175.1 | – | – |
| **Total** | 2,533.0 | 2,477.7 | 205.7 | 184.1 |

All the above numbers include interest, fees and fair value adjustment for hedged risk.

## 28 Financial instruments

### (a) Classification and measurement

The following table sets out the carrying value of the Group's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

| | 2024 | | | |
|---|---|---|---|---|
| Group | Items held at FVTPL £m | Amortised cost £m | Non-financial assets/liabilities £m | Total £m |
| **Assets** | | | | |
| Cash and cash equivalents | — | 1,003.9 | — | 1,003.9 |
| Amounts receivable from customers | — | 2,153.7 | — | 2,153.7 |
| Trade and other receivables | — | 42.4 | 30.1 | 72.5 |
| Investments held at fair value through profit and loss | 2.3 | — | — | 2.3 |
| Current tax asset | — | — | 3.9 | 3.9 |
| Property, plant and equipment | — | — | 7.1 | 7.1 |
| Right of use assets | — | — | 16.4 | 16.4 |
| Goodwill | — | — | 1.2 | 1.2 |
| Other intangible assets | — | — | 61.5 | 61.5 |
| Retirement benefit asset | — | — | 27.8 | 27.8 |
| Deferred tax assets | — | — | 25.0 | 25.0 |
| **Total assets** | 2.3 | 3,200.0 | 173.0 | 3,375.3 |
| **Liabilities** | | | | |
| Trade and other payables | — | 46.1 | — | 46.1 |
| Provisions | — | — | 15.5 | 15.5 |
| Lease liabilities | — | 32.5 | — | 32.5 |
| Retail deposits | — | 2,428.2 | — | 2,428.2 |
| Bank and other borrowings | — | 410.0 | — | 410.0 |
| Derivative financial instruments | 1.8 | — | — | 1.8 |
| **Total liabilities** | 1.8 | 2,916.8 | 15.5 | 2,934.1 |

## Notes to the financial statements continued

## 28 Financial instruments continued

### (a) Classification and measurement continued

The carrying value for all financial assets represents the maximum exposure to credit risk.

| Group | 2023 (restated)[1] Items held at FVTPL £m | Amortised cost £m | Non-financial assets/liabilities £m | Total £m |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | – | 743.3 | – | 743.3 |
| Amounts receivable from customers | – | 2,155.8 | – | 2,155.8 |
| Trade and other receivables | – | 27.6 | 28.3 | 55.9 |
| Investments held at fair value through profit and loss | 5.4 | – | – | 5.4 |
| Current tax asset | – | – | 8.3 | 8.3 |
| Property, plant and equipment | – | – | 8.1 | 8.1 |
| Right of use assets | – | – | 23.2 | 23.2 |
| Goodwill | – | – | 72.4 | 72.4 |
| Other intangible assets | – | – | 74.4 | 74.4 |
| Retirement benefit asset | – | – | 38.2 | 38.2 |
| Derivative financial instruments | 1.3 | – | – | 1.3 |
| Deferred tax assets | – | – | 8.4 | 8.4 |
| **Total assets** | 6.7 | 2,926.7 | 261.3 | 3,194.7 |
| **Liabilities** | | | | |
| Trade and other payables | – | 44.1 | – | 44.1 |
| Provisions | – | – | 5.8 | 5.8 |
| Lease liabilities | – | 40.9 | – | 40.9 |
| Retail deposits | – | 1,950.5 | – | 1,950.5 |
| Bank and other borrowings | – | 582.5 | – | 582.5 |
| Derivative financial instruments | 1.8 | – | – | 1.8 |
| **Total liabilities** | 1.8 | 2,618.0 | 5.8 | 2,625.6 |

1 Refer to accounting policies for detail of restatement.

Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

| Company | 2024 Items held at FVTPL £m | Amortised cost £m | Non-financial assets/ liabilities £m | Total £m |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | – | 10.5 | – | 10.5 |
| Trade and other receivables | – | 768.4 | – | 768.4 |
| Property, plant and equipment | – | – | 0.5 | 0.5 |
| Right of use assets | – | – | 7.4 | 7.4 |
| Other intangible assets | – | – | 1.4 | 1.4 |
| Investment in subsidiaries | – | – | 247.9 | 247.9 |
| Retirement benefit asset | – | – | 27.8 | 27.8 |
| Derivative financial instruments | 0.6 | – | – | 0.6 |
| **Total assets** | 0.6 | 778.9 | 285.0 | 1,064.5 |
| **Liabilities** | | | | |
| Trade and other payables | – | 20.9 | – | 20.9 |
| Provisions | – | – | 5.6 | 5.6 |
| Lease liabilities | – | 11.3 | – | 11.3 |
| Bank and other borrowings | – | 204.7 | – | 204.7 |
| Derivative financial instruments | 1.7 | – | – | 1.7 |
| Current tax liabilities | – | – | 8.2 | 8.2 |
| Deferred tax liabilities | – | – | 5.6 | 5.6 |
| **Total liabilities** | 1.7 | 236.9 | 19.4 | 258.0 |

## 28 Financial instruments continued

### (a) Classification and measurement continued

| Company | 2023 Items held at FVTPL £m | Amortised cost £m | Non-financial assets/ liabilities £m | Total £m |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | – | 14.7 | – | 14.7 |
| Trade and other receivables | – | 913.0 | 1.9 | 914.9 |
| Property, plant and equipment | – | – | 0.7 | 0.7 |
| Right of use assets | – | – | 10.9 | 10.9 |
| Other intangible assets | – | – | 1.7 | 1.7 |
| Investment in subsidiaries | – | – | 241.6 | 241.6 |
| Retirement benefit asset | – | – | 38.2 | 38.2 |
| Derivative financial instruments | 1.0 | – | – | 1.0 |
| **Total assets** | 1.0 | 927.7 | 295.0 | 1,223.7 |
| **Liabilities** | | | | |
| Trade and other payables | – | 235.4 | – | 235.4 |
| Current tax liability | – | – | 3.1 | 3.1 |
| Provisions | – | – | – | – |
| Lease liabilities | – | 13.6 | – | 13.6 |
| Bank and other borrowings | – | 205.7 | – | 205.7 |
| Derivative financial instruments | 3.0 | – | – | 3.0 |
| Deferred tax liabilities | – | – | 7.8 | 7.8 |
| **Total liabilities** | 3.0 | 454.7 | 7.8 | 468.6 |

### (b) Fair values of financial assets and liabilities held at fair value

The Group and Company hold certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy on the degree to which the fair value is observable.

The following financial assets and liabilities are held at fair value:

| | Group | | | | | | Company | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2024** | | | 2023 | | | **2024** | | | 2023 | | |
| | **Level 1 £m** | **Level 2 £m** | **Level 3 £m** | Level 1 £m | Level 2 £m | Level 3 £m | **Level 1 £m** | **Level 2 £m** | **Level 3 £m** | Level 1 £m | Level 2 £m | Level 3 £m |
| Investments held at fair value through P&L: | | | | | | | | | | | | |
| – Visa Inc shares | **–** | **–** | **2.3** | – | – | 5.4 | **–** | **–** | **–** | – | – | – |
| Derivatives held at fair value through P&L: | | | | | | | | | | | | |
| – securitisation balance guarantee swap | **–** | **–** | **(0.3)** | – | – | 1.3 | **–** | **–** | **–** | – | – | – |
| – Group balance guarantee swap | **–** | **–** | **(0.2)** | – | – | (1.8) | **–** | **–** | **(0.2)** | – | – | (1.8) |
| – Tier 2 swap | **–** | **(1.3)** | **–** | – | – | – | **–** | **(1.3)** | **–** | – | – | – |
| – internal retail deposit swaps | **–** | **–** | **–** | – | – | – | **–** | **0.4** | **–** | – | (0.2) | – |
| **Total** | **–** | **(1.3)** | **1.8** | – | – | 4.9 | **–** | **0.9** | **(0.2)** | – | (0.2) | (1.8) |

Level 1 fair value measurements are those derived from quoted market prices in active markets for identical assets and liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly. The Tier 2 swap and internal deposit swaps, which are over-the-counter vanilla swaps that are not publicly traded, are classified as Level 2 instruments as their valuation can be easily reproduced with publicly available information.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Visa Inc shares and the balance guarantee swaps are classified as Level 3 instruments.

Transfers between the different levels of the fair value hierarchy would be made when the inputs used to measure the fair value no longer satisfy the conditions required to be classified in a certain level within the hierarchy.

## Notes to the financial statements continued

### 28 Financial instruments continued

#### (b) Fair values of financial assets and liabilities held at fair value continued

**Balance guarantee swaps**

The Securitisation and Group balance guarantee swaps are classed as Level 3 instruments as, whilst the swaps are linked to SONIA, they have a non-standard repayment curve that is tailored to match the expected repayment profile of the Vehicle Finance receivables. This is a combination of the remaining contractual term and an assumption about prepayment rates. Both of these are deemed to be unobservable inputs with the prepayment rate being the significant input.

A 5% movement on the prepayment rate would not have a material impact on the Group's and Company's profit before tax.

**Visa Inc shares**

The valuation has been determined using a combination of observable and non-observable inputs. As the common stock share price of Visa Inc is readily available, this input is deemed to be observable. However, certain assumptions have been made in respect of the illiquidity adjustment to the share price and the likelihood of future litigation costs. These inputs are therefore deemed to be significant unobservable inputs.

The following table sets out their movement during the year:

| | Group | |
|---|---|---|
| | **2024 £m** | 2023 £m |
| At 1 January | **5.4** | 10.7 |
| Gain recognised in income statement | **1.2** | 0.9 |
| Disposal of investment | **(4.3)** | (6.2) |
| **At 31 December** | **2.3** | 5.4 |

The illiquidity adjustment for the shares still held has been estimated at around 6% and the expected future litigation costs have been estimated at around 15% of the Visa Inc share price. These assumptions are consistent with 2023.

The higher the illiquidity and future litigation costs the lower the fair value. A sensitivity to the unobservable inputs, in isolation, would not have a material impact on the Group's profit before tax.

**Interest rate swap**

The Group is counterparty to three external swaps. These swaps are detailed below:

- Tier 2 swap: transacted to manage the interest rate risk on the Tier 2 capital;
- SPV balance guarantee swap: transacted to manage the interest rate risk on the Vehicle Finance securitisation in the SPV's accounts; and
- Group balance guarantee swap: transacted to reverse the interest rate risk position in the Group accounts created by the SPV balance guarantee swap.

The Group balance guarantee swap was transacted at historical rates and, in compensation, the Group received cash consideration for taking on a liability.

The following table sets out the movement during the year:

| | Group | | Company | |
|---|---|---|---|---|
| | **2024 £m** | 2023 £m | **2024 £m** | 2023 £m |
| At 1 January | **(0.5)** | (4.0) | **(2.0)** | (15.3) |
| Fair value (loss)/gain recognised in income statement | **(1.3)** | 3.5 | **0.9** | 13.3 |
| **At 31 December** | **(1.8)** | (0.5) | **(1.1)** | (2.0) |

The fair value loss recognised in the Group's income statement of £1.3m (2023: gain of £3.5m) is before the application of hedge accounting. The effect of applying hedge accounting resulted in a gain of £0.2m (2023: £1.1m). The fair value loss recognised in the Company's income statement of £0.9m (2023: gain of £13.3m) is before the application of hedge accounting. The effect of applying hedge accounting resulted in a gain of £2.4m (2023: £9.7m).

The Company accounts do not include the securitisation balance guarantee swap, and therefore do not benefit from the natural hedging that is achieved on consolidation.

## 28 Financial instruments continued

### (c) Fair values of financial assets and liabilities not held at fair value

The table below shows the fair value of financial assets and liabilities not presented at fair value in the balance sheet:

| Group | 2024 Fair value £m | 2024 Book value £m | 2023 Fair value £m | 2023 Book value £m |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **1,003.9** | **1,003.9** | 743.3 | 743.3 |
| Amounts receivable from customers | **2,488.5** | **2,153.7** | 2,780.5 | 2,155.8 |
| Trade and other receivables | **72.5** | **72.5** | 55.9 | 55.9 |
| **Total assets** | **3,564.9** | **3,230.1** | 3,579.7 | 2,955.0 |
| **Liabilities** | | | | |
| Retail deposits | **2,400.4** | **2,428.2** | 1,916.2. | 1,950.5 |
| Bank and other borrowings | **373.2** | **410.0** | .561.5 | 582.5 |
| Trade and other payables | **46.1** | **46.1** | 44.1 | 44.1 |
| Lease liabilities | **32.5** | **32.5** | 40.9 | 40.9 |
| **Total liabilities** | **2,852.2** | **2,916.8** | 2,562.7 | 2,618.0 |

| Company | 2024 Fair value £m | 2024 Book value £m | 2023 Fair value £m | 2023 Book value £m |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash and cash equivalents | **10.5** | **10.5** | 14.7 | 14.7 |
| Trade and other receivables | **768.4** | **768.4** | 914.9 | 914.9 |
| **Total assets** | **778.9** | **778.9** | 929.6 | 929.6 |
| **Liabilities** | | | | |
| Bank and other borrowings | **168.8** | **204.7** | 184.1 | 205.7 |
| Trade and other payables | **20.9** | **20.9** | 235.4 | 235.4 |
| Lease liabilities | **11.3** | **11.3** | 13.6 | 13.6 |
| **Total liabilities** | **201.0** | **236.9** | 433.1 | 454.7 |

Key considerations in the calculation of fair values of those financial assets and liabilities not presented at fair value in the balance sheet are set out below. Where there is no significant difference between carrying value and fair value no additional information has been presented.

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (net of collection costs) at the credit risk-adjusted discount rate at the balance sheet date. They are categorised within Level 3 as the expected future cash flows and discount rate are deemed to be significant unobservable inputs.

The fair value of retail deposits has been calculated by discounting the expected future cash flows at the relevant market interest rate yield curves prevailing at the balance sheet date and they are categorised within Level 3 of the fair value hierarchy as the expected future cash flows are deemed to be significant unobservable inputs.

Within bank and other borrowings, the Tier 2 capital is classed as Level 1 as it is valued with quoted market prices. Central Bank facilties are floating rate instruments with a fair value equivalent to book value. The fair value of the securitisation was calculated using a discounted cash flow and is classed as Level 3. Whilst it uses publicly available information for the discount rate, the cash flow forecast is not publicly available.

## 29 Share capital

| Group and Company | | 2024 Issued and fully paid | 2023 Issued and fully paid |
|---|---|---|---|
| Ordinary shares of 20 8/11p each | – £m | **53.2** | 53.2 |
| | – number (m) | **256.5** | 256.5 |

## Notes to the financial statements continued

### 29 Share capital continued

The movement in the number of shares in issue during the year was as follows:

| Group and Company | 2024 m | 2023 m |
|---|---|---|
| At 1 January | 256.5 | 253.8 |
| Shares issued pursuant to the exercise/vesting of options and awards | – | 0.1 |
| Shares issued on acquisition of Snoop | – | 2.6 |
| **At 31 December** | 256.5 | 256.5 |

There were no shares issued in 2024. In 2023, the shares issued pursuant to the exercise/vesting of options and awards comprised 54,638 ordinary shares, with a nominal value of £11,325 and an aggregate consideration of less than £0.1m.

On 7 August 2023, 2,588,523 ordinary shares with a nominal value of £536,747 were issued as part of the consideration paid in the acquisition of Snoop.

Vanquis Banking Group plc sponsors the Provident Financial plc 2007 Employee Benefit Trust (EBT) which is a discretionary trust established for the benefit of the employees of the Group. The Company has appointed SG Kleinwort Hambros Trust Company (CI) Limited to act as trustee of the EBT. The trustee has waived the right to receive dividends on the shares it holds. As at 31 December 2024, the EBT held 1,020,669 (2023: 1,869,980) shares in the Company with a cost of £0.2m (2023: £0.4m) and a market value of £0.5m (2023: £2.4m). The shares have been acquired by the EBT to meet obligations under the Provident Financial Deferred Bonus Plan, the Restricted Share Plan and the Company Share Option Plan.

### 30 Share-based payments

The Group issues share options and awards to employees as part of its employee remuneration packages. The Group operates five equity-settled share schemes: the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP), the Company Share Option Plan (CSOP), employees' savings-related share option schemes typically referred to as Save As You Earn schemes (SAYE), and the Deferred Bonus Plan (DBP).

When an equity-settled share option or award is granted, a fair value is calculated based on the share price at grant date, the probability of the option/award vesting, the Group's recent share price volatility, and the risk associated with the option/award. A fair value is calculated based on the value of awards granted and adjusted at each balance sheet date for the probability of vesting against performance conditions.

The fair value of all options/awards is charged to the income statement on a straight-line basis over the vesting period of the underlying option/award.

During 2024, awards/options have been granted under the RSP scheme (2023: awards/options have been granted under the RSP/CSOP, DBP, LTIS and SAYE (UK) schemes).

#### (a) Equity-settled schemes

The charge to the income statement in 2023 for equity-settled schemes was £2.7m for the Group (2023: £4.6m) and £1.5m for the Company (2023: £2.4m).

The fair value per award/option granted and the assumptions used in the calculation of the equity-settled share-based payment charges for the Group and the Company are as follows:

| | 2024 | 2023 | | | |
|---|---|---|---|---|---|
| Group | RSP | RSP/CSOP | DBP/PSP | LTIS | SAYE |
| Grant date | 7 May 2024 | 8 Sep 2023 & 11 Apr 2023 | 11 Apr 2023 | 8 Sep 2023 | 3 Oct 2023 |
| Share price at grant date (£) | 0.50 | 1.17 & 2.31 | 2.31 | 1.17 | 1.19 |
| Exercise price (£) | – | – | – | – | 0.87 |
| Vesting period (years) | 3 | 3 | 3 | 4 | 3 & 5 |
| Expected volatility | – | – | – | – | 52.0%–56.7% |
| Award/option life (years) | 3 | 3 | 3 | 4 | Up to 5 |
| Expected life (years) | 3 | 3 | 3 | 4 | Up to 5 |
| Risk-free rate | – | – | – | – | 4.7%–4.9% |
| Expected dividends expressed as a dividend yield | – | – | – | – | 3.4%–6.9% |
| Fair value per award/option (£) | 0.48 | 0.75 & 1.84 | 1.84 | 0.75 | 0.25–0.26 |

The expected volatility is based on historical volatility over the last three or five years depending on the length of the option/award. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero coupon UK Government bonds of a similar duration to the life of the share option.

## 30 Share-based payments continued

### (a) Equity-settled schemes continued

A reconciliation of award/share option movements during the year is shown below:

| Group | RSP/CSOP Number | RSP/CSOP Weighted average exercise price £ | DBP Number | DBP Weighted average exercise price £ | LTIS Number | LTIS Weighted average exercise price £ | SAYE Number | SAYE Weighted average exercise price £ |
|---|---|---|---|---|---|---|---|---|
| Outstanding at 1 January 2024 | 6,479,601 | — | 664,572 | — | 2,821,336 | — | 5,795,672 | 1.04 |
| Awarded/granted | 5,093,207 | — | — | — | — | — | — | — |
| Lapsed | (1,660,998) | — | — | — | — | — | (2,464,291) | 1.19 |
| Vested | — | — | — | — | — | — | — | — |
| Exercised | (756,405) | — | — | — | — | — | — | — |
| **Outstanding at 31 December 2024** | 9,155,405 | — | 664,572 | — | 2,821,336 | — | 3,331,381 | 0.93 |
| Exercisable at 31 December 2024 | 166,038 | — | — | — | — | — | 86,387 | 1.01 |

| Group | RSP/CSOP Number | RSP/CSOP Weighted average exercise price £ | DBP Number | DBP Weighted average exercise price £ | LTIS Number | LTIS Weighted average exercise price £ | SAYE Number | SAYE Weighted average exercise price £ |
|---|---|---|---|---|---|---|---|---|
| Outstanding at 1 January 2023 | 5,106,736 | — | 586,104 | — | 8,407 | — | 2,980,151 | 1.77 |
| Awarded/granted | 4,593,575 | — | 315,661 | — | 2,821,336 | — | 4,739,225 | 0.87 |
| Lapsed | (2,055,397) | — | — | — | (8,407) | — | (1,869,066) | 1.73 |
| Vested | (313,610) | — | (237,193) | — | — | — | — | — |
| Exercised | (851,703) | — | — | — | — | — | (54,638) | 1.82 |
| **Outstanding at 31 December 2023** | 6,479,601 | — | 664,572 | — | 2,821,336 | — | 5,795,672 | 1.04 |
| Exercisable at 31 December 2023 | 12,870 | — | — | — | — | — | 38,292 | 1.65 |

The amounts included in the RSP/CSOP table reflect the total amount of shares awarded under both schemes.

Share awards outstanding under the LTIS at 31 December 2024 had an exercise price of £nil (2023: £nil) and a weighted average remaining contractual life of 2.7 years (2023: 3.8 years). Share options outstanding under the SAYE schemes at 31 December 2024 had exercise prices ranging from 87p to 284p (2023: 87p to 323p) and a weighted average remaining contractual life of 0.9 years (2023: 1.8 years). Share awards outstanding under the DBP schemes at 31 December 2024 had an exercise price of £nil (2023: £nil) and a weighted average remaining contractual life of 0.7 years (2023: 1.4 years). Share awards outstanding under the RSP at 31 December 2024 have an exercise price of £nil (2023: £nil) and a weighted average remaining contractual life of 1.6 years (2023: 1.7 years). Share awards outstanding under the CSOP schemes at 31 December 2024 had exercise prices ranging from 48p to 296p (2023: 75p to 334p) and a weighted average remaining contractual life of 1.6 years (2023: 1.7 years).

| Company | RSP/CSOP Number | RSP/CSOP Weighted average exercise price £ | DBP/PSP Number | DBP/PSP Weighted average exercise price £ | SAYE Number | SAYE Weighted average exercise price £ |
|---|---|---|---|---|---|---|
| Outstanding at 1 January 2024 | 4,286,055 | — | 571,865 | — | 1,019,026 | 1.10 |
| Awarded/granted | 3,513,681 | — | — | — | — | — |
| Lapsed | (1,190,461) | — | — | — | (285,676) | 1.15 |
| Vested | — | — | — | — | — | — |
| Exercised | (468,406) | — | — | — | — | — |
| **Outstanding at 31 December 2024** | 6,140,869 | — | 571,865 | — | 733,350 | 0.93 |
| Exercisable at 31 December 2024 | 107,486 | — | — | — | 12,587 | 1.43 |

## Notes to the financial statements continued

### 30 Share-based payments continued

#### (a) Equity-settled schemes continued

| Company | RSP/CSOP Number | RSP/CSOP Weighted average exercise price £ | DBP/PSP Number | DBP/PSP Weighted average exercise price £ | SAYE Number | SAYE Weighted average exercise price £ |
|---|---|---|---|---|---|---|
| Outstanding at 1 January 2023 | 3,110,201 | – | 429,067 | – | 510,019 | 1.74 |
| Awarded/granted | 3,099,161 | – | 315,661 | – | 888,996 | 0.87 |
| Lapsed | (1,360,464) | – | – | – | (362,957) | 1.67 |
| Vested | (117,589) | – | (172,863) | – | – | – |
| Exercised | (445,254) | – | – | – | (17,032) | 1.82 |
| **Outstanding at 31 December 2023** | 4,286,055 | – | 571,865 | – | 1,019,026 | 1.10 |
| Exercisable at 31 December 2023 | – | – | – | – | – | – |

Share options outstanding under the SAYE schemes at 31 December 2024 had exercise prices ranging from 87p to 284p (2023: 87p to 323p) and a weighted average remaining contractual life of 0.9 years (2023: 1.4 years). Share awards outstanding under the DBP/PSP schemes at 31 December 2024 had an exercise price of £nil (2023: £nil) and a weighted average remaining contractual life of 0.8 years (2023: 1.8 years). Share awards outstanding under the RSP schemes at 31 December 2024 had an exercise price of £nil (2023: £nil) and a weighted average remaining contractual life of 1.6 years (2023: 1.7 years). Share awards outstanding under the CSOP schemes at 31 December 2024 had exercise prices ranging from 48p to 296p (2023: 75p to 334p) and a weighted average remaining contractual life of 1.6 years (2023: 1.7 years).

### 31 Other reserves

| Group | Profit retained by subsidiary £m | Capital redemption reserve £m | Share-based payment reserve £m | Total other reserves £m |
|---|---|---|---|---|
| At 1 January 2023 | 0.8 | 3.6 | 8.0 | 12.4 |
| Share-based payment charge (note 30) | – | – | 4.6 | 4.6 |
| Transfer of share-based payment reserve on vesting of share awards | – | – | (4.9) | (4.9) |
| **At 31 December 2023** | 0.8 | 3.6 | 7.7 | 12.1 |
| At 1 January 2024 | **0.8** | **3.6** | **7.7** | **12.1** |
| Share-based payment charge (note 30) | **–** | **–** | **2.7** | **2.7** |
| Transfer of share-based payment reserve on vesting of share awards | **–** | **–** | **(4.0)** | **(4.0)** |
| **At 31 December 2024** | **0.8** | **3.6** | **6.4** | **10.8** |

The capital redemption reserve represents profits on the redemption of preference shares arising in prior years, together with the capitalisation of the nominal value of shares purchased and cancelled, net of the utilisation of this reserve to capitalise the nominal value of shares issued to satisfy scrip dividend elections.

The share-based payment reserve reflects the corresponding credit entry to the cumulative share-based payment charges made through the income statement as there is no cash cost or reduction in assets from the charges. When options and awards vest, that element of the share-based payment reserve relating to those awards and options is transferred to retained earnings.

| Company | Capital redemption reserve £m | Share-based payment reserve £m | Total other reserves £m |
|---|---|---|---|
| At 1 January 2023 | 3.6 | 8.0 | 11.6 |
| Share-based payment charge (note 30) | – | 2.5 | 2.5 |
| Transfer of share-based payment reserve on vesting of share awards | – | (2.6) | (2.6) |
| Share-based payment movement in investment in subsidiaries | – | (0.2) | (0.2) |
| **At 31 December 2023** | 3.6 | 7.7 | 11.3 |
| At 1 January 2024 | **3.6** | **7.7** | **11.3** |
| Share-based payment charge (note 30) | **–** | **1.5** | **1.5** |
| Transfer of share-based payment reserve on vesting of share awards | **–** | **(1.7)** | **(1.7)** |
| Share-based payment movement in investment in subsidiaries | **–** | **(1.1)** | **(1.1)** |
| **At 31 December 2024** | **3.6** | **6.4** | **10.0** |

## 31 Other reserves continued

Company distributable reserves include: (i) retained earnings, adjusted to reflect the unrealised gain on the retirement benefit asset; (ii) share-based payment reserve, net of deferred tax and the IFRIC 11 adjustment; and (iii) merger reserve. The distributable reserves do not include distributable reserves currently held within subsidiary companies.

## 32 Related party transactions

The Company recharges the pension scheme referred to in note 21 with a proportion of the costs of administration and professional fees incurred by the Company. The total amount recharged during the year was £0.3m (2023: £0.4m) and the Company amount payable to the pension scheme at 31 December 2024 was £nil (2023: £0.2m).

Details of the transactions between the Company and its subsidiary undertakings, which comprise management recharges and interest charges on intra-group balances, along with any balances outstanding at 31 December, are set out below:

| | 2024 | | | 2023 | | |
|---|---|---|---|---|---|---|
| Company | Management recharge £m | Interest credit £m | Outstanding balance £m | Management recharge £m | Interest credit £m | Outstanding balance £m |
| Vanquis Bank | 37.5 | (1.9) | 23.2 | 34.1 | (2.6) | 37.4 |
| Moneybarn | 18.1 | — | — | 14.4 | — | — |
| Provident Financial Holdings | — | (63.7) | 729.2 | — | (55.6) | 651.7 |
| Other central companies | (14.1) | 0.3 | (12.7) | (15.5) | 0.2 | 62.4 |
| **Total related party transactions** | 41.5 | (65.3) | 739.7 | 33.0 | (58.0) | 751.5 |

The outstanding balance represents the gross intercompany balance receivable to/(payable by) the Company. The amounts receivable from Vanquis Bank include £23.0m (2023: £15m) in relation to amounts placed on deposit via Vanquis Bank, with the Bank of England, the year-end management recharges and Group relief on trading losses which were settled shortly after the year end by Vanquis Bank.

The following facilities are provided from the Company via Provident Financial Holdings (PFH), the intermediate holding company, to its subsidiaries: (i) £684m facility provided to Moneybarn No. 1 Limited; and (ii) £85m facility to PFG Corporate Services Limited. £50m and £114m of facilities were provided directly to PFH from the Company. The intercompany loans accrue interest at the Company's monthly weighted average cost of funds plus a margin. An upwards funding facility of £396m provided from Moneybarn No. 1 Limited to PFH was removed during 2024.

The net charge (2023: credit) to the income statement for both intercompany and investment provisions in 2024 is £0.2m (2023: £25.9m).

Dividends were received totalling £1.7m in 2024 in relation to non-trading and dormant companies as part of the pre-liquidation steps before the companies were placed into members' voluntary liquidation. Additionally PFH approved and paid dividends to the Company totalling £40.0m and PFH received equivalent dividends from Vanquis Bank.

There are no transactions with directors other than those disclosed in the Directors' Remuneration Report.

## 33 Contingent liabilities

During the ordinary course of business the Group is subject to other complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers, investors or third parties. This extends to legal and regulatory reviews, challenges, investigations and enforcement actions combined with tax authorities taking a view that is different to the view the Group has taken on the tax treatment in its tax returns. It also extends to tax authorities taking the view that VAT-exempt supplies received by the Group from UK-based suppliers should be subject to VAT. All such material matters are periodically assessed, with the assistance of external professional advisors, where appropriate, to determine the likelihood of the Group incurring a liability. In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established for management's best estimate of the amount required at the relevant balance sheet date. In some cases it may not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the merits of the case, and no provisions are held in relation to such matters. However, the Group does not currently expect the final outcome of any such case to have a material adverse effect on its financial position, operations or cash flows.

### Vehicle Finance commissions

On 25 October 2024, the Court of Appeal ruled against two other lenders in three cases involving commission disclosures related to payments to motor finance dealers. The judgment redefined the legal duties of dealers acting as credit brokers, requiring clear disclosure of, and consent to, the existence, nature and amount of any commission paid. The lenders successfully applied for permission to appeal to the Supreme Court, which is due to be heard in early April 2025. Timing of the outcome is uncertain.

Our Vehicle Finance division, Moneybarn, offers motor finance through intermediaries. The majority of these intermediaries are independent credit brokers. From the period January 2013 to October 2024, it wrote £3.0bn of loans of which 10% were written via dealers acting as credit brokers, upon which £23m was paid out as commission.

## Notes to the financial statements continued

### 33 Contingent liabilities continued

**Vehicle Finance commissions** continued

As previously stated, the Group has never entered into any discretionary commission arrangements on our Vehicle Finance products. The Group is therefore not subject to the FCA's Motor Commissions Review which has been focused to date on discretionary commission arrangements.

Following the Court of Appeal ruling the Group reviewed its lending practices and has assessed that there are material factors distinguishing the Moneybarn book from the cases in the Court of Appeal Judgment (including the commission disclosures provided to customers). The Group has assessed the requirement for a provision and as at 31 December 2024 no amounts have been recognised. This is due primarily to the conclusion of the aforementioned review but also the uncertainty of the outcome of the Supreme Court appeal and/or any further judicial or regulatory intervention and other mitigating factors which would need to be considered to reliably measure any provision required under IAS 37. Notwithstanding this, it has enhanced its customer-facing documentation and is updating its intermediary agreements.

The Group has also considered the c.4,400 motor finance commission complaints it had received as at 31 December 2024 which have been ringfenced and paused in line with the FCA's current guidance. No provision has been recognised for these complaints, pending the ruling from the Supreme Court and/or any further judicial or regulatory intervention.

### 34 Reconciliation of (loss)/profit after taxation to cash generated from/(used in) operations

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2024 £m | 2023 (restated)[1] £m | 2024 £m | 2023 £m |
| (Loss)/profit after taxation | | (119.3) | (11.7) | 62.3 | 34.5 |
| Adjusted for: | | | | | |
| – tax (credit)/charge | 6 | (17.0) | (0.3) | 10.0 | 3.7 |
| – finance costs | 3 | 145.4 | 113.4 | 28.0 | 57.3 |
| – finance income | 2 | (47.2) | (30.3) | (69.1) | (90.6) |
| – dividends received | 32 | — | — | (41.7) | (0.4) |
| – share-based payment charge | 30 | 2.7 | 4.6 | 1.5 | 2.5 |
| – retirement benefit credit | 21 | (0.4) | (0.3) | (0.4) | (0.3) |
| – internally generated intangible assets | 19 | (12.5) | — | — | — |
| – amortisation of intangible assets | 19 | 16.9 | 18.5 | 0.3 | 0.4 |
| – impairment of intangible assets | 19 | 8.5 | — | — | — |
| – provisions created in the year | 25 | 30.0 | 11.0 | 7.8 | — |
| – provisions released in the year | 25 | (0.3) | (0.2) | — | — |
| – exceptional release of provisions | 25 | (1.0) | (2.0) | — | — |
| – provisions utilised in the year | 25 | (17.6) | (8.8) | (2.2) | (0.1) |
| – depreciation of property, plant and equipment and right of use assets | 15 16 | 7.5 | 9.1 | 1.5 | 2.9 |
| – exceptional impairment of ROU asset | 16 | 3.5 | 4.1 | 2.9 | — |
| – loss on disposal of property, plant and equipment | 15 | 0.3 | 1.3 | — | — |
| – loss on disposal of intangible assets | 19 | — | 0.5 | — | 0.5 |
| – provision for investment impairment | | — | — | 78.5 | 0.4 |
| – provision for intercompany impairment | | — | — | (78.3) | (26.3) |
| – hedge ineffectiveness | 22 | 1.2 | — | (4.7) | — |
| – fair value movements on Visa shares | 14 | (1.2) | (1.1) | — | — |
| – contributions into the retirement benefit scheme | 21 | (0.8) | (0.8) | (0.8) | (0.8) |
| – goodwill write-off | 18 | 71.2 | — | — | — |
| Changes in operating assets and liabilities: | | | | | |
| – amounts receivable from customers | 12 | 4.4 | (254.2) | — | — |
| – trade and other receivables | 13 | (16.9) | (5.8) | 195.4 | 344.7 |
| – trade and other payables | 24 | 0.6 | (22.0) | (214.5) | (80.4) |
| – movement in retail deposits[2] | 27 | 425.8 | 815.2 | — | — |
| **Cash generated from/(used in) operations** | | 483.8 | 640.2 | (23.5) | 248.0 |

1 Refer to accounting policies for details of restatement.
2 The classification of certain cash flows has been represented in 2023, impacting £1,100.0m in proceeds and £284.8m in repayments related to bank and other borrowings. These amounts, which are no longer considered to be financing cash flows, are now reported within cash generated from operations as an £815.2m movement in retail deposits.

The decrease in amounts receivable from customers of £4.4m (2023: £254.2m increase) includes the non-cash movement in the impairment provision as set out below.

## 34 Reconciliation of (loss)/profit after taxation to cash generated from/(used in) operations continued

| Group | 2024 £m | 2023 (restated)[1] £m |
|---|---|---|
| Cash movement in amounts receivable from customers | 322.9 | (229.5) |
| Non-cash provision movement – allowance account | (318.5) | (24.7) |
| **Net movement in amounts receivable from customers** | **4.4** | **(254.2)** |

1 Refer to accounting policies for details of restatement.

The table below details changes in the Group and Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

Retail deposit movements are no longer considered to be financing cash flows and are therefore no longer presented in the tables below. 2023 has also been represented for this change.

| | 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cash changes | | Non-cash changes | | | | | |
| Group | 1 January 2024 £m | Financing cash flows £m | Lease payments £m | Amortised fees £m | Interest paid £m | Included within overdrafts £m | Derivatives £m | Lease additions and disposals £m | 31 December 2024 £m |
| Bank and other borrowings (note 27) | (582.5) | 169.0 | — | (0.7) | 2.3 | 0.4 | 1.5 | — | (410.0) |
| Lease liabilities (note 26) | (40.9) | — | 12.7 | — | (3.0) | — | — | (1.3) | (32.5) |
| **Total** | (623.4) | 169.0 | 12.7 | (0.7) | (0.7) | 0.4 | 1.5 | (1.3) | (442.5) |

| | 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cash changes | | Non-cash changes | | | | | |
| Group | 1 January 2023 £m | Financing cash flows £m | Lease payments £m | Amortised fees £m | Interest paid £m | Included within overdrafts £m | Derivatives £m | Lease additions and disposals £m | 31 December 2023 £m |
| Bank and other borrowings (note 27) | (815.4) | 238.5 | — | (1.5) | — | (0.5) | (3.6) | — | (582.5) |
| Lease liabilities (note 26) | (49.3) | — | 11.2 | — | (1.0) | — | — | (1.8) | (40.9) |
| **Total** | (864.7) | 238.5 | 11.2 | (1.5) | (1.0) | (0.5) | (3.6) | (1.8) | (623.4) |

| | 2024 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cash changes | | Non-cash changes | | | | | |
| Company | 1 January 2024 £m | Financing cash flows £m | Lease payments £m | Amortised fees £m | Interest paid £m | Derivatives £m | Included within overdrafts £m | Lease additions and disposals £m | 31 December 2024 £m |
| Bank and other borrowings (note 27) | (205.7) | — | — | (0.5) | — | 1.5 | — | — | (204.7) |
| Lease liabilities (note 26) | (13.6) | — | 3.4 | — | (0.4) | — | — | (0.7) | (11.3) |
| **Total** | (219.3) | — | 3.4 | (0.5) | (0.4) | 1.5 | — | (0.7) | (216.0) |

| | 2023 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | Cash changes | | Non-cash changes | | | | | |
| Company | 1 January 2023 £m | Financing cash flows £m | Lease payments £m | Amortised fees £m | Interest paid £m | Derivatives £m | Included within overdrafts £m | Lease additions and disposals £m | 31 December 2023 £m |
| Bank and other borrowings (note 27) | (365.8) | 163.5 | — | (0.8) | 1.0 | (3.6) | — | — | (205.7) |
| Lease liabilities (note 26) | (16.7) | — | 4.4 | — | (0.4) | — | — | (0.9) | (13.6) |
| **Total** | (382.5) | 163.5 | 4.4 | (0.8) | 0.6 | (3.6) | — | (0.9) | (219.3) |

## Notes to the financial statements continued

### 35 Post-balance sheet events

The Group has agreed the sale of its Personal Loan portfolio to Link Financial Limited. As at 31 December 2024, the portfolio consisted of £49m of gross customer interest earning balances and £44m of net receivables. The transaction is expected to generate a small gain on sale, with a proforma Tier 1 capital ratio benefit of c.25bps in 1Q25.

### 36 Details of subsidiary undertakings

The subsidiary undertakings of the Group at 31 December 2024 are shown below. The Company is the parent or ultimate parent of all subsidiaries and they are all 100% owned by the Group.

| Company name | Company number |
|---|---|
| **Registered at No. 1 Godwin Street, Bradford BD1 2SU:** | |
| Provident Financial Holdings Limited | 13061852 |
| Provident SPV Limited[1, 2] | 12988335 |
| Vanquis Bank Limited[1] | 2558509 |
| N&N Simple Financial Solution Limited[1] | 3803565 |
| Cheque Exchange Limited[1] | 2927947 |
| Provident Investments Limited[2] | 4541509 |
| PFG Corporate Services Limited[1] | 13423666 |
| Provfin Limited[1] | 1879771 |
| Provident Yes Car Credit Limited[2] | 4253314 |
| Provident Financial Group Limited | 194214 |
| Yes Car Credit Limited[2] | 3459042 |
| Aquis Cards Limited | 7036307 |
| Provident Financial Trustees (Performance Share Plan) Limited[2] | 4625062 |

| Company name | Company number |
|---|---|
| **Registered at Athena House, Bedford Road, Petersfield, Hampshire GU32 3LJ:** | |
| Moneybarn No. 1 Limited[1] | 4496573 |
| Duncton Group Limited[1] | 6308608 |
| Moneybarn Group Limited[1] | 4525773 |
| Moneybarn Limited[1] | 2766324 |
| **Registered at 10 Norwich Street, London EC4A 1BD:** | |
| Usnoop Limited[1] | 11797870 |
| **Registered at C/O DWF LLP, 2 Semple Street, Edinburgh EH3 8BL:** | |
| Lawson Fisher Limited | SC004758 |

1 Companies whose immediate parent is not Vanquis Banking Group plc.
2 As part of the continued rationalisation of the Group these companies have been placed into members' voluntary liquidation.

The following companies act as a vehicle to allow the securitisation of the Moneybarn customer receivables and Vanquis Bank Limited's drawings under the ILTR. These companies are not owned by Vanquis Banking Group plc but form part of the consolidated Group due to meeting the requirements of IFRS 10 Consolidated Financial Statements.

| Company name | Company number |
|---|---|
| **Registered at 8th Floor, 100 Bishopsgate, London, England EC2N 4AG:** | |
| Moneybarn Financing Limited | 12323134 |

| Company name | Company number |
|---|---|
| **Registered at 10th Floor, 5 Churchill Place, London, England E14 5HU:** | |
| Oban Cards 2021-1 Holdings Limited | 12754762 |
| Oban Cards 2021-1 PLC | 12757121 |
| Oban Cards Receivables Trustee Limited | 12756504 |

The following subsidiaries are taking an audit exemption and are therefore exempt from the requirement to the audit of accounts under section 479A of the Companies Act 2006.

| Company name | Company number |
|---|---|
| N&N Simple Financial Solution Limited | 3803565 |
| Provfin Limited | 1879771 |
| Provident Financial Group Limited | 194214 |
| Duncton Group Limited | 6308608 |
| Moneybarn Group Limited | 4525773 |
| Lawson Fisher Limited | SC004758 |

## Alternative performance measures

In addition to statutory results and KPIs reported under International Financial Reporting Standards (IFRS), the Group provides certain Alternative Performance Measures (APMs). These APMs are used internally by management and are also deemed helpful in understanding the Group's performance. These non-statutory measures should not be considered as replacements for IFRS measures.

Definitions, numerical reconciliations and relevance of APMs presented within this report are set out below. The definition of these non-statutory measures may not be comparable to similarly titled measures reported by other companies. All the below APMs are on a continuing operations basis.

2023 KPIs have been restated where required. Refer to accounting policies for detail of restatement.

| APM | Method of calculation | Relevance |
|---|---|---|
| **Adjusted profit before tax** | A reconciliation of adjusted profit before tax from statutory (loss)/profit for the year attributable to equity shareholders is provided on the income statement; see page 130. | Adjusted profit before tax excludes the impact of amortisation of acquisition intangibles and exceptional items and is used to provide further clarity on the ongoing, underlying financial performance of the divisions and Group. |
| **Net Interest Margin (NIM)** | Interest income less interest expense for the 12 months ended 31 December as a percentage of average gross receivables. | This measure shows the returns generated from customers to allow comparison to other banks and banking groups. |

| | 2024 £m | 2023 £m |
|---|---|---|
| Interest income | **565.4** | 556.0 |
| Interest expense | **(145.4)** | (113.4) |
| Net interest income | **420.0** | 442.6 |
| Average gross receivables | **2,286.0** | 2,375.7 |
| NIM (%) | **18.4%** | 18.6% |

| APM | Method of calculation | Relevance |
|---|---|---|
| **Risk-adjusted margin** | Total income less impairment charges for the 12 months ended 31 December as a percentage of average gross receivables. | This measure shows the returns from customers after impairment charges. |

| | 2024 £m | 2023 £m |
|---|---|---|
| Total income | **458.5** | 488.8 |
| Impairment | **(191.0)** | (165.5) |
| Risk-adjusted income | **267.5** | 323.3 |
| Average gross receivables | **2,286.0** | 2,375.7 |
| Risk-adjusted margin (%) | **11.7%** | 13.6% |

| APM | Method of calculation | Relevance |
|---|---|---|
| **Asset yield** | Interest income received from customers for the 12 months ended 31 December as a percentage of average gross receivables. | This measure shows the returns generated from customer receivables to allow comparison to other banks and banking groups. |

| | 2024 £m | 2023 £m |
|---|---|---|
| Interest income | **565.4** | 556.0 |
| Less: non-customer interest income | **(47.2)** | (30.3) |
| Customer interest income | **518.2** | 525.7 |
| Average gross receivables | **2,286.0** | 2,375.7 |
| Asset yield (%) | **22.7%** | 22.1% |

## Alternative performance measures continued

| APM | Method of calculation | Relevance |
|---|---|---|
| **Cost of funds**[1] | Interest expense less non-funding items, as a percentage of average funding balances. Average funding balances are defined as average principal balances owed to lenders, excluding Tier 2 debt capital and capitalised fees for the 13 months ended 31 December. | This measure shows the cost of funding the business (primarily our customer receivables) to allow comparison to other banks and banking groups. |

| | 2024 £m | 2023 £m |
|---|---|---|
| Interest expense | **145.4** | 113.4 |
| Less: interest on Tier 2 | **(17.8)** | (17.7) |
| Less: swap interest | **(3.2)** | (3.2) |
| Less: fees and IFRS 16 interest | **(4.3)** | (3.2) |
| Funding interest | **120.1** | 89.3 |
| Funding balances (average) | **2,356.5** | 2,025.3 |
| Cost of funds (%) | **5.1%** | 4.4% |

| APM | Method of calculation | Relevance |
|---|---|---|
| **Cost of risk** | Impairment charges for the 12 months ended 31 December as a percentage of average gross receivables. | This measure shows the cost of impairment charges on customer receivables to allow comparison to other banks and banking groups. |

| | 2024 £m | 2023 £m |
|---|---|---|
| Impairment charges | **(191.0)** | (165.5) |
| Average gross receivables | **2,286.0** | 2,375.7 |
| Cost of risk (%) | **8.4%** | 7.0% |

| APM | Method of calculation | Relevance |
|---|---|---|
| **Average gross receivables** | Average of gross customer interest earning balances for the 13 months ended 31 December. | This is used to align the receivables movement to the same period in which the income statement measures are generated in calculating performance KPIs. |

| | 2024 £m | 2023 £m |
|---|---|---|
| Credit Cards | **1,312.5** | 1,415.9 |
| Vehicle Finance | **825.4** | 836.3 |
| Second Charge Mortgages | **69.0** | 0.4 |
| Personal Loans | **79.1** | 123.1 |
| Total average gross receivables | **2,286.0** | 2,375.7 |

| APM | Method of calculation | Relevance |
|---|---|---|
| **Cost:income ratio** | Operating costs, excluding exceptional items, as a percentage of total income for the 12 months ended 31 December. | This ratio is a measure of the efficiency of the Group's cost base. |

| | 2024 £m | 2023 £m |
|---|---|---|
| Total income | **458.5** | 488.8 |
| Operating costs | **(302.3)** | (306.0) |
| Cost:income ratio | **65.9%** | 62.6% |

| APM | Method of calculation | Relevance |
|---|---|---|
| **Adjusted basic Earnings per Share (EPS)** | Profit after tax, excluding the amortisation of acquisition intangibles and exceptional items, divided by the weighted average number of shares in issue (see note 8 for more details). | This is used to assess the Group's operational performance per ordinary share. It removes the effect of amortisation of acquisition intangibles and exceptional items. |

| APM | Method of calculation | Relevance |
|---|---|---|
| **Adjusted Return on Tangible Equity (ROTE)** | Adjusted profit after tax net of fair value gains for the 12 months ended 31 December as a percentage of average adjusted tangible equity for the 13 months ended 31 December. Adjusted tangible equity is stated as equity after deducting the Group's pension asset, net of deferred tax, and the fair value of derivative financial instruments, net of deferred tax less intangible assets and goodwill. | This demonstrates how well the Group's returns are generated from its tangible equity, removing the impact of whether development has occurred through organic or inorganic growth. |

| | 2024 £m | 2023 £m |
|---|---|---|
| Adjusted (loss)/profit before tax | **(34.8)** | 17.3 |
| Tax credit/(charge) | **10.0** | (5.9) |
| Net fair value gains | **(2.3)** | (4.7) |
| Tax on net fair value gains | **0.6** | 1.2 |
| Adjusted (loss)/profit after tax net of fair value gains | **(26.5)** | 7.9 |
| Average tangible equity | | |
| Average equity as per balance sheet | **529.5** | 572.8 |
| Average pension asset | **(33.7)** | (28.5) |
| Average deferred tax on pension asset | **8.4** | 7.1 |
| Average derivative financial instruments | **6.6** | 8.2 |
| Average deferred tax on derivative financial instruments | **(1.7)** | (2.1) |
| Average adjusted equity | **509.1** | 557.5 |
| Average intangible assets | **(65.7)** | (67.7) |
| Average goodwill | **(66.9)** | (71.7) |
| Average tangible equity | **376.5** | 418.1 |
| ROTE | **(7.0)%** | 1.9% |

| APM | Method of calculation | Relevance |
|---|---|---|
| **Funding headroom** | Committed bank and debt facilities less borrowings on those facilities and amounts committed to further syndicated bank facility reduction, plus available cash and liquid resources (see note 27 for more details). | This represents the difference between the total amount of committed contractual debt facilities provided by banks, bond holders and other lenders and the amount of funds drawn on those facilities plus cash held on deposit. |
| **Liquidity coverage ratio (LCR)** | A regulatory measure that assesses net 30-day cash outflows as a proportion of high-quality liquid assets (HQLA). | This demonstrates the Group's ability to meet its short-term liabilities. |
| **Customer satisfaction** | The rate at which surveyed customers were satisfied (or more than satisfied) with the service they have been provided. | |
| **Tier 1 ratio** | The ratio of the Group's Tier 1 capital to the Group's risk-weighted assets measured in accordance with the Capital Requirements Regulation (CRR). | The CET1 ratio is a key measure of whether a firm has adequate CET1 to cover the risks associated with its assets. |
| **Total Capital Ratio (TCR)** | The ratio of the Group's total regulatory capital (own funds) to the Group's risk-weighted assets measured in accordance with the CRR. | The Tier 1 ratio is a key measure of whether a firm has adequate capital resources to cover the risks associated with its assets. |
| **Regulatory capital** | Common Equity Tier 1 (CET1) capital is the sum of the Group's equity as calculated in accordance with IFRS, an accrued foreseeable dividend and regulatory adjustments. Tier 2 is the sum of capital instruments meeting the criteria for Tier 2 as set out in the Capital Requirements Regulation (CRR). Total available regulatory capital is the sum of these two elements for the Group (as the Group does not hold any additional Tier 1 instruments). The calculation is set out under capital risk management on page 147. | |

In the current year management took the decision to no longer present Return on required equity (RORE) as it is no longer considered to be an appropriate measure of the Group's performance and also replaced Liquidity with Liquidity coverage ratio aligned to reporting of this principal metric.

# Information for shareholders

## Share price
The Company's shares are listed on the London Stock Exchange under share code 'VANQ'. The share price is quoted daily in a number of national newspapers and is available on the Group's website at www.vanquisbankinggroup.com.

## Tax on dividends
Please refer to HMRC guidance regarding the taxation of dividends paid by the Company.

## Registrar
The Company's registrar is:

**Link Group**
Central Square
29 Wellington Street
Leeds
LS1 4DL

## Shareholder helpline
For information relating to your shares call: +44 (0)371 664 0300

## Website helpline
For information on using our website call: +44 (0)371 664 0391

Calls to 0371 are charged at the standard geographic rate and will vary by provider.

Calls outside the United Kingdom are charged at the applicable international rate.

We are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

## Link Signal Shares
Link Asset Services offers a share portal service which enables registered shareholders to manage their shareholdings quickly and easily online. Once registered for this service, you will have access to your personal shareholding and a range of services including: setting up or amending dividend bank mandates; proxy voting; and amending personal details. For further information visit www.signalshares.com.

## Link Dividend Reinvestment Plan
Link Asset Services offers a Dividend Reinvestment Plan whereby shareholders can acquire further shares in the Company by using their cash dividends to buy additional shares.

For further information contact Link Asset Services:

Telephone: 0371 664 0381
(from within the UK)

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Telephone: +44 371 664 0381
(from outside the UK)

## Special requirements
A PDF version of the full Annual Report and Financial Statements is available on our website.

## Advisors
### Independent auditor
**Deloitte LLP**
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Birmingham
B1 2HZ

### Company advisors and stockbrokers
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Cassini House
55-59 St. James's Street
London
SW1A 1LD

**Fenchurch Advisory Partners LLP**
110 Bishopsgate
London
EC2N 4AY

### Solicitors
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10 Upper Bank Street
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E14 5JJ

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