PFG

H1'22 Results

Provident Financial Group

27 July, 2022

Today's presentation

Highlights and Overview

Malcolm Le May

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Neeraj Kapur

Strategy and Outlook

Malcolm Le May

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Contacts

Malcolm Le May, CEO

Neeraj Kapur, CFO

Highlights and Overview

Malcolm Le May

Group Chief Executive Officer

PFG Investment Case

- **Fully repositioned mid-cost strategy**: targeting the lower risk, mid-cost and near-prime segments of the market of over £17bn
- **Strong execution against strategy in H1'22:** despite uncertain macroeconomic backdrop
- **Focused on sustainable growth and returns:** disciplined growth in the context of the current market backdrop
- **Lower risk customer profile:** reflected by expected lower impairment and delinquency trends going forwards
- **Disciplined approach to costs and investment**: capacity to invest in efficiency initiatives to support growth, as market conditions improve, with total cost reductions expected for 2023 onwards, towards our cost to income ratio target of 40% from the end of 2024 onwards
- **Strong capital and liquidity positions:** supported by a clear capital management framework, including shareholder distributions; ongoing discussions around future capital requirements and ability to use retail deposits across the Group

"

We will deliver focused and sustainable growth in the lower risk mid-cost and near-prime segments of the market....

Malcolm Le May
CEO

H1’22 Highlights

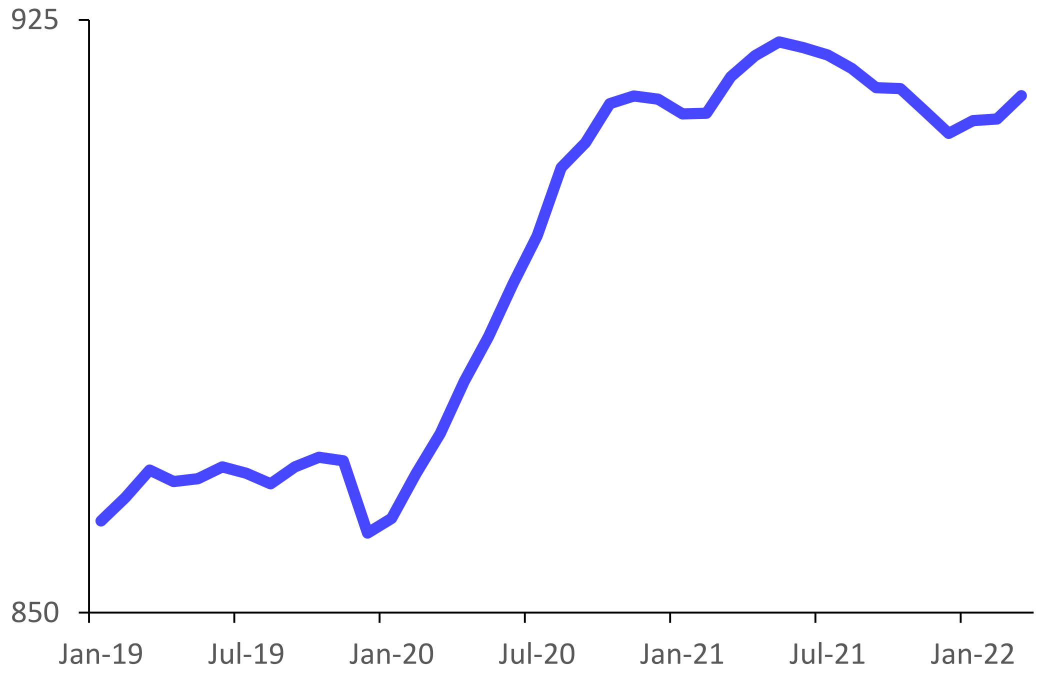
- **Focused on sustainable growth and returns**
  - Receivables growth of 5.0% in H1’22 equated to broadly flat revenue year-on-year
- **Lower risk customer profile**
  - Impairment trends improved year-on-year equating to a cost of risk of 4.7% and a risk-adjusted NIM of 24.6%
- **Disciplined approach to costs and investment**
  - Growth in the cost base in H1’22 reflects investments in personal loans, IT and colleagues
- **Group delivering adjusted PBT**
  - Adj. PBT £54m on track with FY’22 market expectations
- **Interim dividend declared**
  - DPS of 5.0p in line with capital management framework
- **Strong capital and liquidity positions**
  - CET1 of 27.3% and ongoing dialogue with regulator with regard to ongoing requirements
  - Strong liquidity position with £921m of retail deposits (excluding accrued interest)
- **Closure of FCA investigation** into historic CCD lending practices and Scheme of Arrangement shortly after the period end

	H1’22	H1’21
Customer numbers (m)	1,659	1,647
Net receivables (£m)	1,675	1,595
Revenue (£m)	266	264
Cost of risk (%)	4.7%	6.4%
Risk-adjusted NIM (£m)	204	189
Adjusted continuing PBT (£m)	54	64
Interim DPS (p)	5.0	-
Return on Equity (%)	14.4%	24.4%
CET1 Ratio (%)	27.3%	32.5%
Total Capital Ratio (%)	39.2%	32.5%

Repositioned customer strategy

- As our customer strategy has evolved to lower risk mid-cost credit, our customers:
    - have a significantly higher credit score
    - significant proportion are homeowners with income close to the national average
    - access credit in 15-50% APR range;
- Personal loans pilot scheme concluded
- Currently targeting a market of over £17bn across credit cards, vehicle finance and personal loans
- Given the current macro backdrop, PFG will pursue focused and sustainable growth

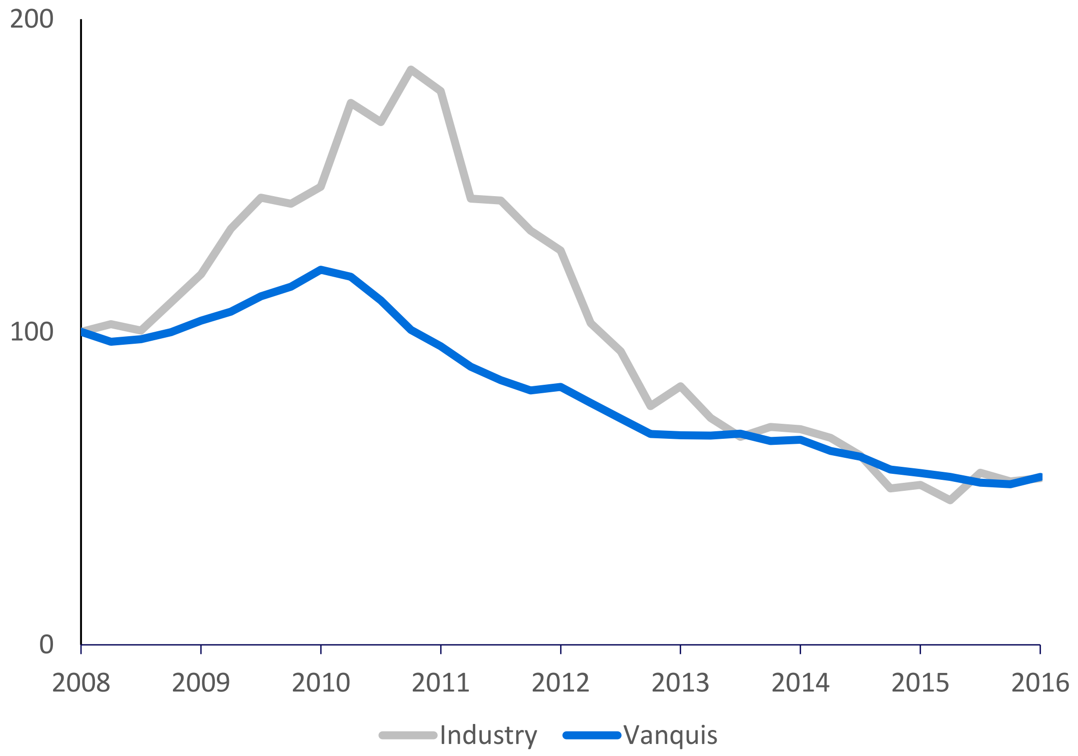
PFG Average Customer Credit Score



The impact of our shift to the mid-cost and near-prime is an increased addressable market with lower impairments, costs and coverage ratios culminating in improved risk-adjusted returns and a more sustainable business model.

Resilient customer base through the cycle

Credit card write offs as a percentage of gross receivables*

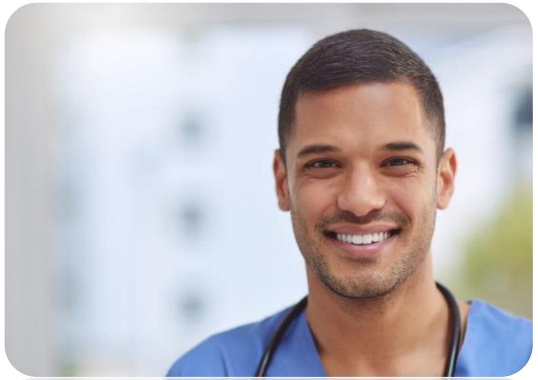


- The move from high-cost to mid-cost has resulted in a more resilient customer base…
- …leading to a more resilient performance during a downturn enhanced by a strong risk management framework
- PFG continues to see no discernible impact on default rates
- Impairment trends expected to remain stable during H2'22
- The Group is well positioned with its strong balance sheet position and provisions taken for Cost of Living impact
- PFG will continue to support customers during this period as we have always done historically

*Credit card industry is based on Bank of England data

ESG: supporting our customers

- Our Purpose is to help put people on a path to a better everyday life and our corporate blueprint is fully embedded across the Group
- PFG is uniquely placed to support and offer credit to people not well served by the High Street banks
- PFG will continue to support its customers during this challenging inflationary period with:
    - Increased communication and support
    - Cost of Living calculator launched by Vanquis Bank
    - Partnerships with 'IncomeMax'
- PFG aims to deliver ESG leadership with its provision of much needed credit and its extensive work in the community



PFG

Financial Review

Neeraj Kapur
Group Chief Financial Officer

Summary financials

- Group adjusted PBT of £54m (H1'21: £64m)
- Group statutory PBT of £37m (H1’21 LBT: £44m)
- Interim dividend of 5.0p proposed reflecting strong balance sheet position and the Board’s confidence in the outlook for the Group
- Total Group receivables increased 5.0% year-on-year, reflecting the improvement in customer spend and customer acquisition
- The Group’s balance sheet position at the end of June remained strong with CET1 and total capital ratios of 27.3% and 39.2% respectively
- Coverage ratios across the Group remain robust, reflecting our ongoing prudent approach to the current inflationary environment in the UK

Continuing Group	H1’22	H1’21
Net interest margin (£m)	242.3	239.3
Impairment charge (£m)	(38.5)	(50.8)
Risk-adjusted NIM (£m)	203.8	188.5
Adjusted continuing PBT (£m)	54.3	63.5
Net receivables (£m)	1,675.0	1,595.1
Coverage ratio (%)	27.3%	30.0%
Annualised RORE[1] (%)	18.0%	30.9%
Capital headroom[2] (£m)	309	225

PFG

[1]Return on average required regulatory capital (RORE) reflects adjusted profit before tax for the period, excluding CCD, divided by the average regulatory capital requirement for the period.
[2] Headroom above total capital requirement and combined buffer.

Group results

	H1'22 £m	H1'21 £m
Credit cards	75.8	57.0
Vehicle finance	20.2	15.5
Personal loans	(10.7)	0.1
Central costs	(31.0)	(9.1)
Adjusted continuing profit before tax	54.3	63.5
Amortisation of acquired intangibles	(3.7)	(3.7)
Exceptional items – continuing operations	(3.7)	(2.1)
Continuing PBT	46.9	57.7
Discontinued operations (CCD) - including exceptionals	(9.6)	(101.9)
Profit before tax/(loss before tax)	37.3	(44.2)
Total receivables	1,675.0	1,595.1
Total committed facilities including retail deposits[1]	1,783.3	1,691.7

- H1’22 central costs increased to reflect:
  - the centralisation of costs
  - the investment to enhance the Group’s transformation to its target operating model
- These investments are expected to drive significant improvements in cost efficiency in the future
- The Group remains on track to meet its previously issued guidance of a 40% cost to income ratio from the end of FY’24 onwards

PFG [1]Excluding fees and interest

Key performance indicators[1] ('KPIs')

Shareholder KPIs	H1'22	H1'21	H1'20
EPS (basic)	12.7	24.8	3.2
EPS (adjusted)[2]	15.4	26.7	2.2
RORE[2]	18.0%	30.9%	2.3%
ROTE[2]	15.8%	26.7%	1.8%
ROA[2]	6.7%	11.5%	4.3%

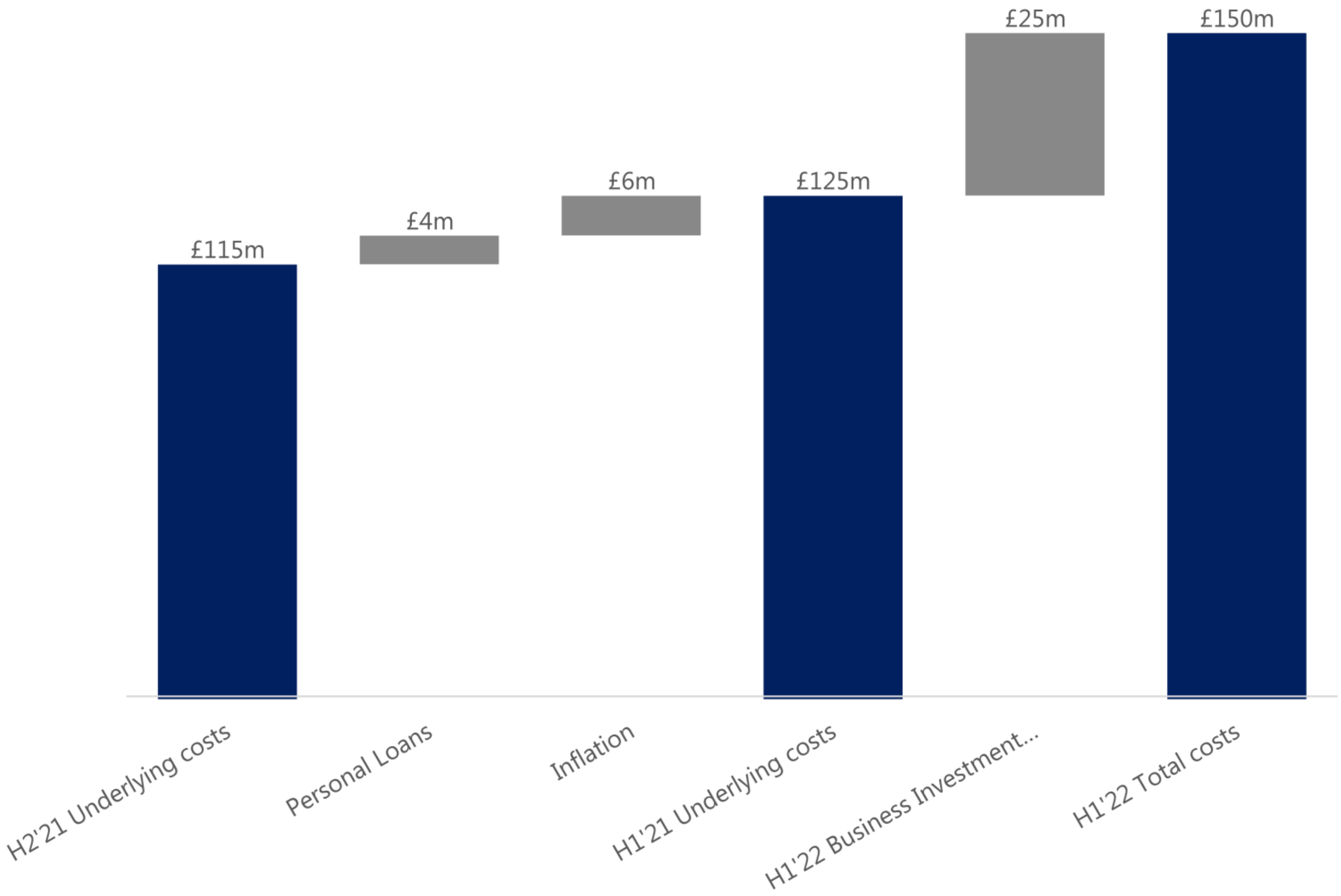
Revenue KPIs[2]	H1'22	H1'21	H1'20
Revenue yield	32.2%	33.2%	35.2%
Net-interest margin	29.3%	30.1%	31.8%
Risk-adjusted net-interest margin	24.6%	23.7%	11.7%

Cost KPIs[2]	H1'22	H1'21	H1'20
Cost of risk	4.7%	6.4%	20.1%
Cost of funding	2.9%	3.2%	3.4%
Cost to income ratio	61.7%	52.2%	35.2%

Capital & Liquidity KPIs	H1'22	H1'21	H1'20
CET1	27.3%	32.5%	35.4%
Total Capital Ratio	39.2%	32.5%	35.4%
Liquidity Coverage Ratio	435%	469%	1,287%
Total liquidity (£m)	517	507	1,179

[1] KPIs reflect the continuing business only [2] Adjusted measures

Investing for future growth



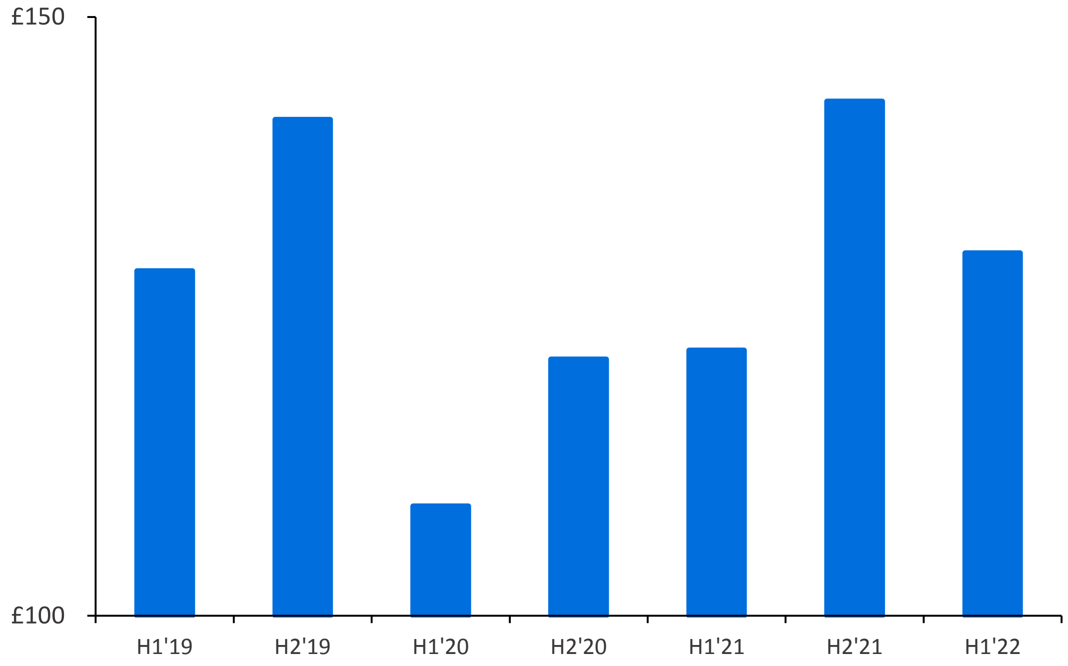
- **Significant investment in personal loans:** to support growth of the business
- **One-off IT investment:** 'Gateway' platform and enhancing business capabilities
- **Investing in our human resources:** Inflationary pay rises awarded
- **Increased investment in change and transformation:** to drive ongoing and future change projects

Product Snapshot

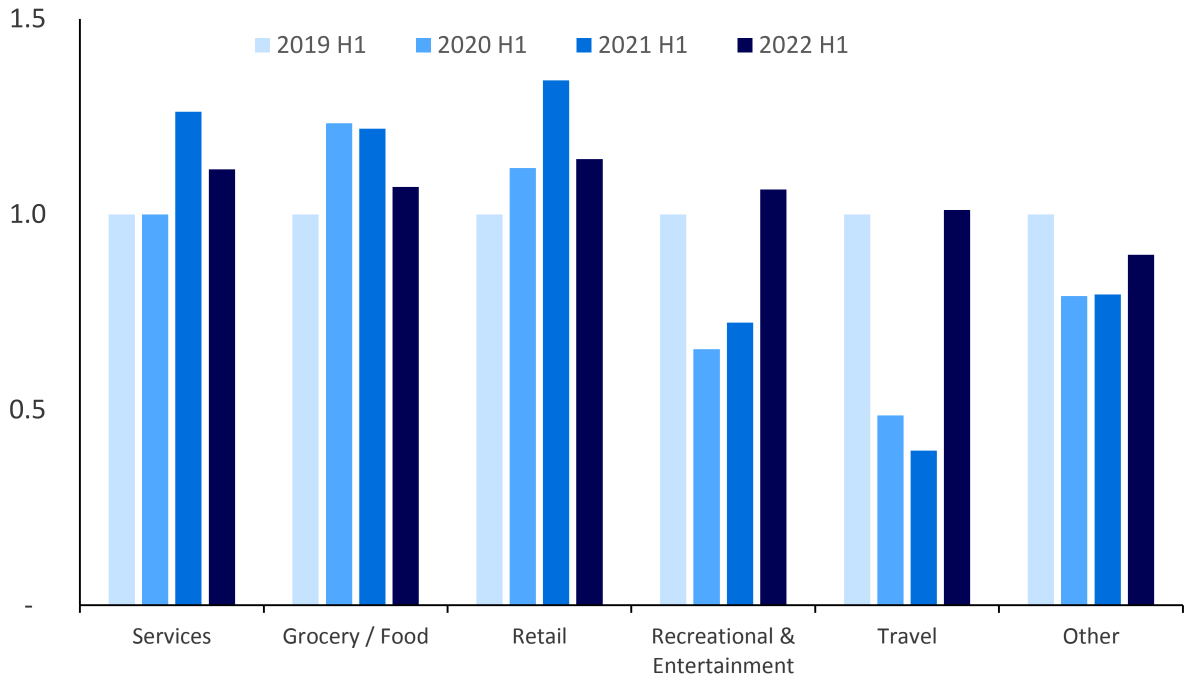
Primary Products	Brands		Average receivables (£m)	Customer numbers ('k)	Net interest margin (£m)	Impairment (£m)	Risk-adjusted net interest margin (£m)	PBT/(LBT) (£m)
Credit Cards	VANQUIS	H1'22	1,028	1,541	181	(18)	163	76
		H1'21	987	1,537	178	(29)	149	57
Vehicle Finance	moneybarn Vehicle Finance	H1'22	593	95	59	(18)	41	20
		H1'21	588	94	55	(20)	35	16
Personal Loans	VANQUIS	H1'22	34	24	5	(3)	2	(11)
		H1'21	17	16	3	(2)	1	0

Credit card spend trends

Spend per customer able to spend



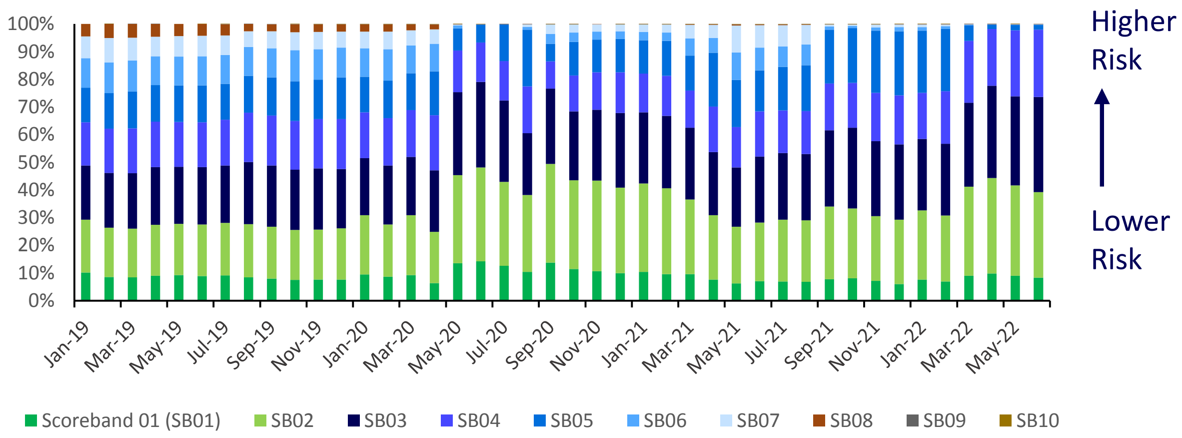
Active customer spend by category indexed to 2019



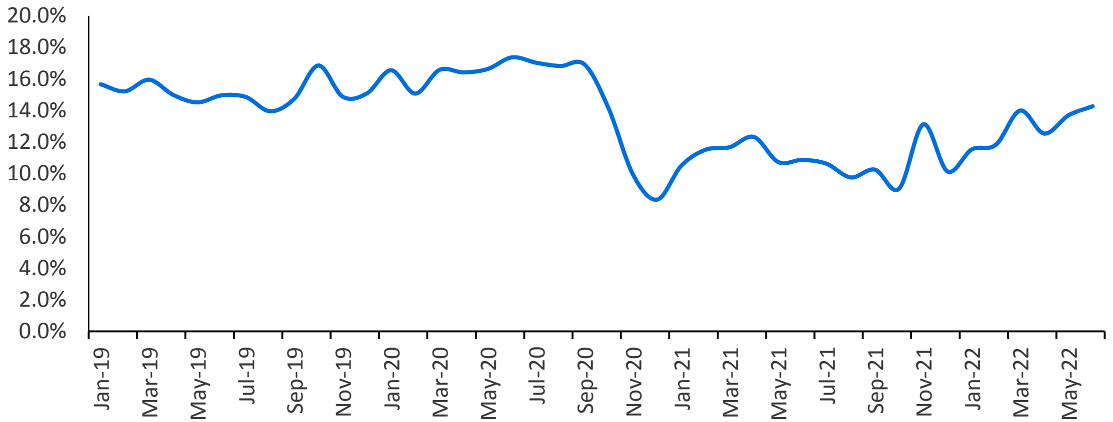
- Spend per active customer has remained in line with 2019 levels but spend overall decreased slightly versus H1’19 owing to lower customer numbers
- Spend on travel, recreation and entertainment has increased materially during H1’22

Credit card asset quality

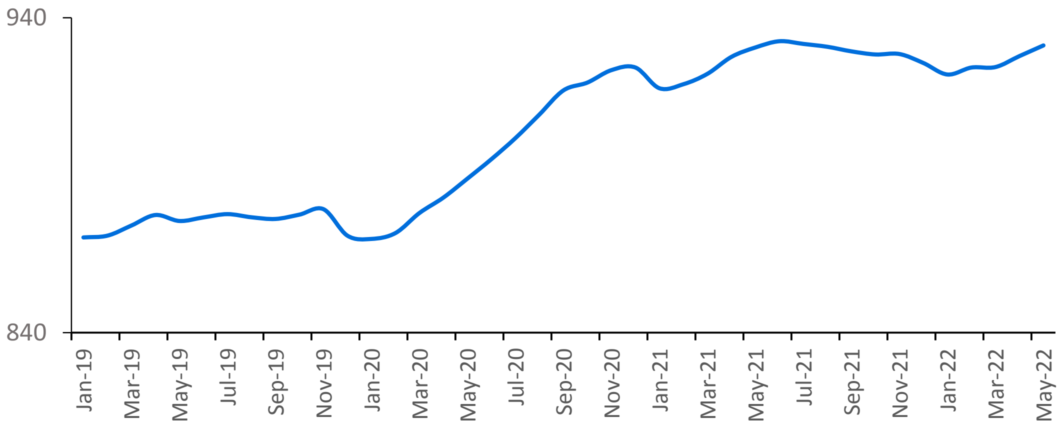
Booking Mix



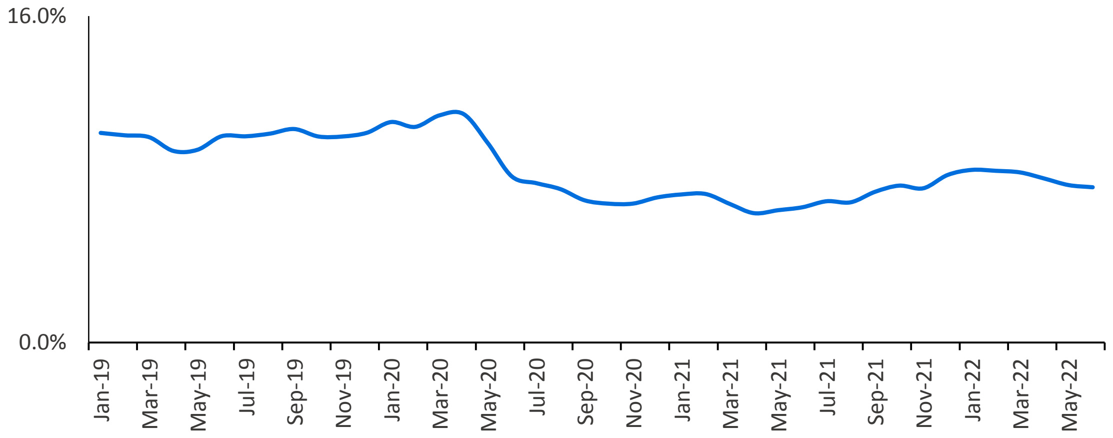
Annualised charge off rate



Average portfolio credit score

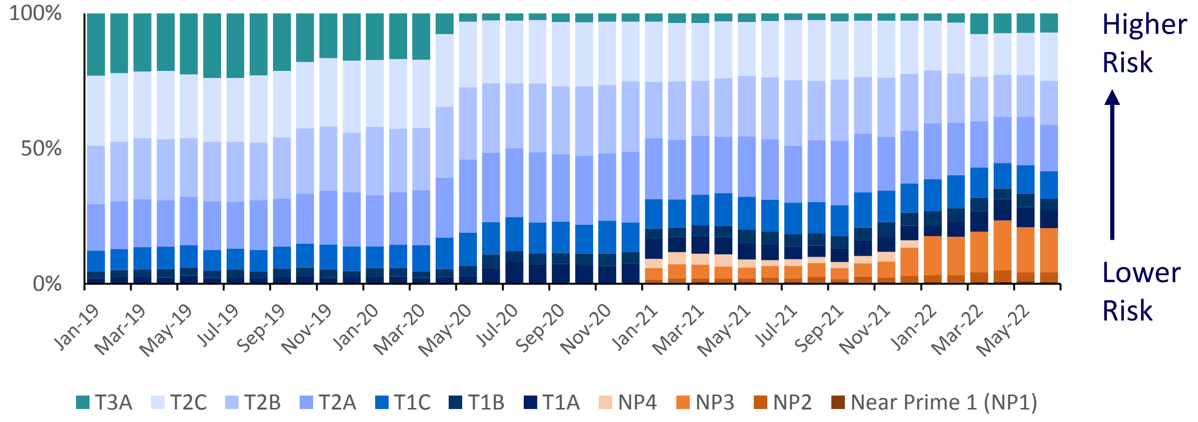


1-6 Delinquency rate

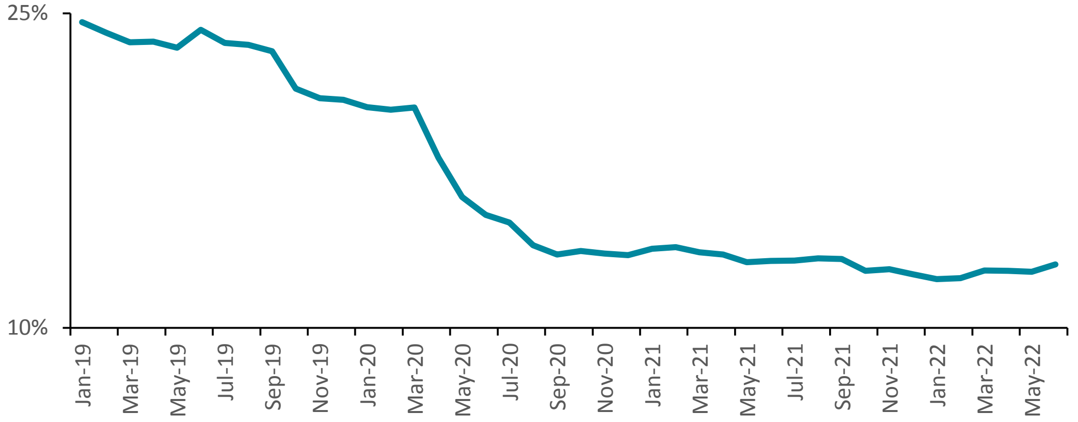


Vehicle finance asset quality

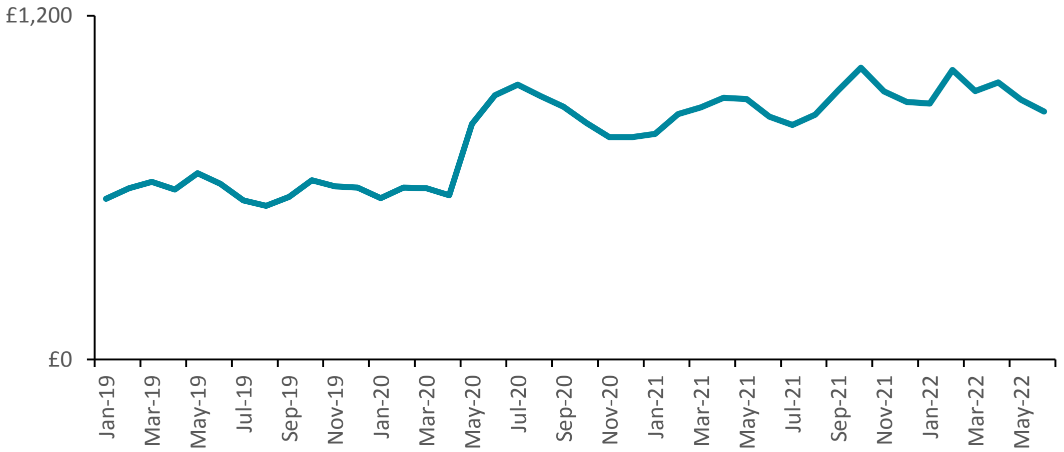
Booking mix



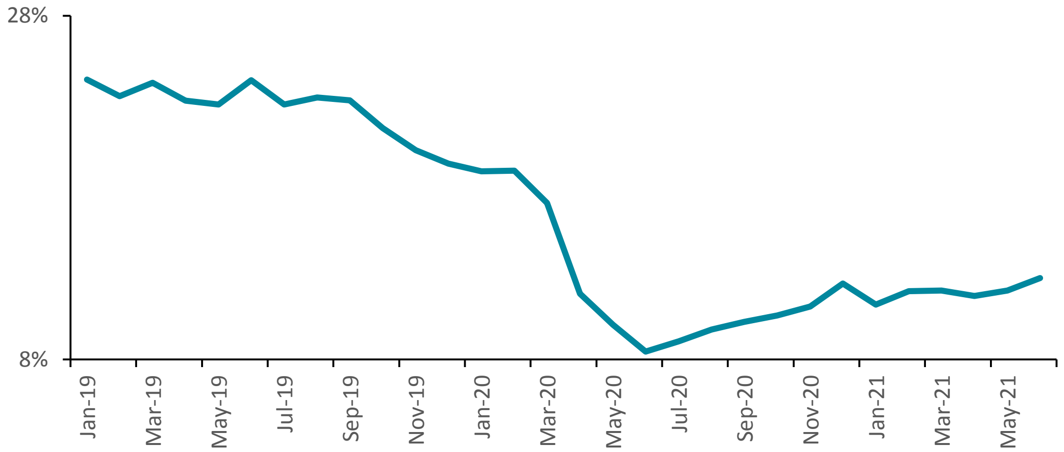
Expected 12m bad rate



Average deposits

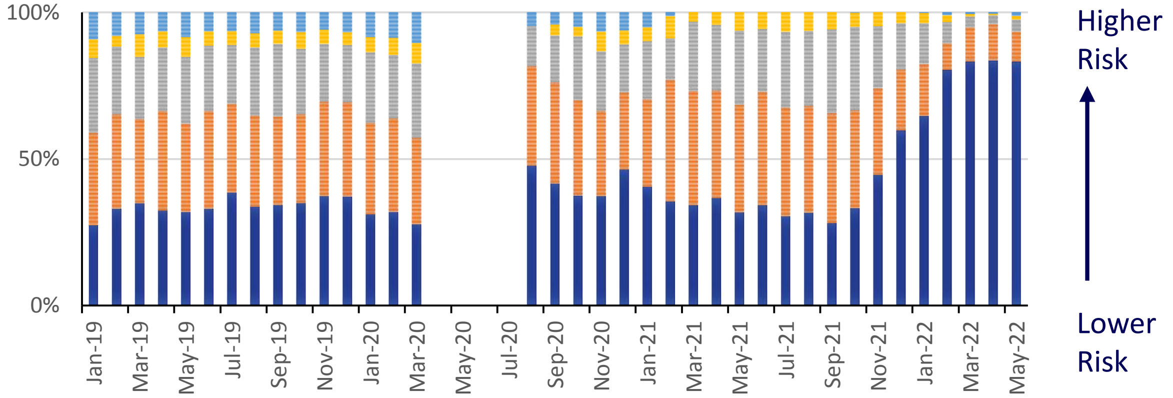


1-6 Delinquency rate



Personal loans asset quality & strategy

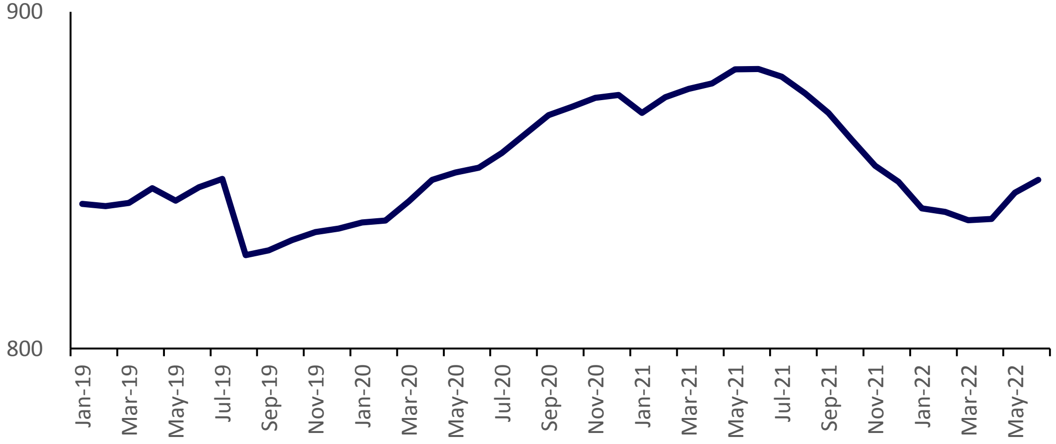
Booking Mix



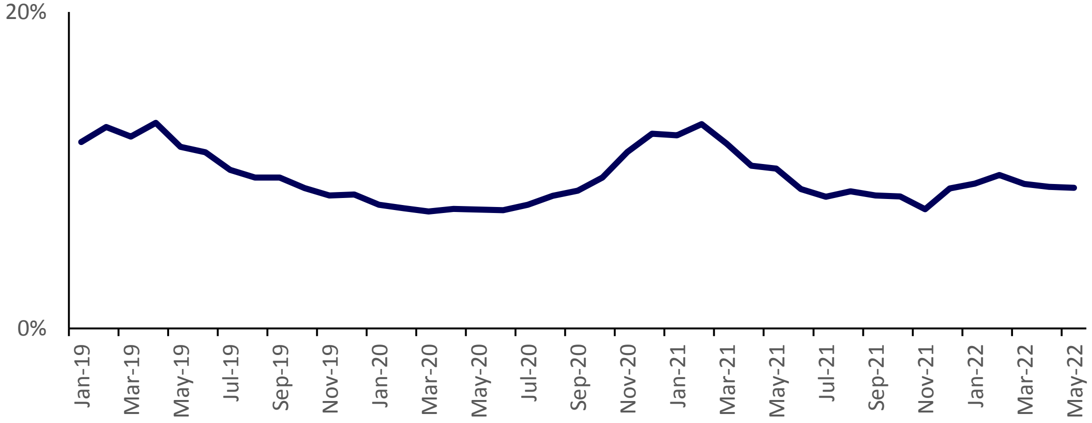
Strategy

- Focus on developing the core offering around Vanquis Bank Loans
- APRs of less than 50%
- Broaden the Open Market proposition and remain focused on growing lending to existing customers…
- …supported by 'Gateway' IT platform

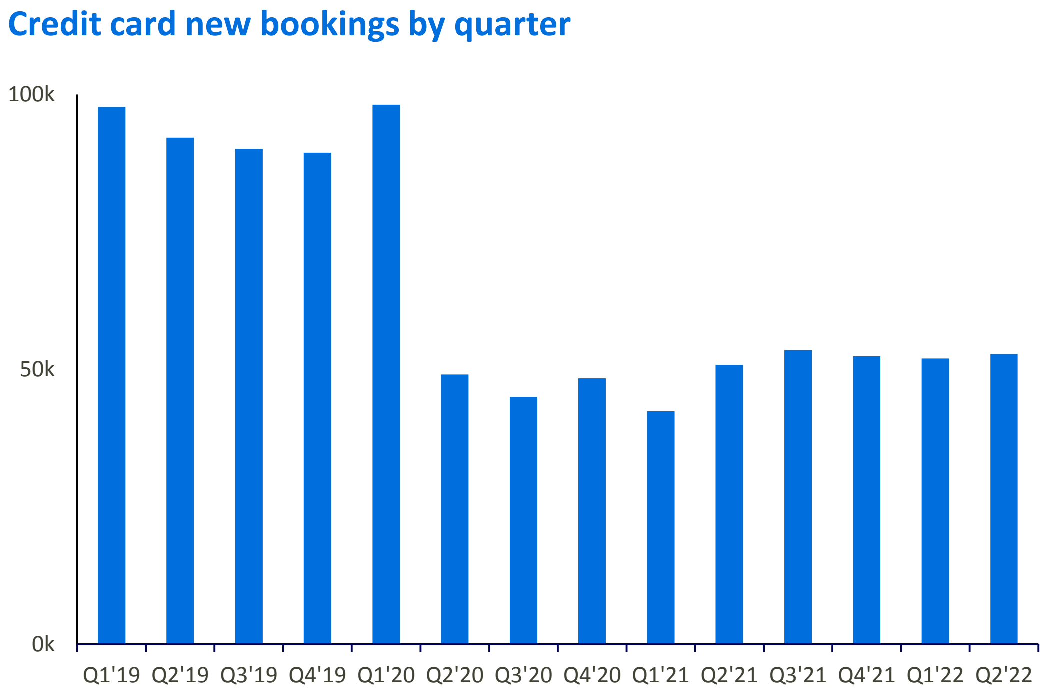
Average existing customer portfolio credit score

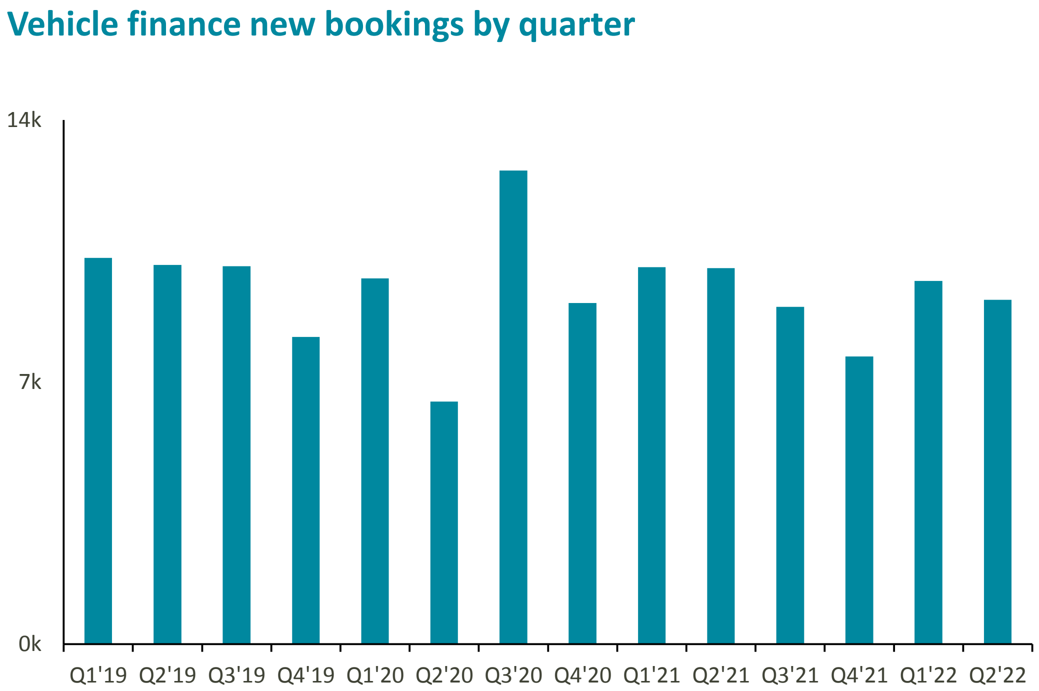


1-6 Delinquency rate



Customer bookings reflect focus on quality

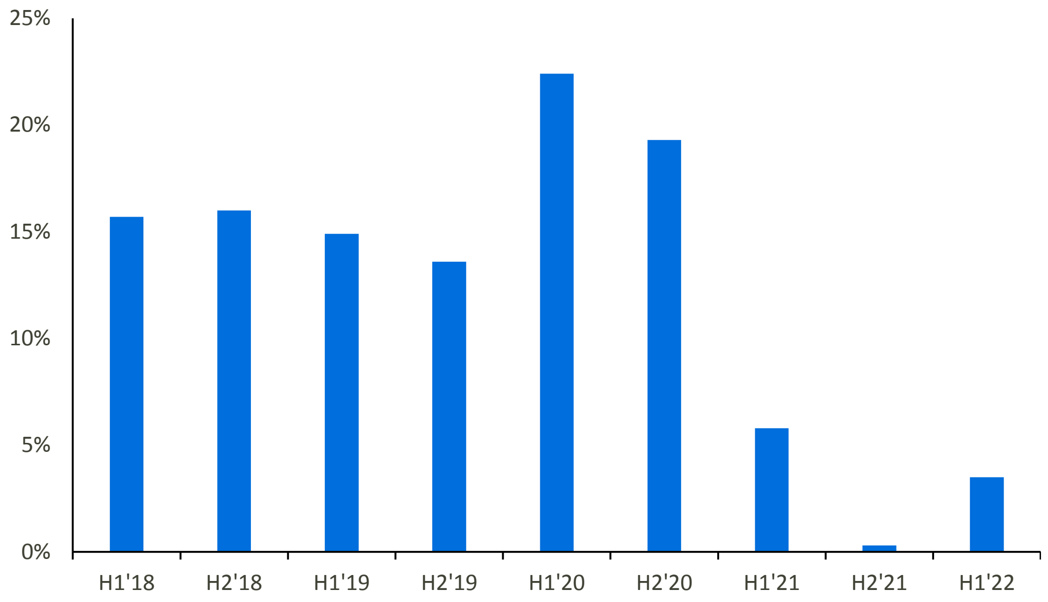




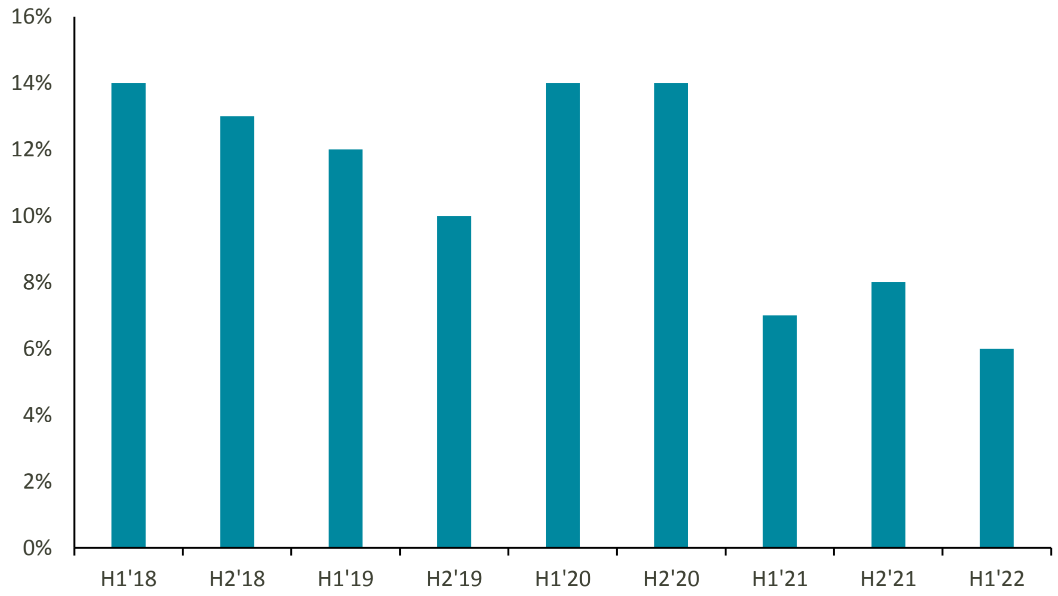
- Lower bookings reflect the successful repositioning of the Group and its focus on lower risk customers…
- …which is expected to provide a platform for stable returns for shareholders through the cycle

Lower impairment trends

Credit card impairment rates



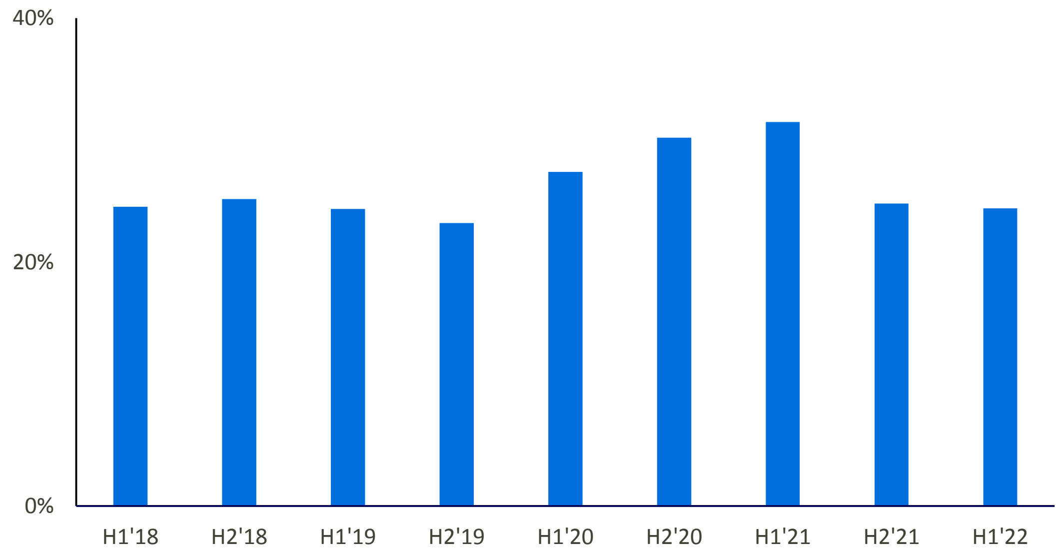
Vehicle finance impairment rates



- The credit card and vehicle finance impairment rates fell in H1'22 year-on-year reflecting broadly stable delinquency trends
- Group impairment charge expected to reduce to sub-10% over the medium-term

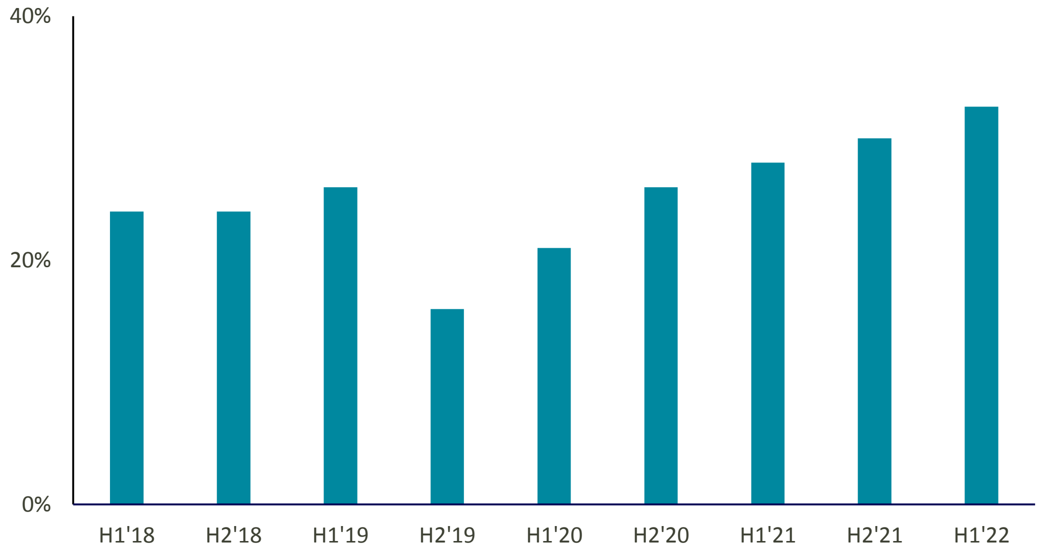
Prudent coverage ratios

Credit card coverage ratios



1,432	1,495	1,465	1,433	1,174	1,075	978	1,063	1,035
Net receivables								

Vehicle finance coverage ratios

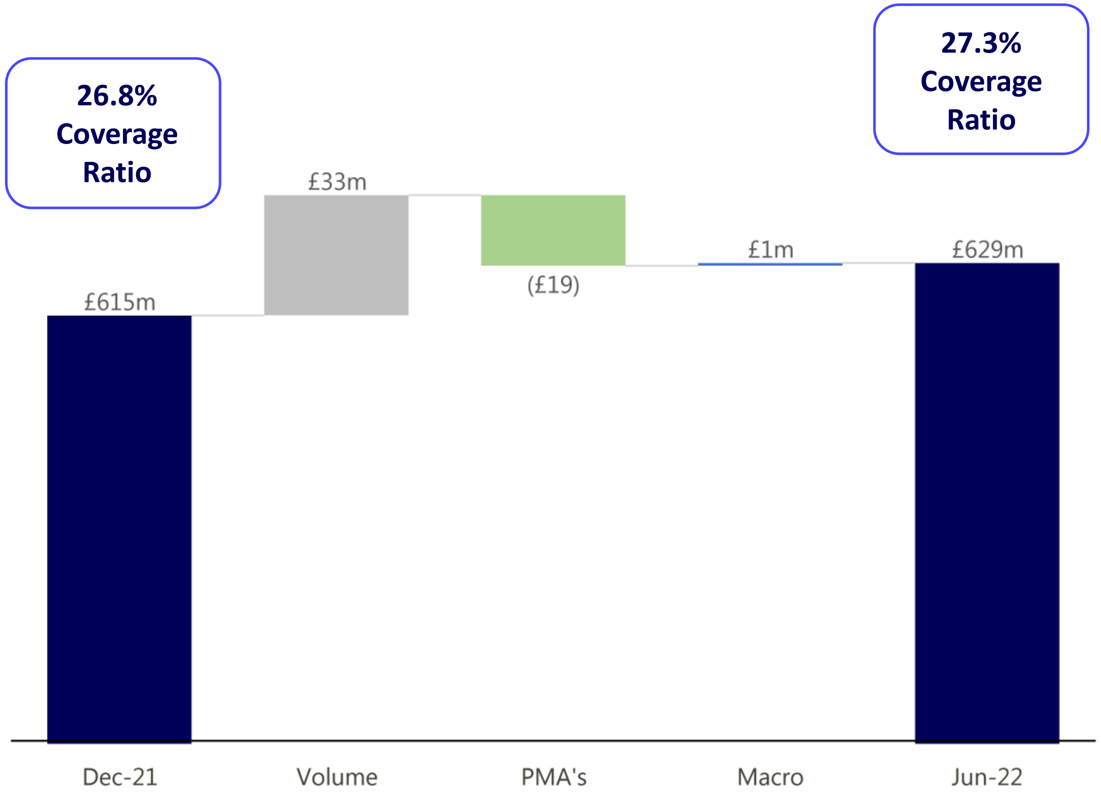


360	413	462	489	516	566	602	586	598
Net receivables								

- The credit card loan book coverage ratio fell materially year-on-year reflecting the ongoing release of provisions and debt sales
- The vehicle finance loan book coverage ratio increased owing to an absence of debt sale activity
- Coverage ratios expected to fall over the medium-term to below 15% reflecting a lower risk loan book and ongoing provision releases

Continued prudent approach to provisions

Expected credit loss (ECL)



- During H1'22, ECLs increased marginally reflecting volume growth across the Group partly offset by the ongoing release of provisions
- Proactive approach to short-term uncertainty around:
  - A rising cost of living for our customers
  - Further interest rate rises
- Reflecting this proactive approach, an existing Cost of Living provision of £7.8m has been increased to £10m during H1'22
- PFG is well positioned for the inflationary environment in the UK based on its:
  - Proactive approach to risk management
  - Credit assessment and affordability processes being updated
  - Additional support for customers

Robust capital position

- Total capital resources reduced to £659m in H1’22 (FY’21: £707m), reflecting the unwind of the IFRS 9 transitional relief (£54m).
- Significant capital surpluses of £309m over the Group’s requirement.
- Significant excesses above regulatory capacity for Tier 2 capital.
- Capital requirements set by PRA in 2019, before CCD was wound-down and the Group exited the high-cost sector.
- Capital Supervisory Review and Evaluation Process scheduled for H2’22
- Existing Tier 1 excesses already adequate to cover:
  - Normalised 2% Countercyclical Capital Buffer from 5 July 2023 (as announced by the FPC), and;
  - All remaining IFRS 9 Transitional Relief (£54m) with no further unwind beyond 1 January 2023

£659m total capital supports growth and investment

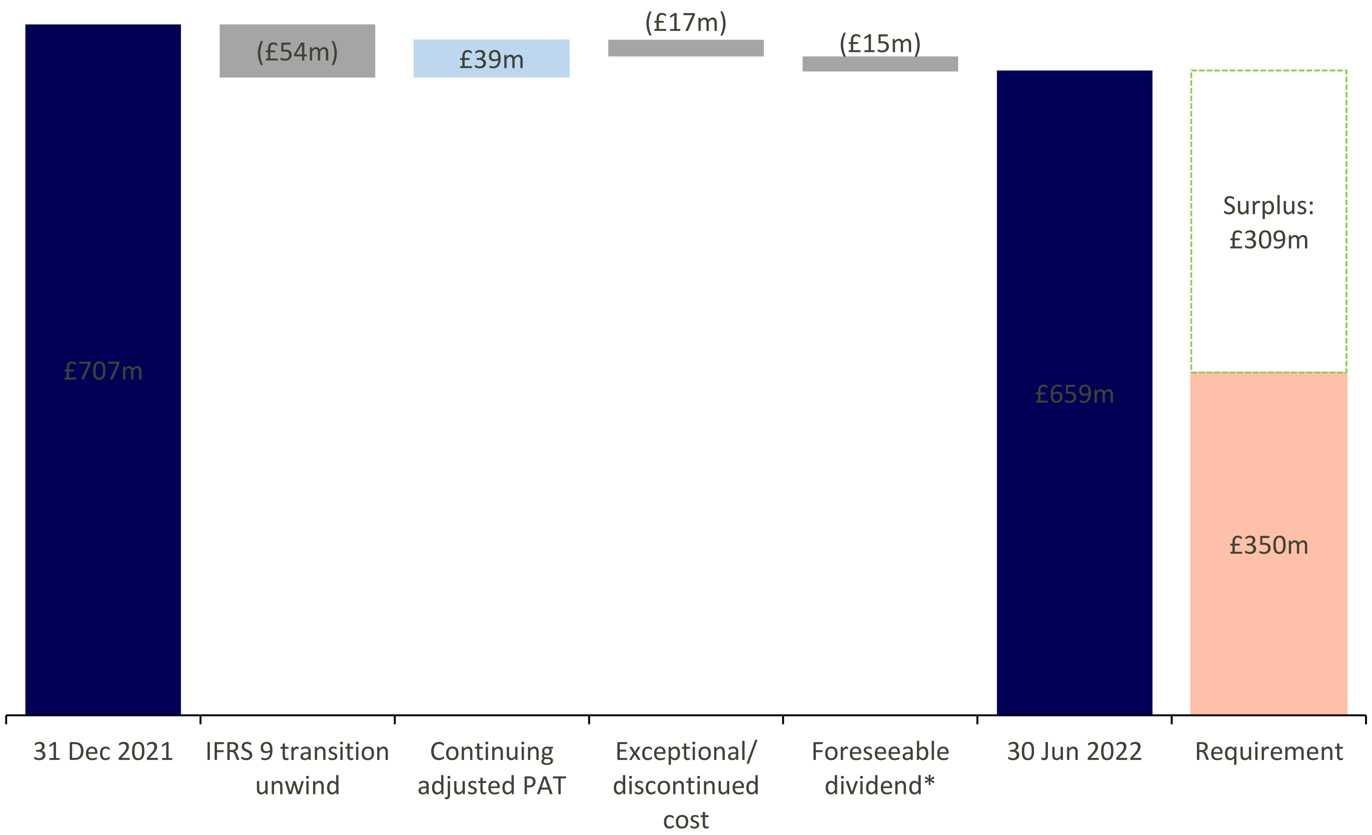
Capital resources	Capital Required[1]	Capital Surplus
39.2%	20.8%	18.4%
£659m	£350m	£309m

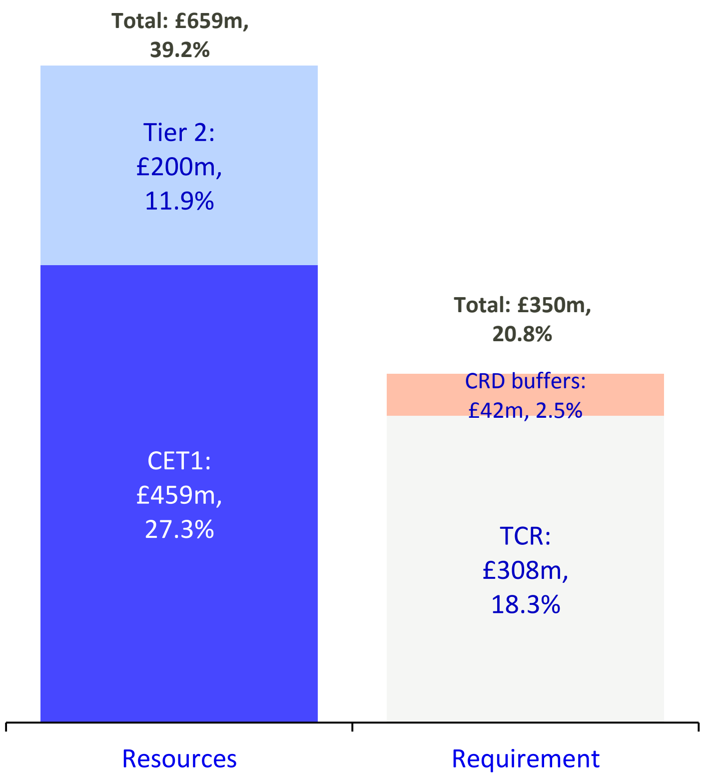
£459m CET1 pre-funds growth, IFRS 9 unwind and buffers

Tier 1 resources (all CET1)	Tier 1 Required[1]	Tier 1 Surplus
27.3%	16.2%	11.1%
£459m	£273m	£186m

[1] Excludes any firm-specific confidential PRA buffers, if applicable.

Regulatory capital management





- Resilient and diversified capital base supported by underlying capital generation despite challenging macroeconomic backdrop
- Scheduled unwind of £54m of IFRS 9 transition relief was absorbed on 1 January 2022.

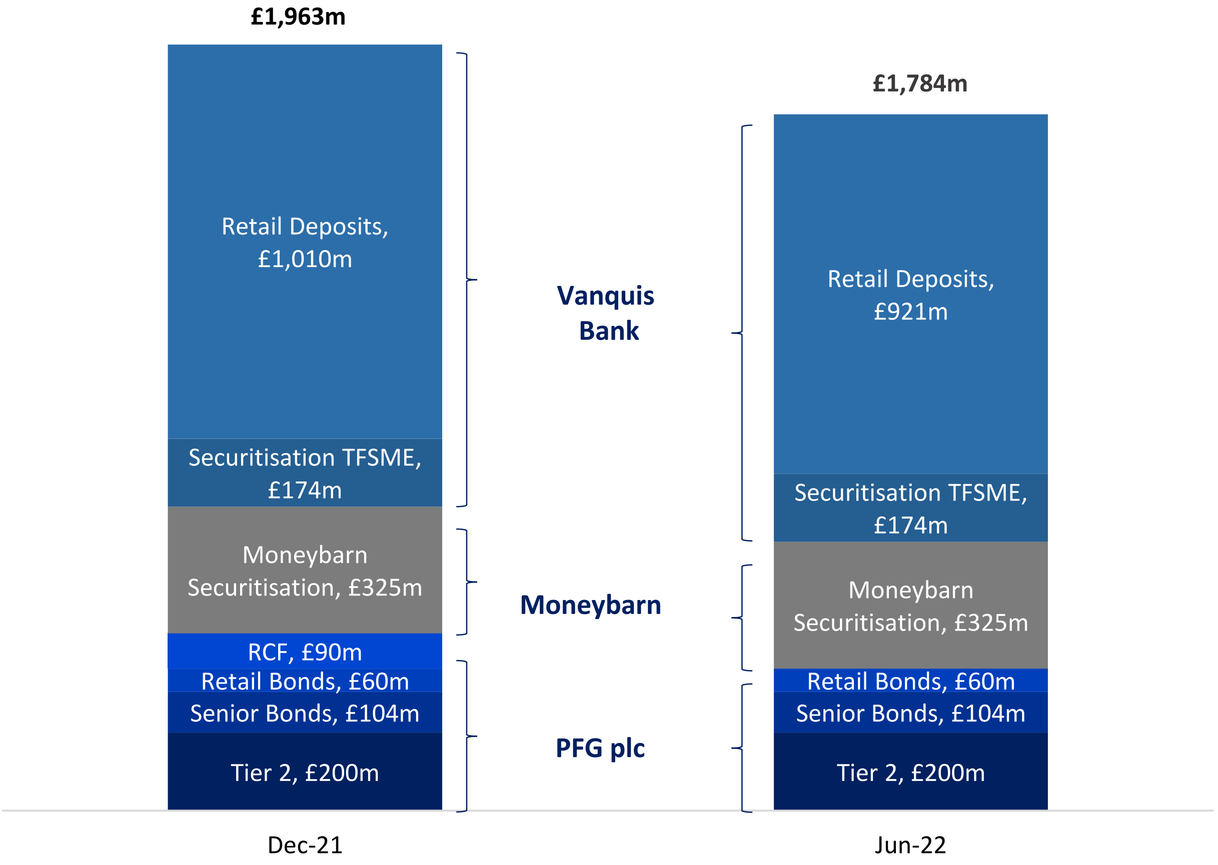
*Based on 40% of continuing adjusted PAT

Diversified funding mix across the Group

- The Group elected to early repay its £90m Revolving Credit Facility from excess liquidity in March 2022
- Vanquis Bank is now partially funding Moneybarn (£70m)
- Application for Core UK Group Large Exposure waiver progressing through PRA governance to enable additional retail deposits to fund Moneybarn
- Senior unsecured bonds that partially fund Moneybarn expected to be repaid upon maturity in H2'23, and replaced by Vanquis Bank retail deposits
- £2bn EMTN programme to be renewed in H2 2022, retaining optionality for unsecured bond issuance
- Opportunities to diversify Vanquis Bank retail funding mix into ISAs and behaviouralised deposits
- Transitioning to a predominantly retail funded Group

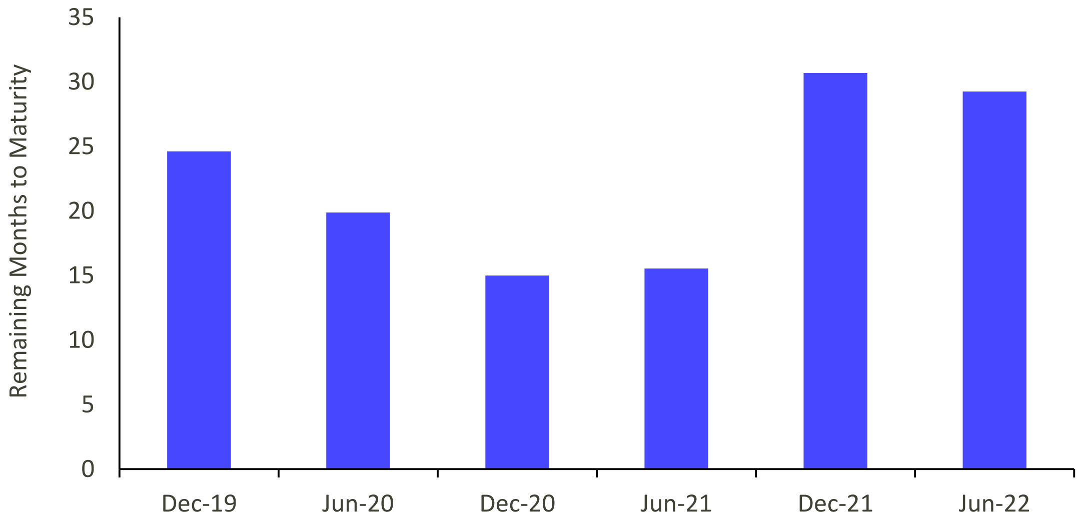
Consolidated Group Committed Facilities including retail deposits (excl. fees and accrued interest)

Including Tier 2 capital



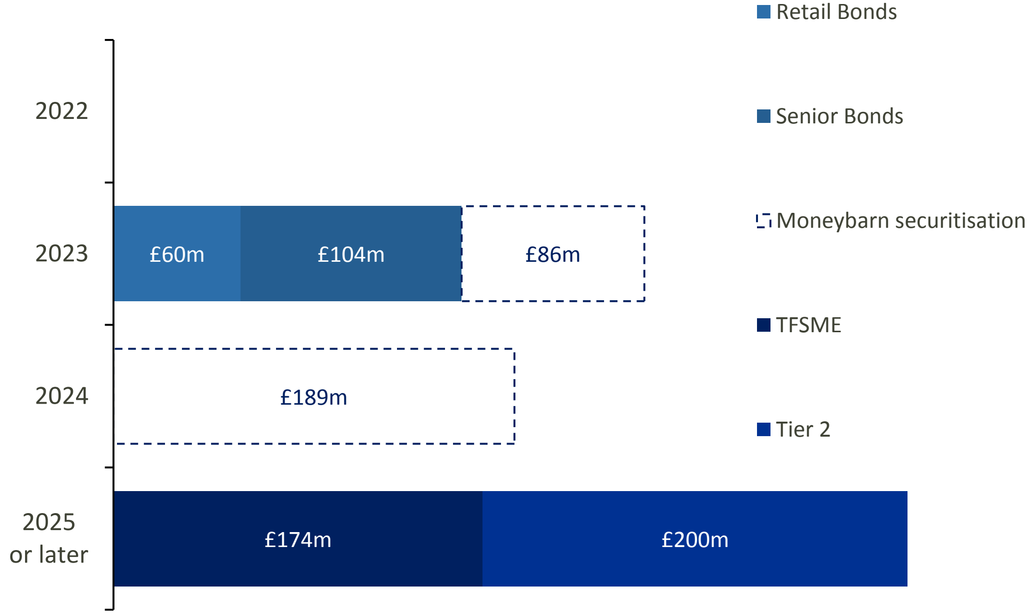
Stable funding duration

Consolidated Group Funding Duration



Consolidated Group funding – including Tier 2 capital

Wholesale Funding Maturity Profile

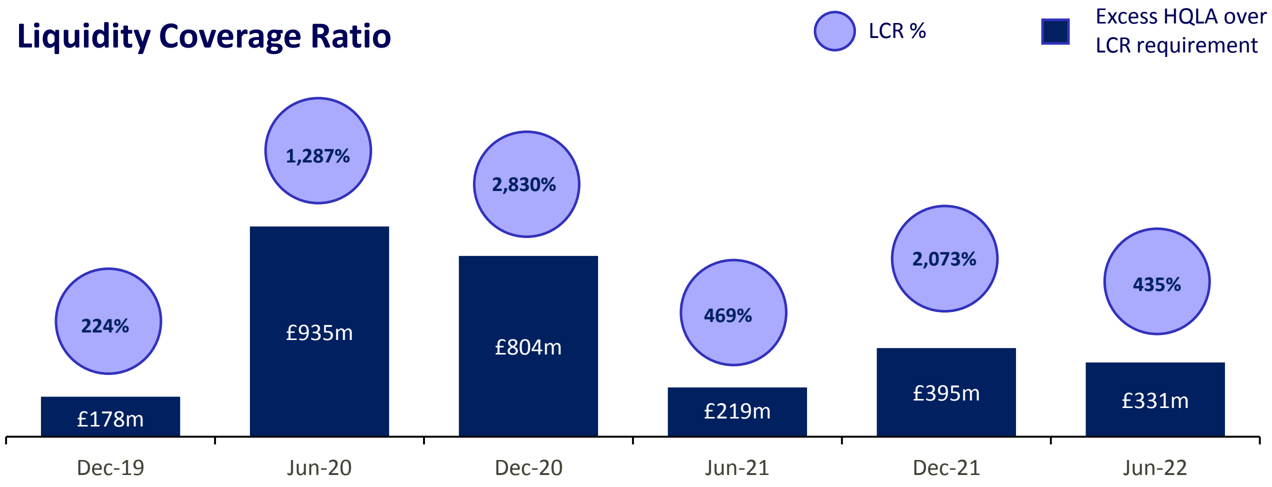


- No new funding at non-bank group and de minimis new funding at Vanquis Bank in H1 due to contractual term structure of funding mix and highly liquid position
- Non-bank group liquidity resources already adequate to repay the maturing Senior and Retail bonds in 2023, irrespective of PRA waiver application or new funding.
- Contractually stable term funding protects against refinancing risks in a rising interest rate environment

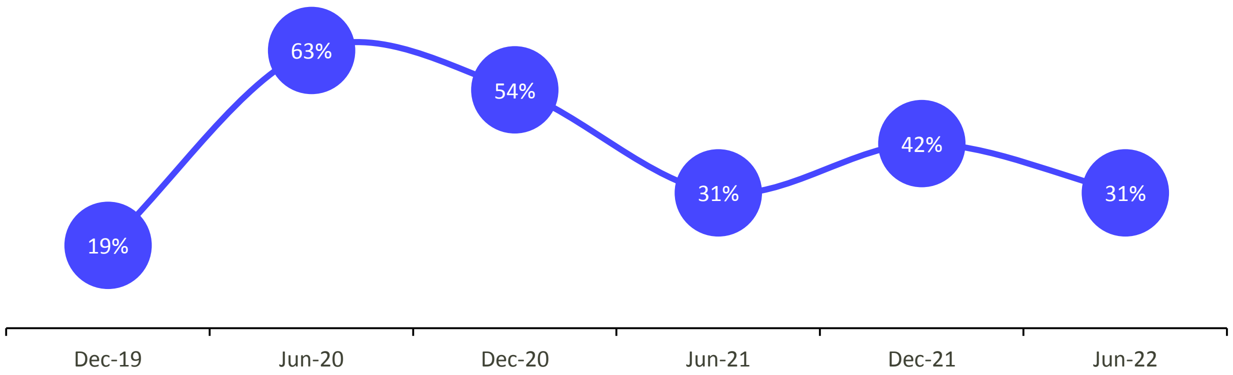
Highly liquid position

- £517m liquidity resources as at 30 June (FY'21: £705m), of which £430m qualifies as High Quality Liquid Assets (HQLA) held in the Bank of England Reserve Account (FY'21: £415m)
- Surplus non-bank group liquidity invested in Bank of England Reserve Account (via Vanquis Bank)
- Consolidated Group Liquidity Coverage Ratio of 435% represents £331m surplus over regulatory requirement
- Consolidated Group Net Stable Funding Ratio of 143% represents £640m of headroom over regulatory requirement
- Total liquidity resources (inclusive of £86m of unencumbered cash not qualifying as HQLA and undrawn funding facilities) as proportion of lending remains elevated at 31% following raising of TFSME funds in October 2021
- Levels of excess liquidity have pre-funded new business and maturing funding, protecting the Group against funding cost pressures in rising interest rate environment
- Near-term funding requirement remains very modest

Liquidity Coverage Ratio



Total liquidity[1] : Net Receivables Ratio

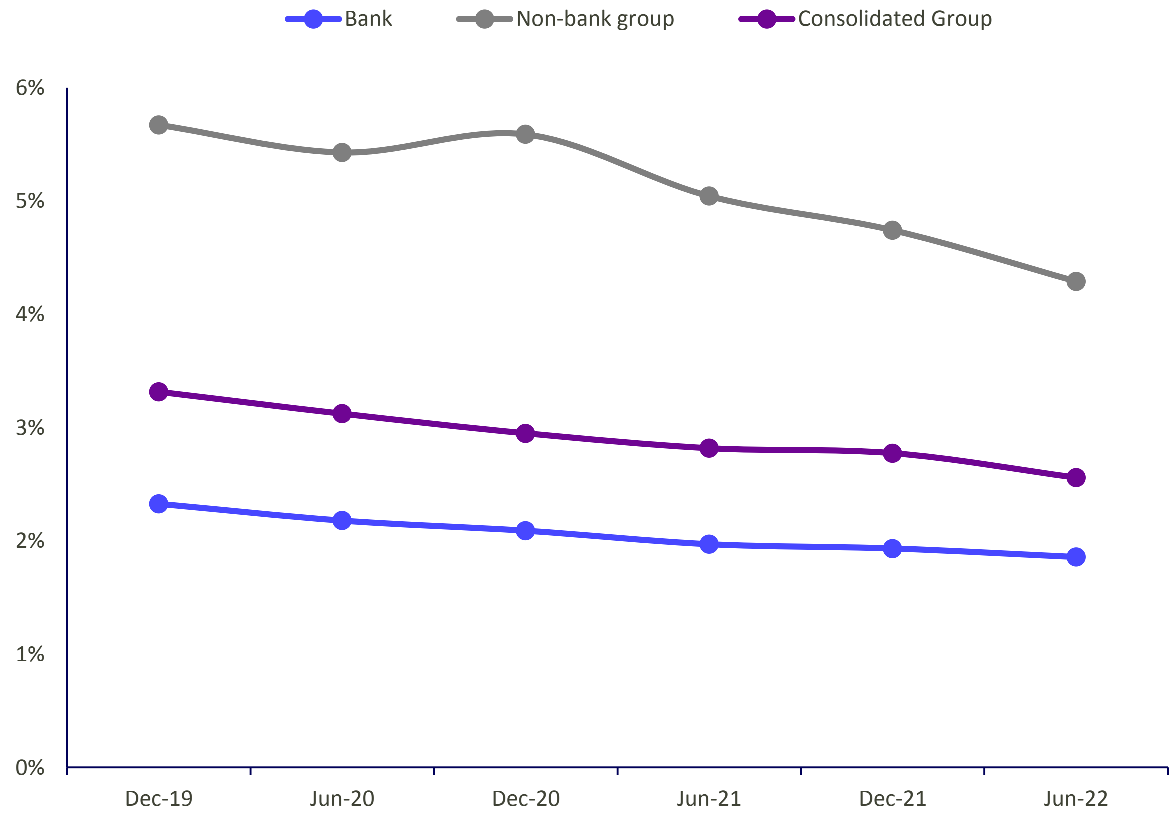


[1] Total liquidity includes unencumbered cash not qualifying as HQLA and undrawn funding facilities

Cost of funds reducing

- Continued reductions in funding cost at both non-bank group level and Vanquis Bank
- Following repayment of the RCF, exposure to variable rate funding limited to securitisation and TFSME and fully offset by liquid assets invested in Bank of England Reserve Account
- Surplus non-bank group liquidity now held in Bank of England Reserve Account (via Vanquis Bank), earning Base Rate (previously nil)
- Unsecured wholesale funding in the non-bank group that matures in H2’23 is expected to be replaced by lower cost retail funding
- Vanquis Bank can further diversify its retail deposit funding mix through more cost-effective behaviouralised deposits and ISAs
- Funding cost management has enabled Vanquis Bank to support customers by withholding increases in rates

Group Cost of Funds[1]



[1] Excludes Tier 2 capital issued in H2 2021

Financial outlook

Focused and sustainable growth

- In H2’22, focused and sustainable receivables growth expected across credit cards, vehicle finance and personal loans…
- …remain well capitalised for growth in the loan book or selective inorganic growth over the medium-term

Stable impairment trends

- Focus on lower risk mid-cost and near-prime customers…
- …combined with the anticipated ongoing reduction in expected credit loss provisions during H2’22

Change costs to continue in H2’22

- H2’22: the Group will continue to invest today for its future and total costs are expected to remain flat versus H1’22 before reducing in 2023
- 2024: Cost to income ratio expected to fall to c.40% from the end of 2024 onwards

Cost of funding improvements

- Continued reductions in funding cost at both non-bank Group and Vanquis Bank
- Risk-adjusted NIM profile expected to remain stable

Strategy and Outlook

Malcolm Le May

Group Chief Executive Officer

A platform for sustainable growth and returns…

Detailed customer insight

- Focusing on better quality customers across the Group
- The Probability of Default (PD) across the Group has halved/reduced significantly
- This enables lower impairment rates, costs of servicing and coverage ratios over the medium-term

New products & services

- We can react to our customer insights through products designed to meet their specific needs
- We currently provide credit cards, vehicle finance and personal loans
- Potential new products include secured lending or BNPL (Buy Now Pay Later)

Balance sheet and IT platform

- Brand-new, state-of-the-art IT platform
- It will be capable of supporting all PFG lending products in future and is product-agnostic
- Over time, we will be able to deliver new products to market much more quickly

Improving customer insights…

	Credit Cards	Motor	Personal Loans
Income Source	Full or part time salaried (66%) or self-employed (16%)	Full time salaried (77%) or self-employed (15%)	Full or part time salaried (77%), or self-employed (6%)
Income Industries[1]	Healthcare, manufacturing, retail & transport	Customer service, healthcare & transport	Healthcare, manufacturing, retail & transport
Income Level	Earning around the national average (£30k) with core spread between £20k and £50k		
Housing	58% renting 35% home owners 7% living with parents	71% renting 22% home owners 7% living with parents	45% renting 48% home owners 7% living with parents
Mortgage Holders[1]	20%	10%	16%
Typical age	46-65 years old	36-55 years old	26-45 years old
Credit Score	Near prime / Mid-cost	Near-prime/ Mid-cost	Near-prime/ Mid-cost
	Typical customer credit scores sit between 500 and 600		
Savings	Circa half have material savings (enough to cover emergencies)	Limited savings	Circa half have material savings (enough to cover emergencies)

[1] Customer insights information taken primarily from a PFG & BoxClever survey of 3,510 non-prime consumers and 2,929 PFG customers, Dec 2019. Mortgage holders information and income industries data taken from internal data sources. Personal Loans data is primarily market based data due to the business yet to achieve sufficient scale.

…driving our customer strategy

- PFG undertook a comprehensive survey of 3,500 non-prime consumers and 3,000 PFG customers to identify 5 key attitudinally differentiated segments which exist within the non-prime market, which was supplemented by a later study of 2,000 non-prime consumers.
- These surveys deepened our customer and consumer understanding, particularly of consumers' wants & needs when seeking and obtaining credit.

Optimistic spenders	Credit as a last resort	Managing life	Considered spenders	Lifeline credit

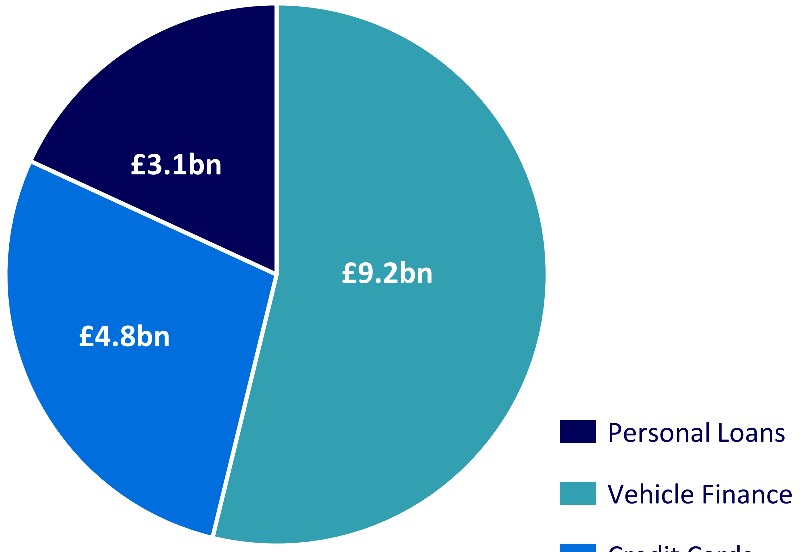
Customer strategy

- More targeted and efficient marketing approach and spend
- New products and services to meet the specific requirements of our customers
- Helping our customers to build a better financial future

Growth in our Target Addressable Market

	Customers (m)
Current Addressable Market (CAM)	**10.4**
'Just prime' consumers	1.0
Reduced risk appetite at higher risk levels	(1.0)
Adjacent thin file consumer opportunity (e.g. new to credit)	3.1
Target Addressable Market (TAM)	**13.5**

Debt outstanding across our markets equated to c.£17bn as at December 2021 with scope for further growth as the markets recover to pre-Covid



PFG's Target Addressable Market equates to c.25% of the adult population in the UK

…Combined with product specific initiatives

Credit Cards

- Three new price points and initial limits launched at 26.5%, 28.5% and 34.6%
- Launched an improved Balance Transfer offering
- Driving better front of wallet behaviour
- Ongoing and continuous funnel optimisation
- Growth in partner and direct customer channels
- Graduation to a prime offering for high quality dormant customers
- Optimising the Credit Line Increase programme

Vehicle Finance

- Pursue new partnerships agreements
- Product and market development including asset class expansion
- Improved customer retention

Personal Loans

- Broaden the Open Market proposition
- Optimise existing customer lending
- Proposition development
- Leveraging the ‘Gateway’ platform

Group capital management framework

Strong Regulatory Capital and Funding Position	• Strong capital position; application accepted by the Prudential Risk Authority (PRA) for review of the 2022 ICAAP in H2’22 • Approval of large limit waiver by PRA will support retail deposit funding of vehicle finance • Well-funded with access to low-cost retail deposits notwithstanding a rising interest rate environment
Strong & Attractive Growth Opportunities	• Well positioned in large, growing markets with strong competitive advantages • State-of-the art scalable IT lending platform, with the capability to support multiple lending products • Ongoing optimisation of operating model • Strong receivables growth • PFG confident in its ability to deliver attractive returns on a sustainable basis enabled by a mid-cost and near-prime customer focus
Attractive Returns Profile	• The Board intends to move towards a pay-out ratio of c.40% of adjusted earnings[1] from FY’22 onwards • Any surplus capital retained will be assessed for returns by way of special dividends or share buy-backs, subject to market conditions, or selective inorganic growth opportunities
Inorganic Growth Options	• Strong balance sheet supports selective opportunities for inorganic growth to add diversity across income and products

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[1] Dividends to be paid out of adjusted earnings, which is defined as profit after tax before amortisation of acquisition intangibles and any exceptional items including one-off provision releases.

Outlook

- **The macroeconomic outlook for the UK remains challenging but PFG remains well placed:**
  - Strong focus on credit and risk management
  - Underpinned by a strong, well capitalised balance sheet…
  - …with a customer-centric model and new technology
- **In H2’22, subject to market conditions, PFG is expected to deliver:**
  - Receivables growth across its business lines
  - Impairment trends to maintain current levels through H2’22
  - A stable Net Interest Margin profile supported by a falling cost of funding
  - Total costs remaining flat versus H1’22 before reducing in 2023 towards our cost to income ratio target of 40% from the end of 2024 onwards
- **Over the medium-term, PFG will pursue:**
  - A strategy of product and service diversification
  - Attractive and sustainable shareholder returns including the potential for special capital returns or selective inorganic growth

“

PFG is a leading specialist banking group focused on under-served markets and remains committed to delivering long-term, sustainable returns to its shareholders as we target the growing mid-cost market segment…

Malcolm Le May
CEO

Questions

- Appendix
- Contacts

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Appendix

Group results – continuing operations

	H1'22 £m	H1'21 £m	Change %
Customer numbers (‘000)	**1,659**	1,647	1
Period end receivables	**1,675**	1,595	5
Average receivables	**1,655**	1,592	4
Revenue	**266**	264	1
Interest expense	**(24)**	(25)	4
Net interest margin	**242**	239	1
Revenue yield	***32.2%***	*33.2%*	*(1)*
Cost of funding	***2.9%***	*3.2%*	-
Net-interest margin	***29.3%***	*30.1%*	*(1)*
Impairment rate	***4.7%***	*6.4%*	*2*
Risk-adjusted net interest margin	**204**	189	8
Costs	**(150)**	(125)	20
Adjusted profit before tax	**54**	64	(16)
Cost income ratio	***61.7%***	*52.2%*	*(10)*
Return on assets	***6.7%***	*11.5%*	*(5)*

Group results – statutory balance sheet[1]

Assets	H1'22 £m	H1'21 £m	Change %
Cash and balances at central banks	560	486	15
Amounts receivables from customers	1,667	1,637	2
Pension asset	82	93	(12)
Goodwill and other intangibles	124	112	11
Other assets	101	142	(29)
Total assets	*2,534*	*2,470*	*3*

Liabilities and equity			
Retail deposits	927	1,063	(13)
Bank and other borrowings	825	567	46
Trade and other payables	65	106	(39)
Other liabilities	116	131	(11)
Equity	601	603	-
Total liabilities and equity	*2,534*	*2,470*	*3*

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[1]Incldues CCD. Retail deposits and bank and other borrowings include accrued interest & fees.

Credit cards results

	H1'22 £m	H1'21 £m	Change %
Customer numbers (‘000)	**1,541**	1,537	-
Period end receivables	**1,035**	978	6
Average receivables	**1,028**	987	4
Revenue	**190**	192	(1)
Interest Expense	**(9)**	(14)	35
Net interest margin	**181**	178	2
Revenue yield	***37.1%***	*39.0%*	*(2)*
Cost of funding	***1.8%***	*2.8%*	*1*
Net-interest margin	***35.3%***	*36.1%*	*(1)*
Impairment rate	***3.5%***	*5.8%*	*2*
Risk-adjusted net interest margin	**163**	149	9
Costs	**(87)**	(92)	5
Profit before tax	**76**	57	33
Cost income ratio	***48.2%***	*51.8%*	*4*
Return on assets	***12.3%***	*10.7%*	*2*
Return on equity	***29.2%***	*29.0%*	*-*

Vehicle finance results

	H1'22 £m	H1'21 £m	Change %
Customer numbers (‘000)	95	94	1
Period end receivables	598	602	(1)
Average receivables	593	588	1
Revenue	70	69	1
Interest	(11)	(14)	21
Net interest margin	59	55	7
Revenue yield	*23.8%*	*23.4%*	-
Cost of funding	*3.9%*	*4.8%*	*1*
Net-interest margin	*19.8%*	*18.6%*	*1*
Impairment rate	*6.0%*	*6.8%*	*1*
Risk-adjusted net interest margin	41	35	17
Costs	(21)	(19)	(11)
Profit before tax	20	16	25
Cost income ratio	*35.4%*	*35.1%*	-
Return on assets	*8.7%*	*8.2%*	-

Personal loans results

	H1'22 £m	H1'21 £m	Change %
Customer numbers ('000)	24	16	50
Period end receivables	42	16	163
Average receivables	34	17	100
Revenue	5	3	67
Interest[1]	-	-	-
Net interest margin	5	3	67
Revenue yield	*31.5%*	*38.0%*	*7*
Cost of funding	*2.9%*	*2.4%*	-
Net-interest margin	*28.6%*	*35.6%*	*(7)*
Impairment rate	*15.2%*	*21.4%*	*6*
Risk-adjusted net interest margin	2	1	100
Costs	(13)	(1)	-
Loss before tax	(11)	-	-
Cost income ratio	*265.3%*	*36.7%*	-

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[1] Personal loans incurred interest costs during this period, of less than £0.5m

Alternative performance measure calculations

Alternative Performance Measures	Method of Calculation
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
Adjusted Return on Average Required Capital (RORE)	Adjusted profit after tax for the period, excluding CCD, multiplied by 365/181 divided by the Group's average PRA regulatory capital requirement including PRA buffers for the period
Adjusted Return on Tangible Equity (ROTE)	Adjusted profit after tax for the period, excluding CCD, multiplied by 365/181 divided by average tangible equity. Average tangible equity reflects Group's average equity over the period less intangible assets and goodwill
Average Receivables	Average of month-end net receivables for the 6 months ended 30 June
Common Equity Tier 1 (CET1) Ratio	The ratio of the Group's regulatory capital to the Group's risk-weighted assets measured in accordance with CRR.
Cost Income Ratio	Operating costs as a percentage of net interest margin for the period
Cost of Funds	Finance costs multiplied by 365/181 divided by average receivables for the 6 months ended 30 June
Cost of Risk	Impairment charge for the period multiplied by 365/181 as a percentage of average receivables for the 6 months ended 30 June
Coverage Ratio	Impairment provision as a proportion of gross receivables
Funding Headroom	Committed bank and debt facilities less borrowings on those facilities, plus available cash and liquid resources
Impairment Rate	Impairment charge for the period multiplied by 365/181 as a percentage of average receivables for the 6 months ended 30 June

Alternative performance measure calculations

Alternative Performance Measures	Method of Calculation
Liquidity Coverage Ratio (%)	The ratio of High Quality Liquid Assets to the net liquidity outflows for the next 30 days, as calculated in accordance with regulation
Net-Interest Margin (£)	Revenue less finance costs
Net-Interest Margin (%)	Revenue less finance costs, excluding exceptional items for the period multiplied by 365/181 as a percentage of average receivables for the 6 months ended 30 June
Revenue Yield	Revenue multiplied by 365/181 divided by average receivables for the 6 months ended 30 June
Return on Assets (ROA)	Adjusted profit before interest after tax for the period multiplied by 365/181 as a percentage of average receivables for the 6 months ended 30 June
Return on Equity (ROE)	Adjusted profit after tax for the period multiplied by 365/181 as a percentage of average equity for the 6 months ended 30 June. Equity is stated after deducting the Group's pension asset, net of deferred tax, and the fair value of derivative financial instruments, net of deferred tax
Risk-Adjusted Net-Interest Margin	Net interest margin less impairment, excluding exceptional items for the period multiplied by 365/181 as a percentage of average receivables for the 6 months ended 30 June
Total capital ratio (TCR)	The ratio of the Group's total regulatory capital (CET1, Additional Tier 1 and Tier 2 capital) to the Group's risk-weighted assets measured in accordance with the CRR

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