2018 interim results

31 July 2018

Today's presentation

• Progress against 2018 objectives	Malcolm Le May
• Financial review	Andrew Fisher
• Strategy and outlook	Malcolm Le May
• Questions	
• Appendix	

2018 objectives

Malcolm Le May – Group Chief Executive

Our 2018 objectives

1. Deliver the home credit recovery plan
2. Complete the ROP refund programme and adopt new regulation in Vanquis Bank
3. Strengthen the Board, governance and culture
4. Progress the Moneybarn FCA investigation
5. Re-access debt markets

Progress to date

Deliver the home credit recovery plan

- Good progress in implementing the operational recovery plan
- Constructive relationship with the FCA with regular dialogue both at a group and divisional level
- A number of significant actions have been implemented during the first half of the year:
  - Recording of customer interactions, including mandatory voice recording for all sales transactions
  - New arrears strategy together with central support
  - Digital document capture through the Lending App
  - Enhanced activity management
  - Piloting of a new field structure to reduce spans of control
- Collections performance remained at 10% below historical levels through Q2 with actions in place to deliver further improvements
- Remaining actions required to implement the recovery plan are expected to be substantially in place during the second half
- Objective to obtain full authorisation by the end of the year
- Intending to introduce an enhanced performance management system based on a balanced scorecard approach and some variable pay, subject to agreement with the FCA

Progress to date (continued)

Complete the ROP refund programme and adopt new regulation in Vanquis Bank

- Systems and capability required to deliver the ROP refund programme to some 1.2 million customers has largely been built
- Pilot was successfully completed in early June and the roll-out of the full refund programme has now commenced
- No material change in the level of ROP complaints following the announcement of the settlement
- Total provisions and balance reductions set aside in 2017 remain appropriate
- Business has recently increased minimum contractual payments and will shortly roll-out higher recommended payments and other communication strategies to address customers defined as being in persistent debt
- Enhanced affordability assessments being introduced
- Impact from regulatory measures has already been included in the guidance for 2018

Progress to date (continued)

Strengthen the Board, governance and culture

- Patrick Snowball to join the Board as Chairman on 21 September 2018 and Stuart Sinclair, current Interim Chairman, will retire from the Board
- Angela Knight, Elizabeth G Chambers and Paul Hewitt join the Board as non-executive directors with effect from 31 July 2018
- Further strengthening of the governance framework during the first half of the year:
  - Central risk team to work under the Interim CRO
  - Group co-ordination of IT and procurement under the Interim Group Chief IT Officer
  - Recent recruitment of a new Interim Head of Internal Audit and Group Head of HR
  - Plans to recruit a new Head of Regulation are well advanced
- The group Executive Committee, reconstituted in late 2017, now driving delivery of the group's vision through greater collaboration
- Significant activity underway to realign the group's culture more closely with the developing needs of the customer
- A new Board committee focusing on the customer, culture and ethics to help drive changes in behaviours and attitudes across the group

Progress to date (continued)

Progress the Moneybarn FCA investigation

- The group is continuing to work with the FCA into their investigation into affordability, forbearance and termination options
- Scope of the investigation is well understood and the estimated cost of £20m reflected in 2017 continues to be management's prudent estimate of the outcome
- A final resolution is likely to take up to 18 months

Re-access debt markets

- Completion of the £300m rights issue recapitalised the group
- Re-financing of £250m senior bonds in June
- CET 1 ratio of 30% provides headroom of c.£90m against a fully loaded regulatory capital requirement of 25.5%

Financial review

Andrew Fisher – Group Finance Director

IFRS 9

- IFRS 9 implemented from 1 January 2018
- Provisions made for expected losses are made on inception of a loan based on the PD and LGD
- Differs to IAS 39 which adopted an incurred loss model whereby impairment provisions where reflected on a missed payment
- IFRS 9 results in a delayed recognition of profits which has a greater impact on growing businesses
- IFRS 9 methodology now finalised and fully implemented
- Comparatives not restated but pro forma results under IFRS 9 presented*
- IFRS 9 only impacts the timing of the recognition of profits with no changes to the cash flow or loan economics
- Bank covenants unaffected
- Transitional rules for regulatory capital

** Appendix provides a business by business comparison of IFRS 9 and IAS 39 results for 2017*

Group

IFRS 9 results summary

	Six months ended 30 June		
	2018 £m	2017[1] £m	Change %
Vanquis Bank	**97.2**	91.6	6.1
CCD	**(23.2)**	4.7	(593.6)
Moneybarn	**10.6**	10.3	2.9
Central costs	**(9.7)**	(8.0)	(21.3)
Adjusted profit before tax	**74.9**	98.6	(24.0)
Adjusted basic earnings per share[2] (pence)	**24.2**	37.7	(35.8)
Annualised return on assets (%)	**5.3%**	11.9%	n/a
Interim dividend per share (pence)	**-**	-	n/a
Amortisation of acquisition intangibles	**(3.7)**	(3.7)	
Exceptional items	**(36.6)**	(21.6)	

[1] The group has adopted IFRS 9 from 1 January 2018 and made an opening balance sheet adjustment to restate the IAS 39 balance sheet onto an IFRS 9 basis at that date. However, 2017 statutory prior year comparatives have not been restated due to the IFRS 9 requirement in respect of de-recognition of financial assets which would require loans terminated prior to 1 January 2018 to remain under IAS 39 in the prior year. As this distorts comparability with the 2018 income statement and 2018 balance sheet which are on a full IFRS 9 basis, the group has also provided pro forma 2017 income statement and balance sheet comparatives as though IFRS 9 had been implemented retrospectively (see Appendix)

[2] The weighted average number of shares in the period prior to the rights issue in April 2018 has been adjusted to take account of the bonus element of the rights issue of 1.367 and EPS comparatives restated

Vanquis Bank

IFRS 9 results

	Six months ended 30 June		
	2018 £m	2017[1] £m	Change %
Customer numbers ('000)	**1,764**	1,645	7.2
Period-end receivables prior to balance reduction[2]	**1,501.7**	1,345.5	11.6
Reported period-end receivables	**1,432.4**	1,345.5	6.5
Average receivables	**1,487.1**	1,321.5	12.5
Revenue	**331.9**	319.0	4.0
Impairment	**(117.3)**	(109.5)	(7.1)
Revenue less impairment	**214.6**	209.5	2.4
Annualised revenue yield	**45.0%**	48.8%	
Annualised impairment rate	**15.7%**	17.1%	
Annualised risk-adjusted margin	**29.3%**	31.7%	
Costs	**(99.2)**	(98.9)	(0.3)
Interest	**(18.2)**	(19.0)	4.2
Adjusted profit before tax	**97.2**	91.6	6.1
Annualised return on assets	**11.2%**	12.2%	

[1] *Pro forma IFRS 9 comparative financial information as though IFRS 9 had been implemented retrospectively (see Appendix)*
[2] *Period-end receivables at 30 June 2018 are stated prior to the estimated balance reduction in receivables of £69.3m (December 2017: £75.4m, June 2017: £nil) arising as a result of the resolution of the FCA investigation into ROP reached on 27 February 2018*

CCD

IFRS 9 results

	Six months ended 30 June		
	2018 £m	2017[1] £m	Change %
Customer numbers ('000)	765	801	(4.5)
Reported period-end receivables	293.7	444.2	(33.9)
Average receivables	309.7	467.0	(33.7)
Revenue	179.4	265.3	(32.4)
Impairment	(70.6)	(124.0)	43.1
Revenue less impairment	108.8	141.3	(23.0)
Annualised revenue yield	120.7%	100.9%	
Annualised impairment rate	78.6%	31.9%	
Annualised risk-adjusted margin	42.1%	69.0%	
Costs	(124.0)	(125.2)	1.0
Interest	(8.0)	(11.4)	29.8
Adjusted (loss)/profit before tax[2]	(23.2)	4.7	(593.6)
Annualised return on assets	(28.3%)	14.9%	

[1] Pro forma IFRS 9 comparative financial information as though IFRS 9 had been implemented retrospectively (see Appendix)
[2] Adjusted (loss)/profit before tax for the six months ended 30 June 2018 is stated before exceptional costs of £18.1m in respect of the implementation of the recovery plan following the poor execution of the migration to the new operating model in July 2017 (2017: £21.6m)

CCD

Customer numbers

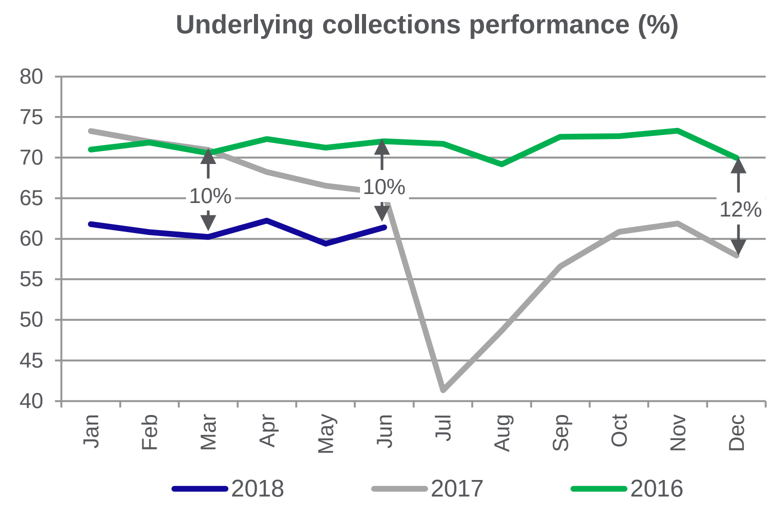
	June 2018 000's	December 2017 000's	June 2017 000's
Active	**464**	527	708
Non-payers	**199**	170	23
Home credit	**663**	697	731
Satsuma	**99**	79	66
glo	**3**	4	4
Total CCD	**765**	780	801

- Significant reduction of 34% in home credit active customer numbers and significant increase in non-payers since June 2017 reflects impact of operational disruption following migration to new operating model in July 2017
- Reduction in active customers since December 2017 is about half seasonal and half due to focus on collections and not sales
- Non-payers are either in the field for opportunity to reconnect or in central collections
- Investment in central collections capability
- Satsuma year-on-year customer growth of 50% after further tightening of underwriting

CCD

Underlying collections performance

- Underlying collections performance excludes customers with more than 12 consecutive misses and collections made as part of a re-serve of an existing customer
- Taking 2016 as the 'normalised' level of collections performance, the recovery plan calls for the business to return to normalised performance during the first half of 2019
- The gap to normalised collections performance was 12% at December 2017 and 10% at March 2018
- The gap was unchanged at 10% at June 2018 representing underperformance of collections from customers that were live through transition to the new operating model:
  - Higher proportion of customers paying less than contractual amount
  - Lower rate of reconnection
- Collections against credit issued since Q4 2017 by current CEMs is collecting in line with normalised levels
- The current constraints to performance management of the field organisation is inhibiting rate of progress



Moneybarn

IFRS 9 results

	Six months ended 30 June		
	2018 £m	2017[1] £m	Change %
Customer numbers ('000)	**57**	46	23.9
Period-end receivables prior to balance reduction[2]	**372.1**	303.2	22.7
Reported period-end receivables	**360.0**	303.2	18.7
Average receivables	**360.6**	287.1	25.6
Revenue	**61.2**	49.9	22.6
Impairment	**(24.7)**	(19.9)	(24.1)
Revenue less impairment	**36.5**	30.0	21.7
Annualised revenue yield	**34.5%**	34.7%	
Annualised impairment rate	**14.1%**	15.3%	
Annualised risk-adjusted margin	**20.4%**	19.4%	
Costs	**(16.1)**	(12.3)	(30.9)
Interest	**(9.8)**	(7.4)	(32.4)
Adjusted profit before tax[3]	**10.6**	10.3	2.9
Annualised return on assets	**9.5%**	8.9%	

[1] Pro forma IFRS 9 comparative financial information as though IFRS 9 had been implemented retrospectively (see Appendix)
2 Period-end receivables at 30 June 2018 are stated prior to the estimated reduction in receivables of £12.1m reflected on 31 December 2017 in respect of the FCA investigation into affordability, forbearance and termination options
3 Adjusted profit before tax is stated before the amortisation of acquisition intangibles of £3.7m in the six months ended 30 June 2018 (2017: £3.7m)

Group

Capital

- The £300m rights issue in April recapitalised the group:
  - Covered the estimated cost of the ROP refund programme (£172m) and the Moneybarn FCA investigation (£20m)
  - Accommodated the increase in regulatory capital requirements totalling c.£100m for group conduct risk and operational risk in home credit
  - Secured the appropriate regulatory capital headroom at Vanquis Bank and group, consistent with historic levels and the Board's risk appetite
  - Achieved leverage consistent with maintaining an investment grade credit rating and re-establishing access to funding from bank and debt capital markets
- The group's minimum regulatory capital requirement is now the main determinant of the group's capital structure going forward

Group

Regulatory capital

	At 30 June 2018 £m
IFRS 9 net assets	677.9
Regulatory capital adjustments[1]	(218.6)
IFRS 9 transitional adjustment (95%)[2]	174.8
Total regulatory capital[3]	**634.1**
Risk weighted assets	2,110.5
CET 1[3]	30.0%
Capital requirement[4]	25.5%

[1] Reflects deductions for the pension asset (net of deferred tax), goodwill, other intangible assets (net of deferred tax) and any proposed dividend
[2] Reflects the year 1 transitional adjustment in respect of IFRS 9 – 95% of the opening IFRS 9 adjustment to net assets is added back for the purposes of calculating regulatory capital in 2018
[3] Calculated on an accrued profits basis
[4] Represents the group's minimum regulatory capital requirement as set by the PRA following the rights issue plus the fully loaded capital conservation buffer (2.5%) and counter cyclical buffer (1.0%)

- The group's minimum regulatory capital requirement of 25.5% includes fully loaded capital conservation and counter cyclical buffers which are fully effective from 1 January 2019
- Impact of IFRS 9 being recognised over a 5 year period (5% in 2018, 15% in 2019, 30% in 2020, 50% in 2021, 75% in 2022 and 100% from 2023) and is factored into the group's policy on dividend cover
- Regulatory capital headroom in line with historical levels

Group

Funding and liquidity

- Group's funding strategy remains broadly unchanged following the rights issue:
  - Security of funding through maintaining facilities to meet contractual maturities and growth over at least the next 12 months
  - Maintaining investment grade credit status to support access to the bank and debt capital markets
  - Continuing to access funding through three main sources:
    - Syndicated revolving bank facility
    - Market funding, including retail bonds, institutional bonds and private placements
    - Retail deposits which will fully fund a ring-fenced Vanquis Bank in the short to medium term
- In March, Fitch reaffirmed the group's credit rating at BBB- with a negative outlook and at the same time removed the group from ratings watch negative
- Refinancing of £250m 8% senior bonds maturing in October 2019 completed in early June:
  - New issue of £250m 5-year unsecured bonds carrying a coupon of 7% and a maturity date of June 2023
  - £222.5m (89%) of existing October 2019 senior bonds tendered at a premium of 8%
    - Cash outflow of £241.0m
    - Exceptional cost of £18.5m

Group

Diversified funding base

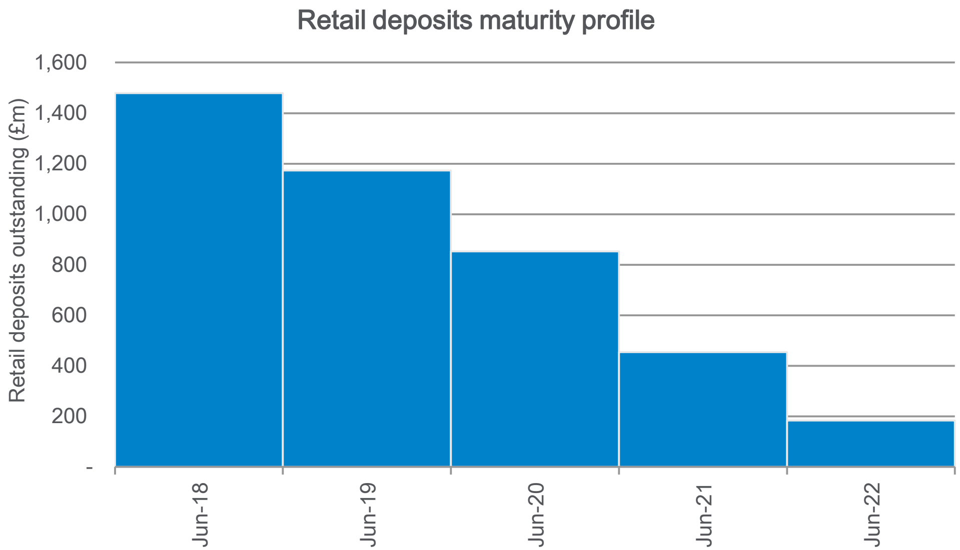
	At 30 June 2018 £m
Banks	**450**
Bonds and private placements:	
- Senior 8.0% public bond maturing in 2019	**27**
- Senior 7.0% public bond maturing in 2023	**250**
- M&G term loan	**65**
- Retail bonds	**150**
Total bonds and private placements	**500**
Total committed facilities available to PF plc	**950**
Borrowings under committed facilities	**619**
Headroom on committed borrowing facilities	**331**
Additional retail deposits capacity[1]	**55**
Funding capacity	**386**

[1] Additional retail deposits capacity of £55m at 30 June 2018 represents the outstanding amount on Vanquis Bank's intercompany loan facility

- Group headroom sufficient to fund growth and contractual maturities to maturity of £450m revolving syndicated facility in May 2020

Vanquis Bank

Retail deposits



- Vanquis Bank substantially funded by retail deposits
  - PFG intercompany loan reduced to £55m (June 2017: £173m)
- Weighted average period to maturity on deposits of 2.3 years
- Blended deposits rate of 2.3% (June 2017: 2.4%)

Group

Balance sheet

	At 30 June 2018	At 31 December 2017		
	IFRS 9 £m	IFRS 9 £m	Adjustment £m	IAS 39 £m
Goodwill	**71.2**	71.2	-	71.2
Acquisition intangibles	**46.3**	50.0	-	50.0
Receivables:				
- Vanquis Bank	**1,432.4**	1,405.2	(149.5)	1,554.7
- CCD	**293.7**	347.4	(43.2)	390.6
- Moneybarn	**360.0**	318.7	(45.4)	364.1
Total receivables	**2,086.1**	2,071.3	(238.1)	2,309.4
Pension asset	**111.5**	102.3	-	102.3
AFS investment (Visa shares)	**11.8**	9.9	-	9.9
Liquid assets buffer	**531.5**	263.4	-	263.4
Cash on deposit	**-**	34.6	-	34.6
Provisions	**(97.9)**	(104.6)	-	(104.6)
Retail deposits	**(1,478.5)**	(1,291.8)	-	(1,291.8)
Bank and bond funding	**(609.8)**	(882.3)	-	(882.3)
Total borrowings	**(2,088.3)**	(2,174.1)	-	(2,174.1)
Other assets/(liabilities)	**5.7**	27.1	54.1	(27.0)
Net assets	**677.9**	351.1	(184.0)	535.1

Target financial model

Group

Invest in businesses with attractive ROAs of 10%

Growth	CET 1	Dividend policy
Deliver receivables growth of between 5% and 10% per annum	≥ 25.5%	Cover ≥ 1.4x

Alignment of growth, capital requirements and dividend policy

- Achieve target ROA of 10% per annum, once the home credit business returns to profitability in 2019
- Deliver sustainable receivables growth of between 5% and 10% per annum
- Maintain an appropriate buffer above a minimum CET 1 ratio of 25.5%
- Board reconfirms its intention to pay a nominal dividend for the 2018 financial year before adopting a progressive dividend in line with the revised group policy from the 2019 financial year

Strategy and outlook

Malcolm Le May – Group Chief Executive

Group strategy

Enabling customers to build brighter financial futures by providing them with access to the credit they need and then helping them develop their credit record through offering them clearly differentiated products which responsibly serve them with the right solution

Addressable market of 10-12 million adults

Market-leading businesses serving 2.5m customers	VANQUIS BANK	Provident EST. 1880 The loan that comes to you	moneybarn credit you can trust	Satsuma loans.co.uk
Strong core capabilities in each business	Product distribution	Underwriting	Collections	Management expertise
Opportunities to enhance the group's strengths through….	Greater collaboration (Collections, credit)	Data & analytics (PKU)	Digital enhancements (Apps, central co-ordination)	Raising the bar on regulation and compliance

Delivery of good customer outcomes and sustainable growth and returns for shareholders

Regulation

Group

- Significant improvement in the dialogue and relationship with the FCA:
  - Regular meetings both at a divisional and group level
  - Seeking to obtain full authorisation for CCD in the second half of the year
  - The group remains under enhanced supervision
- Continued constructive relationship with the PRA
- The group welcome the findings from the FCA's review of high-cost credit and the proposals can be accommodated within the employed model used by the home credit business
- Proposals in the FCA's Credit Card Market Study came into force on 1 March 2018 and the actions taken by Vanquis Bank to address customers in persistent debt have been factored into 2018 guidance
- Vanquis Bank is adapting to the FCA's review into creditworthiness and is rolling-out enhanced affordability assessments which have also been factored into 2018 guidance
- The FCA's review into the motor finance market is particularly focused on higher credit risk customers and is expected to be completed by the end of September

Outlook

Group

- The group has made good progress in the first half of the year on its five key objectives for 2018:
  - Implementing the home credit recovery plan and obtaining FCA authorisation in CCD
  - Delivering the ROP refund programme in Vanquis Bank
  - Strengthening the group's governance and culture
  - Progressing the FCA investigation at Moneybarn
  - Re-capitalising the group and re-accessing debt markets
- Focus for the second half will remain firmly on delivering the necessary actions to achieve these objectives
- The group has a strong capital and funding position and each of the group's businesses enjoy a market-leading position
- Based on the good progress made in the first half, the Board reconfirms its intention to restore dividends with a nominal final dividend for the 2018 financial year, before adopting a progressive dividend, in line with its stated dividend policy, from the 2019 financial year
- The group will continue to build on its core capabilities in distribution, underwriting and collections through greater collaboration, enhanced use of data and analytics and further developments in the group's digital capability
- Will reinforce delivery of good customer outcomes and attractive shareholder returns, through sustainable receivables growth of 5%-10% per annum and a return on assets of at least 10% once the home credit recovery plan has been fully delivered

Questions

Malcolm Le May – Group Chief Executive
Andrew Fisher – Group Finance Director

Appendix

Group

2017 IFRS 9 PBT comparatives

	Six months ended 30 June 2017			Year ended 31 December 2017		
	IAS 39 £m	Adjustment £m	**IFRS 9[1] £m**	IAS 39 £m	Adjustment £m	**IFRS 9[1] £m**
Vanquis Bank	100.1	(8.5)	**91.6**	206.6	(25.2)	**181.4**
CCD	6.3	(1.6)	**4.7**	(118.8)	12.5	**(106.3)**
Moneybarn	16.9	(6.6)	**10.3**	34.1	(12.2)	**21.9**
Central costs	(8.0)	-	**(8.0)**	(12.8)	-	**(12.8)**
Adjusted profit before tax[2]	115.3	(16.7)	**98.6**	109.1	(24.9)	**84.2**
Adjusted basic earnings per share[3] (pence)	44.1p	(6.4p)	**37.7p**	45.7p	(8.9p)	**36.8p**
Annualised return on assets (%)	13.3%	(1.4%)	**11.9%**	6.9%	-%	**6.9%**
Amortisation of acquisition intangibles[2]	(3.7)	-	**(3.7)**	(7.5)	-	**(7.5)**
Exceptional items[2]	(21.6)	-	**(21.6)**	(224.6)	-	**(224.6)**

[1] The group has adopted IFRS 9 from 1 January 2018 and made an opening balance sheet adjustment to restate the IAS 39 balance sheet onto an IFRS 9 basis at that date. However, 2017 statutory prior year comparatives have not been restated due to the IFRS 9 requirement in respect of de-recognition of financial assets which would require loans terminated prior to 1 January 2018 to remain under IAS 39 in the prior year. As this would distort comparability with the 2018 income statement and 2018 balance sheet which are on a full IFRS 9 basis, the group has also provided pro forma 2017 income statement and balance sheet comparatives as though IFRS 9 had been implemented retrospectively

[2] Adjusted profit before tax in the six months ended 30 June 2017 and year ended 31 December is stated before £3.7m and £7.5m respectively of amortisation in respect of acquisition intangibles established as part of the acquisition of Moneybarn in August 2014 and exceptional costs of £21.6m and £224.6m respectively

[3] The weighted average number of shares in the period prior to the rights issue in April 2018 has been adjusted to take account the bonus element of the rights issue of 1.367 and EPS comparatives restated

Vanquis Bank

2017 IFRS 9 comparatives

	Six months ended 30 June 2017			Year ended 31 December 2017		
	IAS 39 £m	Adjustment £m	IFRS 9[1] £m	IAS 39 £m	Adjustment £m	IFRS 9[1] £m
Customer numbers ('000)	1,645	-	1,645	1,720	-	1,720
Period-end receivables prior to balance reduction[2]	1,476.8	(131.3)	1,345.5	1,630.1	(149.5)	1,480.6
Reported period-end receivables	1,476.8	(131.3)	1,345.5	1,554.7	(149.5)	1,405.2
Average receivables	1,440.6	(119.1)	1,321.5	1,497.3	(130.5)	1,366.8
Revenue	311.1	7.9	319.0	638.8	11.7	650.5
Impairment	(93.1)	(16.4)	(109.5)	(186.6)	(36.9)	(223.5)
Revenue less impairment	218.0	(8.5)	209.5	452.2	(25.2)	427.0
Annualised revenue yield	43.9%		48.8%	42.7%		47.6%
Annualised impairment rate	12.5%		17.1%	12.5%		16.4%
Annualised risk-adjusted margin	31.4%		31.7%	30.2%		31.2%
Costs	(98.9)	-	(98.9)	(209.1)	-	(209.1)
Interest	(19.0)	-	(19.0)	(36.5)	-	(36.5)
Adjusted profit before tax[3]	100.1	(8.5)	91.6	206.6	(25.2)	181.4
Annualised return on assets	12.8%	-	12.2%	11.9%		11.8%

[1] *Pro forma IFRS 9 comparative financial information as though IFRS 9 had been implemented retrospectively*
[2] *Period-end receivables at 31 December 2017 are stated prior to the estimated balance reduction in receivables of £75.4m arising as a result of the resolution of the FCA investigation into ROP reached on 27 February 2018*
[3] *Adjusted profit before tax for the year ended 31 December 2017 is stated before an exceptional cost of £172.1m in respect of the estimated cost of restitution, other costs and a fine following resolution on 27 February 2018 of the FCA investigation into ROP of which £75.4m was reflected as a reduction in receivables and £96.7m was reflected within provisions*

CCD

2017 IFRS 9 comparatives

	Six months ended 30 June 2017			Year ended 31 December 2017		
	IAS 39 £m	Adjustment £m	**IFRS 9[1] £m**	IAS 39 £m	Adjustment £m	**IFRS 9[1] £m**
Customer numbers ('000)	801	-	**801**	780	-	**780**
Period-end receivables	501.4	(57.2)	**444.2**	390.6	(43.2)	**347.4**
Average receivables	515.8	(48.8)	**467.0**	443.8	(37.8)	**406.0**
Revenue	258.4	6.9	**265.3**	451.2	30.0	**481.2**
Impairment	(115.5)	(8.5)	**(124.0)**	(293.5)	(17.5)	**(311.0)**
Revenue less impairment	142.9	(1.6)	**141.3**	157.7	12.5	**170.2**
Annualised revenue yield	100.9%		**100.9%**	101.7%		**118.5%**
Annualised impairment rate	31.9%		**31.9%**	66.2%		**76.6%**
Annualised risk-adjusted margin	69.0%		**69.0%**	35.5%		**41.9%**
Costs	(125.2)	-	**(125.2)**	(253.4)		**(253.4)**
Interest	(11.4)	-	**(11.4)**	(23.1)		**(23.1)**
Adjusted profit/(loss) before tax[2]	6.3	(1.6)	**4.7**	(118.8)		**(106.3)**
Annualised return on assets	15.8%		**14.9%**	(17.4%)		**(16.5%)**

1 Pro forma IFRS 9 comparative financial information as though IFRS 9 had been implemented retrospectively

2 Adjusted profit/(loss) before tax is stated before exceptional costs of £18.1m in the six months ended 30 June 2017 and £32.5m in the year ended 31 December 2017 in respect of redundancy, retention, training and consultancy costs associated with the migration to the new home credit operating model in July 2017 and subsequent implementation of the recovery plan to re-establish relationships with customers and stabilise the operation following the poor execution of the migration

Moneybarn

2017 IFRS 9 comparatives

	Six months ended 30 June 2017			Year ended 31 December 2017		
	IAS 39 £m	Adjustment £m	**IFRS 9[1] £m**	IAS 39 £m	Adjustment £m	**IFRS 9[1] £m**
Customer numbers ('000)	46	-	**46**	50	-	**50**
Period-end receivables prior to balance reduction[2]	343.8	(40.6)	**303.2**	376.2	(45.4)	**330.8**
Reported period-end receivables	343.8	(40.6)	**303.2**	364.1	(45.4)	**318.7**
Average receivables	325.1	(38.0)	**287.1**	345.1	(41.3)	**303.8**
Revenue	49.9	-	**49.9**	106.3	-	**106.3**
Impairment	(13.3)	(6.6)	**(19.9)**	(31.1)	(12.2)	**(43.3)**
Revenue less impairment	36.6	(6.6)	**30.0**	75.2	(12.2)	**63.0**
Annualised revenue yield	30.8%		**34.7%**	30.8%		**35.0%**
Annualised impairment rate	7.4%		**15.3%**	9.0%		**14.3%**
Annualised risk-adjusted margin	23.4%		**19.4%**	21.8%		**20.7%**
Costs	(12.3)	-	**(12.3)**	(25.5)	-	**(25.5)**
Interest	(7.4)	-	**(7.4)**	(15.6)	-	**(15.6)**
Adjusted profit before tax	16.9	(6.6)	**10.3**	34.1	(12.2)	**21.9**
Annualised return on assets	12.8%		**8.9%**	11.6%		**10.0%**

[1] Pro forma IFRS 9 comparative financial information as though IFRS 9 had been implemented retrospectively
[2] Period-end receivables at 31 December 2017 are stated prior to the estimated reduction in receivables of £12.1m reflected on 31 December 2017 in respect of the FCA investigation into affordability, forbearance and termination options
[3] Adjusted profit before tax is stated before: (i) the amortisation of acquisition intangibles of £3.7m in the six months ended 30 June 2017 and £7.5m in the year ended 31 December 2017; and (ii) an exceptional cost of £20.0m in the year ended 31 December 2017 in respect of the estimated cost arising from the ongoing FCA investigation into affordability, forbearance and termination options of which £12.1m was reflected as a reduction in receivables and £7.9m was reflected within provisions

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- **Adjusted basic earnings per share –** Profit before the amortisation of acquisition intangibles and exceptional items after tax divided by the weighted average number of share in issue
- **Adjusted profit before tax** – Profit before tax, the amortisation of acquisition intangibles and exceptional items
- **Annualised impairment rate** – Impairment as a percentage of average receivables for the 12 months ended 30 June/31 December
- **Annualised return on assets (ROA)** – Profit before interest and exceptional items after tax as a percentage of average receivables for the 12 months ended 30 June/31 December
- **Annualised revenue yield** – Revenue as a percentage of average receivables for the 12 months ended 30 June/31 December
- **Annualised risk-adjusted margin (RAM)** – Revenue less impairment as a percentage of average receivables for the 12 months ended 30 June/31 December
- **Average receivables –** Average of month end receivables for the 12 months ended 30 June/31 December ending excluding the impact of the balance reduction adjustment in respect of Vanquis Bank and Moneybarn
- **CEM** – Customer Experience Manager
- **CLI** – Credit line increase
- **FCA** – Financial Conduct Authority
- **LCV** – Light commercial vehicle
- **LGD** – Loss given default
- **PD** – Probability of default
- **PRA** – Prudential Regulation Authority
- **ROP** – Repayment option plan

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