Interim results for the six months ended 30 June 2024
Strategic plan updated after one-off write downs: mid-teens ROTE target in 2026 maintained

London – 1 August 2024 - Vanquis Banking Group plc ('the Group'), the specialist bank, today published its results for the six months ended 30 June 2024.

Ian McLaughlin, Chief Executive Officer, commented: "We are making good progress on our business transformation and refreshed customer proposition presented in March. New customer volumes grew in the first half at better margins, leading to overall receivables growth in June. We continued driving operational efficiency and are on track to achieve £60m in cost savings by year-end.

"As announced on 16 July, we recognised one-off items amounting to £40m in the first half, which relate to our review of Vehicle Finance Stage 3 receivables (£29m, of which £16m relates to prior periods) and management actions taken in the period (£11m). As a result our financial position is now clearer and more stable.

"We have revisited our strategic plan and are making further changes to deliver an additional £15m in cost savings by the end of 2025, along with new revenue initiatives. We expect modest receivables growth in 2H24. We remain on track to deliver low single digit ROTE in 2025 and mid-teens ROTE in 2026, in line with previous guidance.

"As the largest specialist finance provider for financially underserved customers, Vanquis occupies a unique role in the UK banking system. We look forward to continuing to support our customers to make the most of life's opportunities."

Key financial results for the six months ended 30 June

	1H 24 £m	1H 23 (restated)[1] £m	Change %
Net interest income	**214.5**	214.5	-
Non-interest income	**19.5**	22.6	(13.7)
Total income	**234.0**	237.1	(1.3)
Impairment charges	**(101.3)**	(93.0)	(8.9)
Risk-adjusted income	**132.7**	144.1	(7.9)
Operating costs	**(179.2)**	(166.0)	(7.9)
Statutory loss before tax	**(46.5)**	(21.9)	(112.3)
Adjusted loss before tax[2]	**(26.8)**	(12.9)	(107.8)
Adjusted operating costs[3]	**(159.5)**	(157.0)	1.6
Metrics			
Gross customer interest earning balances[4]	**2,254.2**	2,370.7	(4.9)
Adjusted LPS (p)[5]	**(8.3)**	(3.6)	(130.6)
Basic LPS (p)[6]	**(14.1)**	(6.3)	(123.8)
Net interest margin[7]	**18.8%**	18.7%	0.1
Risk-adjusted margin[8]	**11.6%**	12.5%	(0.9)
Cost:income ratio[9]	**68.2%**	66.2%	(2.0)
Adjusted ROTE[10]	**(11.5%)**	(5.2%)	(6.3)
TNAV per share (£)[11]	**1.5**	1.7	(11.8)
Tier 1 ratio[12]	**19.8%**	21.1%	(1.3)

Update of strategic plan

Vanquis Management has updated its strategic plan.

- **No change** to purpose and strategy: Vanquis has a unique role to play in delivering caring banking so that customers can make the most of life's opportunities.
- **Continued development** of customer proposition.
- **Continued implementation** of Gateway transformation plan.
- **Further business streamlining** to deliver an additional £15m of cost savings by the end of 2025.
- **Opportunities for further revenue optimisation in Credit Cards.**
- **Target Tier 1 capital ratio reset to 18.5 – 19.5%**, reflecting the Group's clearer and more stable financial position.

1H24 headlines

Business performance: progress with business transformation, financial position now clearer and more stable

- **Gross Customer Interest Earning Balances** at 30 June of £2,254.2m, a decline of 5% (1H23: £2,370.7m).
  - New customer acquisitions grew ahead of plan.
  - Overall reduction in receivables was due to proactive volume management in 2H23, along with reduced customer spending and higher debt repayments.
  - Decline in receivables moderated in April and May, with a slight increase in June.
- **NIM:** stable at 18.8% (1H23: 18.7%).
- **Net Interest Income:** stable at £214.5m (1H23: £214.5m), with initial re-pricing initiatives now complete.
- **Impairment Charges:** increased by 9% to £101.3m (1H23: £93.0m).
  - £9.7m downward revaluation of Vehicle Finance Stage 3 debt and charge-off assets: debt sales expected later this year.
  - Lower benefits from model enhancements and recoveries.
  - Reduced origination and stable underlying credit performance were positive drivers.
- **Adjusted Operating Costs:** increased by 1.6% to £159.5m (1H23: £157.0m).
  - On track to achieve c.£60m previously announced cost savings by the end of 2024.
  - £10m in one-off items, mainly the write-down of development costs for a now redundant mobile app, property dilapidations and other sundry balances.
- **Adjusted Loss Before Tax:** £26.8m (1H23: £12.9m).
  - Excluding one-off items and the revaluation of Vehicle Finance Stage 3 balances, the Group adjusted loss before tax would have been £1.5m.

Customer proposition update: proposition strengthened to meet customer needs

Cards
- Initial repricing initiatives complete.
- Balance transfer products launched.

Vehicle Finance
- Repricing programme complete.
- Asset class expansion implemented.

Loans
- Existing customer proposition re-launched with a strong risk-adjusted margin.

Second Charge Mortgages
- Forward flow agreement signed with Interbridge Mortgages.
- Expanded agreement with Selina Finance.
- Strong start with 2Q24 originations above plan.

Savings
- Delivering cost-effective funding through an expanded product range, 30/60-day notice accounts, and Cash ISAs.

Snoop
- Embedded as a key strategic enabler within Vanquis.
- Customer acquisition performing well with over 24,000 Vanquis customers added in 1H24.
- New credit score feature used by approximately 80,000 customers.
- Snoop bill switching capability integrated into the Vanquis app.

Gateway

- Technology transformation progressing rapidly, and first key milestone delivered: a single customer-centric contact centre platform servicing multiple products and enhancing the customer experience.

Complaints: improved complaints handling while engaging with regulators to address industry-wide issues

- Complaints costs in line with expectations.
- Flexible and more cost-effective complaint handling capability by offshore providers, with artificial intelligence being used to automate the logging of complaints.
- Continuing to engage with regulators to address complaints issues on an industry-wide basis.
- Financial Ombudsman's consultation: charging Claims Management Companies and other professional representatives could reduce the persistent harm that current poor practices are causing both firms and consumers and ensure a fairer distribution of financial responsibility.
- Legal proceedings are ongoing against the CMC responsible for the most spurious claims.

Capital and funding: renewed focus on deploying capital for profitable receivables growth

- Statutory losses and one-off items resulted in a Tier 1 ratio of 19.8% at 30 June 2024 (1H23: 21.1%).
- Strong liquidity and funding, with retail funding at 86.5% (1H23: 76.1%) and partial early repayment of £75m TSFME funding.

Dividend

The Board does not propose to pay an interim dividend (1H23: 5p) for 1H24.

Outlook*

The Group's short-term objective is to return the business to modest receivables growth in 2H24.

The Group remains on track to deliver low single digit ROTE in 2025 and mid-teens ROTE in 2026, in line with previous guidance.

	FY24 guidance (March 2024)	**Revised FY24 guidance**
NIM (inc. 2^{nd} charge mortgages)	>18%	No change
Cost: Income ratio	60-63%	62-65%
Retail funding (% of all funding)	>85%	No change
Tier 1 ratio	19.5-20.5%	18.5-19.5%**
ROTE	Low single digits	A loss for 2024

* All measures are on an adjusted basis

** Based on a current regulatory requirements and risk appetite

Results webcast and strategy seminar

Ian McLaughlin, CEO, and Dave Watts, CFO, will host a results webcast at 08:30 today. To register your attendance, please use this link: https://brrmedia.news/VANQ_IR_24

Materials for the results presentation will be published at: https://www.vanquisbankinggroup.com/shareholder-hub/results-reports-and-presentations/

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Footnotes

1. *As part of the Group's review into Vehicle Finance Stage 3 assets, it was identified that cash flows expected to be received from contracts identified for debt sale were being included within the impairment provision beyond the expected sale date. The Groups results have been retrospectively restated for all periods presented in this report, with the impact outlined in Note 2 of the financial statements.*
2. *Adjusted loss before tax is stated before amortisation of acquisition intangibles and exceptional items.*
3. *Adjusted operating costs are operating costs excluding exceptional items and amortisation of acquisition intangibles.*
4. *Gross customer interest earning balances excludes post charge off assets and deferred acquisition costs, which are included in Gross Receivables. As part of the review into the Vehicle Finance Stage 3 assets and review of our internal management reporting, it was identified that £51.6m of gross receivables were excluded from gross interest earning balances.* KPIs using this metric have therefore been retrospectively represented for all periods presented in this report. *There is no impact to total gross receivables or net receivables as a result of this change.*
5. *Adjusted LPS is calculated as loss after tax, excluding the amortisation of acquisition intangibles and exceptional items for the 6 months ended 30 June, divided by the weighted average number of shares in issue.*
6. *Basic LPS is calculated as loss after tax for the 6 months ended 30 June, divided by the weighted average number of shares in issue.*
7. *Net interest margin is calculated as interest income less interest expense for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*
8. *Risk-adjusted margin is defined as risk-adjusted income for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*
9. *Operating costs, excluding exceptional items and amortisation of acquisition intangibles as a percentage of total income, for the period.*
10. *Adjusted ROTE is defined as adjusted profit after tax net of fair value gains for the period multiplied by 365/181 as a percentage of average adjusted tangible equity for the 7 months ended 30 June. Adjusted tangible equity is stated as equity after deducting the Group's pension asset, net of deferred tax, the fair value of derivative financial instruments, net of deferred tax, less intangible assets and goodwill.*
11. *. TNAV per share is calculated as average adjusted tangible equity, divided by the weighted average number of shares in issue during the period.*
12. *The Tier 1 ratio is defined as the ratio of the Group's Tier 1 (currently all held as CET1) to the Group's risk-weighted assets measured in accordance with the CRR.*

Forward looking statements

This report may contain certain "forward looking statements" regarding the financial position, business strategy or plans for future operations of Vanquis Banking Group. All statements other than statements of historical fact included in this document may be forward looking statements. Forward looking statements also often use words such as "believe", "expect", "estimate", "intend", "anticipate" and words of a similar meaning. By their nature, forward looking statements involve risk and uncertainty that could cause actual results to differ from those suggested by them. Much of the risk and uncertainty relates to factors that are beyond Vanquis Banking Group's ability to control or estimate precisely, such as future market conditions and the behaviours of other market participants, and therefore undue reliance should not be placed on such statements which speak only as at the date of this report. Vanquis Banking Group does not assume any obligation to, and does not intend to, revise or update these forward-looking statements, except as required pursuant to applicable law or regulation. No statement in this announcement is intended as a profit forecast or estimate for any period. No statement in this announcement should be interpreted to indicate a particular level of profit and, as a consequence, it should not be possible to derive a profit figure for any future period from this report.

Financial review

Group performance

The Group's 2024 interim results are as follows:

	Six months ended 30 June	
	2024	2023[1] (restated)
	£m	£m
Interest income	**285.2**	264.8
Interest expense	**(70.7)**	(50.3)
Net interest income	**214.5**	214.5
Fee and commission income	**20.1**	21.5
Fee and commission expense	**(0.8)**	(0.7)
Net fee and commission income	**19.3**	20.8
Other income	**0.2**	1.8
Total income	**234.0**	237.1
Impairment charges	**(101.3)**	(93.0)
Risk-adjusted income	**132.7**	144.1
Operating costs	**(179.2)**	(166.0)
Statutory loss before taxation	**(46.5)**	(21.9)
Tax credit	**10.7**	6.0
Statutory loss for the year attributable to equity shareholders	**(35.8)**	(15.9)
Add back:		
Tax credit	**(10.7)**	(6.0)
Amortisation of acquisition intangibles	**4.2**	3.7
Exceptional items	**15.5**	5.3
Adjusted loss before tax	**(26.8)**	(12.9)

[1] Refer to note 2 in financial statements for detail of restatement.

The Group reported an adjusted loss before tax of £26.8m (1H23 restated: £12.9m), which reflects a number of one off items recognised in the period including £12.8m (1H23: £7.6m) in relation to the review of Vehicle Finance Stage 3 balances as indicated during the strategy seminar on 27 March 2024, with a view to future potential debt sales. Vehicle Finance has 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. The total impact of the review was £28.9m, with £12.8m recognised in 1H24 and £7.4m in 1H23 (2H23: £0.2m) due to a prior period restatement being required. The impact on the opening balance sheet was £8.5m. The full impact of the restatement is set out in note 2 of the financial statements.

In addition, there were £11.5m of other one off items related to the write-down of development costs for a now redundant mobile app, property dilapidations and other sundry balances.

Including amortisation of acquisition intangibles and exceptional items, the Group loss before tax was £46.5m (1H23 restated: £21.9m).

The Credit Card business reported adjusted profit before tax for the period of £20.2m (1H23: £33.9m) and receivables ended the period at £1,151m (1H23: £1,224m). The Vehicle Finance business generated adjusted loss before tax of £3.3m (1H23 restated adjusted profit before tax: £8.2m) and receivables ended the period at £760m (1H23 restated: £748m).

The Personal Loans business generated adjusted loss before tax of £3.8m (1H23: £9.3m) and receivables ended the period at £68m (1H23: £130m). The Second Charge Mortgages business generated adjusted profit before tax of £0.4m (1H23 adjusted loss before tax: £0.3m) and receivables ended the period at £32m (1H23: £nil).

On an adjusted basis, the Group reported an adjusted basic loss per share of 8.3p (1H23 restated 3.6p). On a statutory basis, the Group reported a basic loss per share of 14.1p (1H23 restated: 6.3p) for 1H24 reflecting the statutory loss after tax of £35.8m (1H23 restated: £15.9m).

Summary Balance sheet

	30 June 2024	31 December 2023 (restated)	30 June 2023 (restated)	1 January 2023 (restated)
	£m	£m	£m	£m
Assets				
Cash and balances at central banks	**772.8**	743.3	447.3	464.9
Amounts receivable from customers[1]	**2,008.5**	2,155.8	2,096.4	1,896.9
Pension asset	**34.4**	38.2	36.8	30.7
Goodwill and other intangibles	**132.6**	146.8	136.5	134.5
Other assets	**136.8**	110.6	153.2	128.0
	3,085.1	3,194.7	2,870.2	2,655.0
Liabilities				
Retail deposits	**1,937.5**	1,950.5	1,445.3	1,100.6
Bank and other borrowings[2]	**504.1**	582.5	706.6	815.4
Trade and other payables	**49.6**	44.1	64.0	62.8
Other liabilities	**64.2**	48.5	82.3	69.8
	2,555.4	2,625.6	2,298.2	2,048.6

[1] Amounts receivable from customers are presented net of £1.9m (FY23: £3.2m, 1H23: £5.3m, FY22: £7.9m) fair value adjustment for portfolio hedged risk. Underlying receivables from customers are £2,010.4m (FY23: £2,159.0m, 1H23: £2,101.7m, FY22: £1,904.8m).

[2] Bank and other borrowings are presented net of £3.7m (FY23: £1.0m, 1H23: £11.5m, FY22: £4.6m) fair value adjustment for hedged risk. Underlying bank and other borrowings are £507.8m (FY23: £583.5m, 1H23: £718.1m, FY22: £820.0m).

Operating review

Product trading performance

	Six months ended 30 June 2024					
	Cards	**Vehicle Finance**	**Loans**	**Other[1]**	**Corporate Centre**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Interest income	**202.6**	**69.8**	**9.2**	**1.0**	**2.6**	**285.2**
Interest expense	**(38.4)**	**(19.9)**	**(2.0)**	**(0.4)**	**(10.0)**	**(70.7)**
Net interest income	**164.2**	**49.9**	**7.2**	**0.6**	**(7.4)**	**214.5**
Fee and commission income	**19.3**	**—**	**—**	**0.8**	**—**	**20.1**
Fee and commission expense	**(0.7)**	**—**	**—**	**(0.1)**	**—**	**(0.8)**
Net fee and commission income	**18.6**	**—**	**—**	**0.7**	**—**	**19.3**
Other income	**(0.1)**	**—**	**—**	**0.3**	**—**	**0.2**
Total income	**182.7**	**49.9**	**7.2**	**1.6**	**(7.4)**	**234.0**
Impairment charges	**(66.1)**	**(30.3)**	**(4.9)**	**—**	**—**	**(101.3)**
Risk-adjusted income	**116.6**	**19.6**	**2.3**	**1.6**	**(7.4)**	**132.7**
Adjusted operating costs	**(96.4)**	**(22.9)**	**(6.1)**	**(5.2)**	**(28.9)**	**(159.5)**
Adjusted PBT / (LBT)	**20.2**	**(3.3)**	**(3.8)**	**(3.6)**	**(36.3)**	**(26.8)**

	Six months ended 30 June 2023 (restated)					
	Cards	Vehicle Finance	Loans	Other[1]	Corporate Centre	Total
	£m	£m	£m	£m	£m	£m
Interest income	175.1	72.8	12.3	—	4.6	264.8
Interest expense	(20.7)	(12.3)	(1.9)	—	(15.4)	(50.3)
Net interest income	154.4	60.5	10.4	—	(10.8)	214.5
Fee and commission income	21.5	—	—	—	—	21.5
Fee and commission expense	(0.7)	—	—	—	—	(0.7)
Net fee and commission income	20.8	—	—	—	—	20.8
Other income	0.2	1.6	—	—	—	1.8
Total income	175.4	62.1	10.4	—	(10.8)	237.1
Impairment charges	(55.4)	(26.6)	(11.0)	—	—	(93.0)
Risk-adjusted income	120.0	35.5	(0.6)	—	(10.8)	144.1
Adjusted operating costs	(86.1)	(27.3)	(8.7)	(0.3)	(34.6)	(157.0)
Adjusted PBT / (LBT)	33.9	8.2	(9.3)	(0.3)	(45.4)	(12.9)

[1] *Other includes Snoop and Second Charge Mortgages*

Credit Cards

	Six months ended 30 June		
	2024 £m	2023 £m	*Change (%)*
Total customer numbers ('000)	**1,320.9**	1,617.3	*(18.3)*
New customer bookings ('000)	**56.8**	182.8	*(68.9)*
Period-end receivables	**1,150.6**	1,223.9	*(6.0)*
Average gross customer interest earning balances[1]	**1,340.4**	1,400.9	*(4.3)*
Interest income from customer receivables	**183.6**	166.5	*10.3*
Interest income from cash balances held on deposit	**19.0**	8.6	*120.9*
Interest expense	**(38.4)**	(20.7)	*85.5*
Net interest income	**164.2**	154.4	*6.3*
Net fee and commission income	**18.6**	20.8	*(10.6)*
Other income	**(0.1)**	0.2	*150.0*
Total income	**182.7**	175.4	*4.2*
Impairment charges	**(66.1)**	(55.4)	*19.3*
Risk adjusted income	**116.6**	120.0	*(2.8)*
Adjusted operating costs	**(96.4)**	(86.1)	*12.0*
Adjusted PBT contribution [2]	**20.2**	33.9	*(40.4)*
Asset yield (%) [3]	**27.5**	24.0	*3.5*
Cost of risk (%) [4]	**(9.9)**	(8.0)	*(1.9)*
Risk adjusted margin (%) [5]	**17.5**	17.3	*0.2*

1 *Calculated as the average of month end gross receivables, excluding post charge off assets and deferred acquisition costs, for the 7 months ended 30 June.*

2 *Adjusted PBT contribution is stated before tax and exceptional items.*

3 *Interest income from customer receivables for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*

4 *Impairment charges for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*

5 *Total income, excluding exceptional items less impairment charge for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*

For 1H24, the Group's credit card business reported adjusted PBT of £20.2m (1H23: £33.9m) and receivables at the end of the period of approximately £1,151m (Dec'23: £1,278m; 1H23: £1,224m).

New customer bookings for the period were 57k, down from 183k in 1H23, reflecting the temporary cessation of balance transfers, purchase offers, and the credit builder product on affiliate channels in September 2023 following a strategic review of the profitability of the portfolio. The credit builder product was relaunched on the affiliate channel and balance transfers recommenced in Q2'24. Credit card customer numbers decreased to 1,321k as at 30 June (FY23: 1,376k; 1H23: 1,617k). Active customer numbers, defined as customers with activity on their card in the last month, also fell to 1,097k (FY23: 1,190k; 1H23: 1,260k).

During the period, credit line increases issued to customers were approximately £65m (1H23: £169m), c. 60% lower than 1H23 due to pausing credit line increases in Aug'23 amid the same business rationale for moderating acquisition volume. Credit line increases were resumed in Apr'24. At the end of June, the average utilisation rate was approximately 47% (1H23: 47%). Receivables ended the period at £1,151m (FY23: £1,278m; 1H23: £1,224m), representing a reduction of 6% year on year.

The credit card business generated interest income of £202.6m during the period, versus £175.1m in 1H23. This reflects price increases on the customer receivable in Nov'23 and in 1H24, with a resultant increase in the asset yield to 27.5% (1H23: 24.0%). Interest income was also favourably impacted by increased returns from funds placed at the Bank of England.

Funding costs increased to £38.4m during the period, versus £20.7m in 1H23, reflecting the 34% increase in retail deposit balances (1H24: £1,938m; 1H23: £1,445m) and rising interest rates. Net fee and commission income reduced in 1H24 to £18.6m (1H23: £20.8m) reflecting the lower active customer numbers.

The impairment charge for 1H24 was £66.1m (1H23: £55.4m) as a result of higher debt sales and post charge off activity in 1H24. The annualised cost of risk was 9.9% (1H23: 8.0%).

Costs increased to £96.4m during the period versus £86.1m in 1H23 reflecting the write-down of development costs for a now redundant mobile app and increased costs from complaints and FOS fees. These were partly offset by savings from overall cost management actions, including headcount reduction, to mitigate the impact of inflation on the business's cost base.

For the remainder of 2024, the credit card business is focused on building receivables with initiatives across acquisition and existing customers, including new pricing, balance transfer and purchase offers.

Vehicle Finance

	Six months ended 30 June		
	2024 **£m**	2023 (restated)[1] £m	*Change (%)*
Total customer numbers ('000)	**109.9**	110.9	*(0.9)*
New customer bookings ('000)	**19.4**	31.0	*(37.4)*
Period-end receivables	**760.5**	748.2	*1.6*
Average customer gross interest earning balances[2]	**851.0**	802.0	*6.1*
Interest income	**69.8**	72.8	*(4.1)*
Interest expense	**(19.9)**	(12.3)	*61.8*
Net interest income	**49.9**	60.5	*(17.5)*
Other income	**-**	1.6	*(100)*
Total income	**49.9**	62.1	*(19.6)*
Impairment charges	**(30.3)**	(26.6)	*13.9*
Risk adjusted income	**19.6**	35.5	*(44.8)*
Adjusted operating costs	**(22.9)**	(27.3)	*(16.1)*
Adjusted (LBT)/PBT contribution[3]	**(3.3)**	8.2	*(140.2)*
Asset yield (%)[4]	**16.5**	18.3	*(1.8)*
Cost of risk (%)[5]	**(7.2)**	(6.7)	*(0.5)*
Risk adjusted margin (%)[6]	**4.6**	8.9	*(4.3)*

1 *As part of the Group's review into Vehicle Finance Stage 3 assets, it was identified that cash flows expected to be received from contracts projected to be received from customers on contracts identified for debt sale were being included beyond the expected sale date in addition to the cash flows from the debt sale. Vehicle Finance results have been retrospectively restated with the impact outlined in Note 2 of the financial statements.*

2 *Calculated as the average of month end gross receivables, excluding post charge off assets and deferred acquisition costs, for the 7 months ended 30 June. As part of the review into the Vehicle Finance Stage 3 assets and review of our internal management reporting it was identified that £51.6m of gross receivables were excluded incorrectly from the presentation of gross interest earning balances. There was no impact on the balance sheet as a result of this. KPIs using this metric have therefore been retrospectively represented for all periods presented in this report.*

3 *Adjusted (loss)\profit before tax contribution is stated before tax and exceptional items.*

4 *Interest income for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*

5 *Impairment charges for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*

6 *Total income, excluding exceptional items less impairment charge for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*

The Group's vehicle finance business generated adjusted loss before tax of £3.3m (1H23 restated adjusted profit before tax: £8.2m) for 1H24 and receivables at the period end were £761m (1H23 restated: £748m), representing growth of 1.6% year on year.

During 1H24 a review was undertaken of the vehicle finance stage 3 assets as indicated during the strategy seminar held on 27 March 2024, with a view to future potential debt sales. Vehicle Finance has 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, a previously recognised debt sale asset has been removed (£19.8m) and receivables eligible for a potential debt sale were fully charged off resulting in a post charge off asset of £17.8m being recognised (PCOA). As a result of charging off the receivables there has been a reduction in gross receivables of £260.2m and a release of impairment provision of £252.5m. The review also included a £3.1m write off of deferred acquisition costs which related to accounts that were charged off.

As part of the review, it was identified that cash flows expected to be received from contracts identified for debt sale were being included beyond the expected sale date. This led to a lower ECL provision being recognised. As a result, Management consider that a prior period restatement is appropriate and has retrospectively restated its results. The total impact of the review was £28.9m, with £12.8m recognised in 1H24 and £7.6m in 1H23. The full impact of the restatement of £16.1m is set out in note 2 of the financial statements.

New business volumes in 1H24 decreased by 38% to 19k (1H23: 31k). The prior year saw strong new business volumes notwithstanding the challenging macroeconomic backdrop. Volumes reduced in 1H24 due to actions taken at the end of 2023 to moderate lending growth. The vehicle finance business ended the period with 110k customers (1H23: 111k). The average loan size was stable at approximately £8.6k (1H23: £8.4k).

At the end of June, receivables stood at £761m (1H23 restated: £748m), reflecting the bookings in the period offset by the impact of the stage 3 write offs.

Interest income during 1H24 decreased to £69.8m (1H23 restated: £72.8m) which included a £3.1m write off for deferred acquisition costs for contracts associated with the stage 3 review which have now been charged off. The annualised asset yield decreased year on year to 16.5% versus 18.3% (restated) in 1H23, reflecting the impact of the £3.1m write off and new business being written in the lower risk near-prime segment.

Interest costs increased during the period to £19.9m from £12.3m in 1H23, reflecting the growth in and a higher cost of funds received from the Group. As a result of this and the lower asset yield profile, the net interest margin fell to 11.8% versus 15.2% a year earlier.

Impairment for the period increased to £30.3m (1H23 restated: £26.6m), which includes £9.7m (1H23: £7.4m) in relation to the stage 3 review. The charge also reflects higher expected credit losses from the IFRS 9 impact of loan book growth, partly mitigated by the continued shift to lower risk customers. The annualised cost of risk increased to 7.2% from 6.7% (restated) in 1H23.The risk-adjusted margin reduced to 4.6% (1H23 restated: 8.9%), also impacted by the higher funding costs noted above.

Costs decreased to £22.9m (1H23: £27.3m) reflecting a reduction in spurious claims from several claims management companies and savings from cost management actions, including headcount reduction.

During 2H24, the vehicle finance business will continue to seek ways to improve its customer offering and grow its addressable markets, with new asset class differentiation and more competitive pricing in the near prime, lower risk segments.

Personal Loans

	Six months ended 30 June		
	2024 **£m**	2023 £m	*Change (%)*
Total customer numbers ('000)	**33.1**	50.1	*(34.0)*
New customer bookings ('000)	**1.2**	25.4	*(95.3)*
Period-end receivables	**67.8**	129.6	*(47.7)*
Average gross customer interest earning balances[1]	**95.0**	115.5	*(17.7)*
Interest income	**9.2**	12.3	*(25.2)*
Interest expense	**(2.0)**	(1.9)	*5.3*
Net interest income	**7.2**	10.4	*(30.8)*
Total income	**7.2**	10.4	*(30.8)*
Impairment charges	**(4.9)**	(11.0)	*(55.5)*
Risk-adjusted income	**2.3**	(0.6)	*(483.3)*
Operating costs	**(6.1)**	(8.7)	*(29.9)*
LBT contribution	**(3.8)**	(9.3)	*(59.1)*
Asset yield (%) [2]	**19.5**	21.5	*(2.0)*
Cost of risk (%)[3]	**(10.4)**	(19.2)	*8.8*
Risk adjusted margin (%)[4]	**4.9**	(1.0)	*5.9*

[1] *Calculated as the average of month end gross receivables, excluding post charge off assets and deferred acquisition costs, for the 7 months ended 30 June.*
[2] *Interest income for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*
[3] *Impairment charges for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*
[4] *Total income, excluding exceptional items less impairment charge for the period multiplied by 365/181 as a percentage of average gross receivables for the 7 months ended 30 June.*

The Group's personal loans business temporarily paused all new lending in September 2023, to both Existing Market and Open Market customers. Following the Group wide strategic refresh concluding in March 2024, lending to Existing Market customers re-commenced in mid-April 2024. The Group have withdrawn from the Open Market loans and have no near-term plans to return to this market segment.

Total customer numbers of 33.1k at the end of June were 34.0% lower year on year, reflecting the pause to new lending from mid-September. Lending volumes during 1H24 were 1k, versus 25k in 1H23 because the prior year saw significant growth due to the business's Open Market positioning and expansion of the product range offered to both existing and new customers.

At the end of June, receivables stood at £68m (1H23: £130m), reflecting the new lending pause, collect out of the loans portfolio from mid-September, and lower year to date new business volumes.

The personal loans business generated interest income of £9.2m during the period (1H23: £12.3m), 25% lower than the prior year driven by lower average receivables. Asset yield was 19.5% versus 21.5% in 1H23, with the decrease attributed to the impact on the portfolio of new business bookings across 2023 at lower price points with the focus on lower risk near-prime customers.

The impairment charge for 1H24 decreased to £4.9m, from £11.0m in 1H23, predominantly driven by lower new business volumes and the associated day one impact of IFRS 9 expected credit losses from new business. The annualised cost of risk for the period was 10.4% (1H23: 19.2%), which resulted in the risk-adjusted margin improving to 4.9% (1H23: 1.0%).

Interest costs for the period increased to £2.0m (1H23: £1.9m) despite a lower average receivables balance year on year due to higher market savings rates and the UK bank base rate increasing during 2023.

Costs decreased during the period to £6.1m (1H23: £8.7m) due to lower internal recharges, along with lower marketing and IT spend.

Snoop

Since acquisition in August 2023, Snoop has continued to grow its active user base, adding nearly 30,000 new customers per month in 1H24. Development of the app has continued at pace, with over 400 technical and product releases since acquisition, including the launch of credit score which had around 80,000 users in 1H24, and the integration of switching capability into the Vanquis mobile app. Snoop loss before tax of £4.0m in 1H24 reflects £1m of income offset by £5m of costs.

Second charge mortgages

Following the launch of second charge mortgages in Sep'23 volumes have increased through 1H24, particularly in Q2'24, following the launch of Interbridge Mortgages in May'24 and an expanded forward flow agreement with Selina Finance. New mortgage origination volumes in the period of 500 (1H23: nil) resulted in a closing receivable of £32m (1H23: £nil) and a reported adjusted profit before tax of £0.4m (1H23: adjusted loss before tax of £0.3m).

Corporate Centre

Corporate Centre contribution was a loss of £36.3m (1H23: £45.4m). Net interest expense has reduced reflecting lower interest income due to lower balances held in the liquid asset buffer centrally and a lower funding expense as a lower charge is being retained centrally. Costs have reduced by £5.7m from £34.6m in 1H23 to £28.9m in 1H24 reflecting management actions to reduce costs including headcount reduction.

Exceptional items

An exceptional cost of £15.5m was recognised in 1H24 (1H23 £5.3m). This includes transformation costs of £16.0m (1H23: £2.9m) reflecting (i) consultancy costs £7.8m (1H23: £nil); (ii) redundancy and outsourcing costs £5.1m (1H23: £2.9m) and; (iii) property related exit costs £3.1m (1H23: £nil). Non transformation credit of £0.5m (1H23: £2.4m) includes legal costs of £0.5m offset by a release of the remaining Scheme of Arrangement provision of £1.0m as the requirements for the discharging of liabilities have been met. 1H23 also include £2.4m in relation to additional costs in relation to the liquidation of the CCD companies and the Scheme.

Tax

The tax credit for the period on loss before tax, amortisation of acquisition intangibles and exceptional items is £5.7m (1H23 restated: £3.8m). The tax credit reflects:

- For 1H24, the adverse impact of writing off deferred tax assets in respect of share scheme awards where tax deductions are expected to be lower than previously expected;
- For 1H23, (a) the favourable impact of offsetting capital losses on which a deferred tax asset has not previously been recognised to reduce the capital gain arising on the disposal of shares following the partial conversion of the preferred stock in Visa Inc; and (b) the adverse impact of the bank corporation tax surcharge which prior to 31 March 2023 applies at a rate of 8% to the annual profits of Vanquis Bank in excess of £25m and after 31 March 2023 applies a rate of 3% to Vanquis Bank's annual profits in excess of £100m and (c) the adverse impact of writing off deferred tax assets in respect of share scheme awards where tax deductions are expected to be lower than previously expected.
- The tax credit (1H23: credit) reflects the recognition of deferred tax assets in respect of losses and other temporary differences on the basis the Group expects to have sufficient taxable profits in the future to enable such deferred tax assets to be recovered.
- The tax credit in respect of exceptional items amounts to £3.9m (1H23: £1.3m). The tax credits in the current and prior periods represent tax relief in respect of exceptional costs which are considered to be tax deductible.

Funding and capital

The Group has strong capital and liquidity positions:

- The Group is holding £717m of high-quality liquid resources with the Bank of England and has a Liquidity Coverage Ratio of 557%, amounting to £589m above the Group's regulatory Liquidity Coverage Ratio requirement, as at 30 June 2024.
- The Group's balance sheet position at the end of June remained robust, with regulatory capital of £559m (£359m of which is Tier 1, held entirely as CET1), a total capital ratio of 30.8% and a Tier 1 ratio of 19.8%, versus requirements of 16.4% and 13.4% respectively[1]. Total capital includes the Group's £200m Tier 2 capital instrument.

The Group has transitioned to a traditional bank funding model in which the Group's funding consists of; (i) retail deposits (fixed term and notice accounts); (ii) securitisation of the credit cards and vehicle finance books; and (iii) liquidity and funding facilities at the Bank of England. In 2024, the Group has added repo capability to allow for some of its retained securitisation notes to be used as a contingent funding source.

The retail deposits prevailing market conditions remain liquid, recognizing rates payable have increased during 2023 and 2024. Notwithstanding this, the Group retains access to wholesale market funding and debt capital via its £2bn EMTN programme. Vanquis Bank has diversified its retail deposit funding mix through more cost-effective behaviouralised deposits and ISAs following the launch of 30- and 60-day notice accounts and ISAs in 1H24.

The Group continues to adopt a prudent approach to managing its funding and liquidity resources within risk appetite, and will continue to optimise these resources when new opportunities become available to the Group.

At 30 June 2024, the Group's Tier 1 ratio was 19.8% (1H23: 21.1%) and the Total Capital Ratio was 30.8% (1H23: 31.4%). CET1 decreased from £410m to £359m since 1H23 and total own funds decreased from £610m to £559m. The regulatory capital headroom above the minimum total regulatory requirement of 16.4% was £263m at the period end. The decrease in headroom from £312m at 30 June 2023 (versus the TCR and combined buffer) predominantly reflects the increase in the UK countercyclical buffer from 1% to 2% in 2H23, the statutory losses incurred in the period from June 2023 to June 2024 (including one-off items), offset by a reduction in risk-weighted exposures to £1,813m (1H23: £1,940m), which was predominantly attributable to risk-weighted lending assets.

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 businesses' 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 policy requires subsidiaries, including Vanquis Bank, to maintain sufficient capital to meet regulatory requirements, manage for 12 months growth and investment whilst maintaining a management buffer. Thereafter and where applicable Vanquis Bank is required to distribute a dividend to the Group.

Principal risks and uncertainties

Effective management of risk is critical to enable us to optimise our shareholder return whilst maximising our business opportunities and positive outcomes for all our key stakeholders, including shareholders, customers, colleagues and regulators.

Our principal risks are the risks most significant to the Group's strategy and business model and formally articulated within the Group's Risk Management Framework (RMF). Principal risk categories and their supporting risk appetite statements are reviewed and approved by the Board annually. These define the Group's overall risk appetite and recognising changes to our risk profile. How we manage our principal risks are set out below.

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[1] Excluding any confidential and management buffers, if applicable.

Risk Pillar 1: Customer and Conduct

P1 – Customer: Robust practices to support responsible lending for borrowers under financial pressure and provide appropriate solutions to meet our customers' needs are in place. We continually seek improvement to our product governance processes and customer outcome monitoring activity through the Board-approved conduct risk framework. We met our Consumer Duty Day Two requirements and now focus on continuing to embed it and enhance our governance and accountability.

P2 – Regulatory: As a dual regulated firm, we need to adapt to the regulatory environment as it continues to develop to ensure our lending is sustainable, suitable and affordable. We regularly undertake horizon scanning to keep abreast of new regulation and assess the impact to the business and delivery to plan. SMCR responsibilities are aligned to the RMF and Group Delegated Authorities Manual (GDAM). Each SMF has clear ownership of the processes, risks and controls they are accountable for, which are recorded within the Group's integrated risk management system, Riskonnect.

P3 – Financial Crime: Industry-standard prevention and detection systems are in place covering fraudulent transactions, suspicious activity, customer screening and application fraud. These are regularly reviewed and refined to ensure effectiveness. A detailed business-wide financial crime risk assessment is in place to measure financial crime risk consistently and effectively across all new and existing products. The Financial Crime Risk Forum provides oversight and challenge on the Group's financial crime risk systems and controls. The Group MLRO provides twice-annual updates to the Risk Committee.

Risk Pillar 2: Financial

P4 – Capital: The Group and Bank operate within a defined capital risk appetite, with thresholds reported to and monitored by the Board, Risk Committee and Assets and Liabilities Committee (ALCO). On 16 July, the Group announced that following a comprehensive review of its balance sheet, several one-off revaluations totalling c.£40m have been made. This resulted in the Group's Tier 1 ratio reducing to 19.8% as at the 30 June. The Group is currently reforecasting to assess the impact on its strategy and considering appropriate mitigating actions to ensure capital is utilised in the most efficient and effective way.

The capital framework is reviewed by the Board as part of the annual ICAAP. Capital is held to meet Pillar 1 requirements, the most significant elements for the Group and Bank being credit and operational risks. We also hold capital to meet Pillar 2A requirements, as assessed in the ICAAP.

P5 – Funding and Liquidity: 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. Liquid assets solely comprise of reserves held with the Bank of England. Funding and liquidity metrics are monitored through daily liquidity reporting, reported monthly at ALCO meetings and quarterly to the Risk Committee and Board. The Group maintains access to diversified sources of retail deposits funding, in addition to the securitisation of the cards and vehicle finance books and contingent liquidity at the Bank of England. Throughout 2024, the Group and Bank have maintained funding and liquidity ratios in excess of regulatory requirements.

The funding and liquidity framework is reviewed by the Board as part of the annual ILAAP. ALCO is responsible for managing the balance sheet structure, including the funding plan and its risks.

P6 – Market: The Group and the Bank do not take significant unmatched positions and do not operate trading books. Some financial assets and liabilities are linked to an underlying index, such as Sterling Overnight Index Average (SONIA) or Bank of England base rate. The principal market risks that the Group and Bank are exposed to are interest rate risk and basis risk. The market risk position is reported monthly to ALCO.

P7 – Credit: The Group's credit quality remains stable. We continue to enhance our strategies to maintain this asset quality during a challenging economic environment from the cost-of-living crisis. Affordability strategies have been adjusted to account for increased cost-of-living and expected inflation. Work is ongoing to redevelop the credit scorecards and lending strategies to enable growth whilst maintaining or improving credit loss rates. These enhancements are expected to roll-out over the next 6-9 months across the portfolios.

Risk Pillar 3: Operational

P8 – Operational: The Group's three lines of defence model ensures clear lines of accountability between management as risk owners, oversight by the Risk function and independent assurance provided by Internal Audit. The model, supported by the RMF, provides continuous integrated assurance over the effectiveness of key controls and swift response and remediation to issues if they arise, facilitated through Riskonnect.

The Operational Resilience programme is on track for regulatory deadlines and continues to test against important business services impacting scenarios. The supplier management model and third-party risk management framework continue to be embedded.

P9 – Technology and Information Security: The Group continues to operate on legacy IT architecture. This is being addressed by the strategic IT transformation programme, which is progressing in line with expectations and continues to support the Group's overall strategy. The Group is also progressing its delivery of key security improvement initiatives against the overall cyber security strategy, with current focus on delivery of our Zero Trust/E5 Programme and Red Test action plan, both of which will substantially improve our overall security posture and materially reduce our risk exposure.

P10 – People: During 2024, we have continued to extend our offshore outsourcing capability, which has reduced the headcount overall to become leaner and more efficient and effective in serving our customers. 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 are committed to being a great place to work, which is a key focus for our strategy, and continuous improvement based on regular feedback and engagement from colleagues.

Risk Pillar 4: Strategic

P11 – Strategic Performance: The Group launched a new strategy in Q1 to reset, strengthen and grow the business in an effective and sustainable manner. Effective risk management is critical to its delivery and maintaining our existing commitments in a safe and controlled way. The Board and its sub-committees make risk-based decisions in the formulation of their business strategy, in line with the GDAM and risk appetite framework and subject to independent oversight from the Risk function. Performance against our strategic and emerging risks is reported to the Risk Committee and Board. We have established an Executive Risk Committee to strengthen the coordination, review and delivery of risk management activity.

P12 – Model: Models are widely used across the Group and play an important role in helping achieve key business decisions, risk management and strategic objectives. A Model Risk Management Framework is in place, supported by an independent model validation function and Model Risk Committee that provide effective model governance and oversight. The IFRS9 models were redeveloped and implemented in H1. Key focus for H2 is to enhance existing credit risk scorecards and pricing models across the Group.

Consolidated financial statements

Consolidated income statement for the six months ended 30 June

	Note	2024	2023 (restated)[1]
		£m	£m
Interest income	3	**285.2**	264.8
Interest expense		**(70.7)**	(50.3)
Net interest income		**214.5**	214.5
Fee and commission income	4	**20.1**	21.5
Fee and commission expense		**(0.8)**	(0.7)
Net fee and commission income		**19.3**	20.8
Other income and net fair value gains		**0.2**	1.8
Total income		**234.0**	237.1
Impairment charges	4	**(101.3)**	(93.0)
Risk-adjusted income		**132.7**	144.1
Operating costs		**(179.2)**	(166.0)
Statutory loss before taxation	4	**(46.5)**	(21.9)
Tax credit		**10.7**	6.0
Statutory loss for the period attributable to equity shareholders		**(35.8)**	(15.9)
Add back:			
Tax credit		**(10.7)**	(6.0)
Amortisation of acquisition intangibles		**4.2**	3.7
Exceptional items	4	**15.5**	5.3
Adjusted loss before tax		**(26.8)**	(12.9)

Consolidated statement of comprehensive income for the six months ended 30 June

	Note	2024	2023 (restated)[1]
		£m	£m
Loss for the period attributable to equity shareholders		**(35.8)**	(15.9)
Items that will not be reclassified subsequently to the income statement:			
– actuarial movements on retirement benefit asset	11	**(4.5)**	5.5
– tax on items taken directly to other comprehensive income		**1.1**	(1.3)
– impact of change in UK tax rate on items in other comprehensive income		**-**	(0.1)
Other comprehensive (expense)/income for the period		**(3.4)**	4.1
Total comprehensive expense for the period		**(39.2)**	(11.8)

Loss per share

	Note	2024	2023 (restated)[1]
		pence	pence
Basic	6	**(14.1)**	(6.3)
Diluted	6	**(14.1)**	(6.3)

Dividends per share

	Note	2024	2023
		pence	pence
Interim dividend	7	**-**	5.0
Paid in the period[2]	7	**1.0**	10.3

[1] *Refer to note 2 for details of restatement.*
[2] *Dividends paid in the period were £2.5m (1H23: £25.9m).*

Consolidated balance sheets

	Note	30 June 2024 £m	31 December 2023 (restated)[1] £m	30 June 2023 (restated)[1] £m	1 January 2023 (restated)[1] £m
ASSETS					
Cash and cash equivalents		**772.8**	743.3	447.3	464.9
Amounts receivable from customers	8	**2,008.5**	2,155.8	2,096.4	1,896.9
Trade and other receivables		**82.7**	55.9	72.7	50.6
Investments held at fair value through profit and loss	9	**5.1**	5.4	4.9	10.7
Current tax asset		**-**	8.3	8.7	0.2
Property, plant and equipment		**7.4**	8.1	7.2	8.3
Right of use assets		**18.9**	23.2	29.6	32.4
Goodwill		**72.4**	72.4	71.2	71.2
Other intangible assets	10	**60.2**	74.4	65.3	63.3
Retirement benefit asset	11	**34.4**	38.2	36.8	30.7
Derivative financial instruments	12	**1.1**	1.3	13.4	11.3
Deferred tax assets	5	**21.6**	8.4	16.7	14.5
TOTAL ASSETS	4	**3,085.1**	3,194.7	2,870.2	2,655.0
LIABILITIES AND EQUITY					
Liabilities					
Trade and other payables		**49.6**	44.1	64.0	62.8
Provisions	13	**16.3**	5.8	9.6	5.2
Lease liabilities		**37.1**	40.9	44.9	49.3
Current tax liability		**1.2**	-	-	-
Retail deposits		**1,937.5**	1,950.5	1,445.3	1,100.6
Bank and other borrowings		**504.1**	582.5	706.6	815.4
Derivative financial instruments	12	**9.6**	1.8	27.8	15.3
Total liabilities		**2,555.4**	2,625.6	2,298.2	2,048.6
Equity attributable to owners of the parent					
Share capital		**53.2**	53.2	52.6	52.6
Share premium		**276.3**	276.3	273.6	273.5
Merger reserves		**278.2**	278.2	278.2	278.2
Other reserves		**14.5**	12.1	13.5	12.4
Retained earnings		**(92.5)**	(50.7)	(45.9)	(10.3)
Total equity	4	**529.7**	569.1	572.0	606.4
TOTAL LIABILITIES AND EQUITY		**3,085.1**	3,194.7	2,870.2	2,655.0

[1] *Refer to note 2 for details of restatement.*

Consolidated statement of changes in shareholders' equity

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained Earnings £m	Total £m
At 31 December 2022	52.6	273.5	278.2	12.4	(2.0)	614.7
Prior period restatement[1]	-	-	-	-	(8.3)	(8.3)
At 1 January 2023	52.6	273.5	278.2	12.4	(10.3)	606.4
Loss for the period (restated)[1]	-	-	-	-	(15.9)	(15.9)
Other comprehensive income/(expense):						
– actuarial movements on retirement benefit asset (note 10)	-	-	-	-	5.5	5.5
– tax on items taken directly to other comprehensive income	-	-	-	-	(1.3)	(1.3)
– impact of change in UK tax rate	-	-	-	-	(0.1)	(0.1)
Other comprehensive income for the period	-	-	-	-	4.1	4.1
Total comprehensive expense for the period	-	-	-	-	(11.8)	(11.8)
Increase in share premium	-	0.1	-	-	-	0.1
Share-based payment charge	-	-	-	3.2	-	3.2
Transfer of share-based payment reserve on vesting of share awards	-	-	-	(2.1)	2.1	-
Dividends	-	-	-	-	(25.9)	(25.9)
At 30 June 2023 and 1 July 2023	52.6	273.6	278.2	13.5	(45.9)	572.0
Profit for the period (restated)[1]	-	-	-	-	4.2	4.2
Other comprehensive income/(expense):						
– actuarial movements on retirement benefit asset (note 10)	-	-	-	-	0.9	0.9
– tax on items taken directly to other comprehensive income	-	-	-	-	(0.2)	(0.2)
– impact of change in UK tax rate	-	-	-	-	-	-
Other comprehensive income for the period	-	-	-	-	0.7	0.7
Total comprehensive income for the period	-	-	-	-	4.9	4.9
Dividends	-	-	-	-	(12.5)	(12.5)
Issue of share capital	0.6	2.7	-	-	-	3.3
Share-based payment charge	-	-	-	1.4	-	1.4
Transfer of share-based payment reserve on vesting of share awards	-	-	-	(2.8)	2.8	-
At 31 December 2023	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 period	**-**	**-**	**-**	**-**	**(35.8)**	**(35.8)**
Other comprehensive (expense)/income:						
- actuarial movements on retirement benefit asset (note 10)	**-**	**-**	**-**	**-**	**(4.5)**	**(4.5)**
- tax on items taken directly to OCI	**-**	**-**	**-**	**-**	**1.1**	**1.1**
Other comprehensive expense for the period	**-**	**-**	**-**	**-**	**(3.4)**	**(3.4)**
Total comprehensive expense for the period	**-**	**-**	**-**	**-**	**(39.2)**	**(39.2)**
Share-based payment charge	**-**	**-**	**-**	**2.4**	**-**	**2.4**
Purchase of shares for share awards	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Dividends	**-**	**-**	**-**	**-**	**(2.5)**	**(2.5)**
At 30 June 2024	**53.2**	**276.3**	**278.2**	**14.5**	**(92.5)**	**529.7**

[1] *Refer to note 2 for details of restatement.*

Consolidated statement of cash flows for the six months ended 30 June

	Note	Six months ended 30 June 2024 £m	2023 (restated)[1] £m
Cash flows from operating activities			
Cash generated from/(used in) operations	14	**181.0**	(169.3)
Finance costs paid		**(46.5)**	(40.8)
Finance income received		**21.1**	10.7
Tax refunded/(paid)		**8.1**	(6.1)
Net cash generated from/(used in) operating activities		**163.7**	(205.5)
Cash flows from investing activities			
Purchase of intangible assets	10	**(5.7)**	(11.3)
Purchase of property, plant and equipment		**(4.5)**	(3.0)
Net cash used in investing activities		**(10.2)**	(14.3)
Cash flows from financing activities			
Proceeds from bank and other borrowings		**264.8**	658.9
Repayment of bank and other borrowings		**(378.4)**	(425.3)
Payment of lease liabilities		**(7.0)**	(5.9)
Dividends paid to Company shareholders		**(2.5)**	(25.9)
Purchase of shares for share awards		**(0.1)**	-
Proceeds from issue of share capital		**-**	0.1
Net cash (used in)/ generated from financing activities		**(123.2)**	201.9
Net increase/(decrease) in cash, cash equivalents and overdrafts		**30.3**	(17.9)
Cash, cash equivalents and overdrafts at beginning of period		**741.8**	463.9
Cash, cash equivalents and overdrafts at end of period		**772.1**	446.0
Cash, cash equivalents and overdrafts at end of period comprise:			
Cash at bank and in hand		**772.8**	447.3
Overdrafts (held in bank and other borrowings)		**(0.7)**	(1.3)
Total cash, cash equivalents and overdrafts		**772.1**	446.0

[1] Refer to note 2 for details of restatement. 2023 cash flow also represented for interest income and interest expense to align to income statement representation.

Cash at bank and in hand includes £716.6m (1H23: £386.5m) in respect of the liquid assets buffer, including other liquidity resources, held by Vanquis Bank Limited in accordance with the PRA's liquidity regime.

Notes to the financial information

1. General information and basis of preparation

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, BD1 2SU. The company is listed on the London Stock Exchange.

The unaudited condensed interim financial statements do not constitute the statutory financial statements of the Group within the meaning of section 434 of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2023 were approved by the board of directors on 26 March 2024 and have been delivered to the Registrar of Companies. The report of the auditor on those financial statements was unqualified, did not draw attention to any matters by way of emphasis and did not contain any statement under section 498(2) or (3) of the Companies Act 2006.

The unaudited condensed interim financial statements for the six months ended 30 June 2024 have been reviewed, not audited, and were approved by the board of directors on 31 July 2024.

The unaudited condensed interim financial statements for the six months ended 30 June 2024 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the UK. The unaudited condensed interim financial statements should be read in conjunction with the statutory financial statements for the year ended 31 December 2023.

The interim 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 have reviewed the Group's corporate plan as approved in March 2024 and the latest 18 month forecast approved by Board in July 2024. In doing so, the Board reviewed the detailed budget for the three year period to December 2026 and the latest forecast to December 2025 which included further streamlining to deliver additional cost savings and the introduction of further initiatives to improve profitability of revenue contracts. The assessment included consideration of the Group's principal risks and uncertainties, with a focus on capital and liquidity and the going concern assessment covers a period of 12 months from the accounts approval date.

The directors have also reviewed the Group's stress testing projections which are based on a severe but plausible scenario. The stress test scenario envisages that the UK economy enters a period of stagflation in 2024 with inflation rising to approximately 8.6% and the UK Bank Rate rising to 6.75%. As a result, the UK Unemployment rate rises 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 include reducing lending growth. This shows that the Group is able to maintain sufficient capital above the minimum requirements. The directors have reviewed the Group's reverse stress testing projections to the point of non-viability, which concluded that the Group's viability only comes into question under an unprecedented macroeconomic scenario.

2. Accounting policies

Group principal accounting policies under IFRS have been consistently applied to all the periods presented.

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 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, Management consider that a prior period restatement is appropriate and has retrospectively restated its results. The impact of the restatement is set out below.

2. Accounting policies (continued)

Income statement impact	1H23	2H23	FY 2023
	£m	£m	£m
Impairment	(7.4)	(0.2)	(7.6)
Tax credit	1.9	-	1.9
Total income statement impact	(5.7)	-	(5.7)

Balance sheet cumulative impact	2022 closing balance sheet	1H23	FY23
	£m	£m	£m
Receivables	(8.5)	(15.9)	(16.1)
Current tax asset	0.2	0.2	0.2
Deferred tax assets	-	1.9	1.9
Retained earnings	(8.3)	(13.8)	(14.0)

Change in presentation of income statement

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.

In the Annual Report and Accounts for 31 December 2023, interest received from Vanquis Bank Limited's liquid asset buffer and net fair value gains recognised in relation to the Group's derivative financial instruments previously reported in other income were represented to be recognised within interest income, and certain elements of vehicle finance income which were previously reported in interest income were recognised in other income. The 1H23 numbers presented in this report have been represented to reflect these changes. After further review in 1H24, the vehicle finance other income is now presented within interest income. This change does not constitute a change in accounting policy and there is no impact on recognition, measurement or profit and loss in any period presented in this report.

Critical accounting judgements and key sources of estimation uncertainty

The significant accounting judgements exercised by management and key sources of estimation uncertainty in the interim financial statements are consistent with those adopted in the statutory financial statements for the year ended 31 December 2023.

<u>Amounts receivable from customers (note 8)</u>

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 card, vehicle finance and personal loans require management judgement to optimise the performance and therefore effectiveness of the staging methodology. Assessments are made to determine whether there is objective evidence of a SICR which indicates whether there has been an adverse effect on Probability of Default (PD). A 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 probability of default, exposure at default and loss given default to ensure management judgements remain appropriate. Limitations in the Group's impairment models or data inputs

2. Accounting policies (continued)

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 adjustments that have a higher degree of management judgement. All adjustments are reviewed quarterly and are subject to internal review and challenge to ensure that amounts are appropriately calculated.

A breakdown of the post-model adjustments is included within note 8.

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. The provision reflects the potential for future changes under a range of forecasts, as analysis has clearly evidenced correlation between hazard rates, debt to income ratios and credit losses incurred.

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.

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 tested to ensure they retain sufficient accuracy. Sensitivity analysis has been performed in note 8 which shows the impact of a 1% movement of gross exposure into stage 2 from stage 1 on the allowance accounts.

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 has 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. 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 c.£1.6m.

The charge off process led to a reduction in gross receivables of c.£261m and a release of impairment provision of £237m. In addition, revised definition of default criteria implemented as part of the IFRS9 model recalibration undertaken during 2023, resulted in a re-classification 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. As a result, the coverage ratios for vehicle finance assets has reduced from 32% at FY23 (restated) to 17% at 1H24.

<u>Retirement benefit asset (note 11)</u>

The valuation of the retirement benefit asset is dependent upon a series of assumptions, the key assumptions being mortality rates and the discount rate applied to liabilities. The most significant assumption which could lead to material adjustment is a change in discount rates.

Discount rates are based on the market yields of high-quality corporate bonds which have terms closely linked with the estimated term of the retirement benefit obligation. Mortality estimates are based on standard mortality tables, adjusted where appropriate to reflect the Group's own expected experience. Sensitivity analysis is performed in note 11.

2. Accounting policies (continued)

Other accounting judgements

Intangibles (note 10)

All intangible assets have been reviewed for impairment under IAS 36. Based on reviews during 1H24 it was identified that certain assets were no longer in use and have therefore been written off. This includes the Credit Cards mobile app which has been 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 on the 1H24 results was £0.1m.

Provisions: Customer remediation complaints (note 13)

During 2023 and into 1H24 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 spurious 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. In 1H24 the increase in costs and provision resulted from higher expected FOS fees for cases not upheld 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 £7.3m in 1H24 (1H23: £6.3m; FY23: £11.7m).

A provision of £8.2m (1H23; £6.0m; FY23: £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 (£5.2m); and (ii) expected FOS fees for future claims which may be referred (£3.0m). 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 historic data.

Financial Ombudsman Service (FOS) case fees of £750 per case was 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 £17.1m (1H23: £7.6m; FY23: £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 submitted by CMC’s exceeding time bound service level agreements, and is not an indication of deteriorating underlying issues. These costs are based on complaints volume pipeline as at the period end, in addition to further estimated referrals based on historic data. At the period end £8.1m (1H23: £3.5m; FY23: £4.8m) is included within accruals at 30 June 2024.

3. Interest income

	Six months ended 30 June	
Interest receivable from:	**2024**	2023
	£m	£m
Customer receivables	**263.5**	251.5
Cash balances held on deposit and other interest	**20.3**	10.6
Net fair value gains on derivative financial instruments	**1.4**	2.7
Total income	**285.2**	264.8

4. Segment reporting

	Six months ended 30 June 2024						
	Cards £m	Vehicle Finance £m	Loans £m	Second charge mortgages £m	Snoop £m	Corporate Centre £m	Total £m
Interest income	202.6	69.8	9.2	1.0	-	2.6	285.2
Interest expense	(38.4)	(19.9)	(2.0)	(0.4)	-	(10.0)	(70.7)
Net interest income	**164.2**	**49.9**	**7.2**	**0.6**	**-**	**(7.4)**	**214.5**
Fee and commission income	19.3	-	-	-	0.8	-	20.1
Fee and commission expense	(0.7)	-	-	-	(0.1)	-	(0.8)
Net fee and commission income	**18.6**	**-**	**-**	**-**	**0.7**	**-**	**19.3**
Other income	(0.1)	-	-	-	0.3	-	0.2
Total income	**182.7**	**49.9**	**7.2**	**0.6**	**1.0**	**(7.4)**	**234.0**
Impairment charges	(66.1)	(30.3)	(4.9)	-	-	-	(101.3)
Risk-adjusted income	**116.6**	**19.6**	**2.3**	**0.6**	**1.0**	**(7.4)**	**132.7**
Adjusted operating costs	(96.4)	(22.9)	(6.1)	(0.2)	(5.0)	(28.9)	(159.5)
Adjusted PBT(LBT)	**20.2**	**(3.3)**	**(3.8)**	**0.4**	**(4.0)**	**(36.3)**	**(26.8)**
Exceptional items						(15.5)	(15.5)
Amortisation of acquisition intangibles						(4.2)	(4.2)
Statutory loss before taxation						**(56.0)**	**(46.5)**
Tax credit							10.7
Statutory loss for the year attributable to equity shareholders							**(35.8)**

	Six months ended 30 June 2023 (restated)[1]						
	Cards £m	Vehicle Finance £m	Loans £m	Second charge mortgages £m	Snoop £m	Corporate Centre £m	Total £m
Interest income	175.1	72.8	12.3	-	-	4.6	264.8
Interest expense	(20.7)	(12.3)	(1.9)	-	-	(15.4)	(50.3)
Net interest income	**154.4**	**60.5**	**10.4**	**-**	**-**	**(10.8)**	**214.5**
Fee and commission income	21.5	-	-	-	-	-	21.5
Fee and commission expense	(0.7)	-	-	-	-	-	(0.7)
Net fee and commission income	**20.8**	**-**	**-**	**-**	**-**	**-**	**20.8**
Other income	0.2	1.6	-	-	-	-	1.8
Total income	**175.4**	**62.1**	**10.4**	**-**	**-**	**(10.8)**	**237.1**
Impairment charges	(55.4)	(26.6)	(11.0)	-	-	-	(93.0)
Risk-adjusted income	**120.0**	**35.5**	**(0.6)**	**-**	**-**	**(10.8)**	**144.1**
Adjusted operating costs	(86.1)	(27.3)	(8.7)	(0.3)	-	(34.6)	(157.0)
Adjusted PBT/(LBT)	**33.9**	**8.2**	**(9.3)**	**(0.3)**	**-**	**(45.4)**	**(12.9)**
Exceptional items						(5.3)	(5.3)
Amortisation of acquisition intangibles						(3.7)	(3.7)
Statutory loss before taxation						**(54.4)**	**(21.9)**
Tax credit							6.0
Statutory loss for the year attributable to equity shareholders							**(15.9)**

[1] *Refer to note 2 for details of restatement.*

4. Segment reporting (continued)

Acquisition intangibles represent the fair value of the broker relationships of £75.0m which arose on the acquisition of Moneybarn in August 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 amortisation charge for the period amounted to £4.2m (1H23: £3.7m).

Revenue between business segments in not material.

Exceptional items represent an exceptional charge of £15.5m in 2024 (1H23: £5.3m) and comprise:

	Six months ended 30 June	
	2024	2023
	£m	£m
Strategy consultancy costs	**(7.8)**	-
Property exit costs	**(3.1)**	-
Redundancy – outsourcing and other staff exits	**(2.8)**	(2.3)
Other outsourcing costs	**(2.3)**	(0.6)
Total transformation costs	**(16.0)**	**(2.9)**
Other exceptional costs:		
Legal and other advice	**(0.5)**	
CCD Scheme and liquidation costs	**1.0**	(2.4)
Total exceptional items	**(15.5)**	**(5.3)**

	Segment assets			Net assets/(liabilities)		
	30 June 2024	31 December 2023 (restated)[1]	30 June 2023 (restated)[1]	**30 June 2024**	31 December 2023 (restated)[1]	30 June 2023 (restated)[1]
	£m	£m	£m	**£m**	£m	£m
Credit cards, personal loans and second charge mortgages	**2,101.6**	2,195.7	1,875.9	**360.6**	393.7	388.2
Vehicle finance	**875.3**	882.1	860.0	**189.3**	198.9	174.2
Central	**34.1**	29.4	466.0	**(23.8)**	(29.0)	392.3
Other	**13.5**	11.8	-	**3.6**	5.5	-
Continuing operations before intra-group elimination	**3,024.5**	3,119.0	3,201.9	**529.7**	569.1	954.7
Discontinued operations	**-**	-	-	**-**	-	(382.7)
Intra-group elimination	**60.6**	75.7	(331.7)	**-**	-	-
Total Group	**3,085.1**	3,194.7	2,870.2	**529.7**	569.1	572.0

[1] *Refer to note 2 for details 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 all recognised within Vanquis Bank Limited and are therefore combined for balance sheet reporting purposes.

Discontinued operations reflect the CCD business comprising home credit and Satsuma loan which was closed during 2021 and in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' these businesses were presented as discontinued operations. There were no amounts included in the Group income statement in the current year or prior period.

5. Tax credit

The tax credit can be summarised as follows:

	Six months ended 30 June	
	2024	2023 (restated)[1]
	£m	£m
Adjusted LBT	**5.7**	3.8
Exceptional items	**3.9**	1.3
Amortisation of acquisition intangible	**1.1**	0.9
Total tax credit	**10.7**	**6.0**

[1] *Refer to note 2 for details of restatement.*

The tax credit on loss before tax, amortisation of acquisition intangibles and exceptional items has been calculated by:

- calculating the best estimate of the effective tax rate for each division for the financial year, excluding deferred tax asset write offs and, in 2023, the tax impact of the sale of shares in Visa Inc following the partial conversion of the preferred stock which relates only to 1H23;
- applying this to the (loss)/profit before tax, amortisation of acquisition intangibles and exceptional items for the relevant division for the period and aggregating the resultant amount; and
- adding to this the write off of deferred tax assets in respect of share scheme awards where tax deductions are expected to be lower than previously expected net of in 1H23 the beneficial tax impact of utilising capital losses on which a deferred tax asset was not previously recognised to reduce capital gains realised in the first half of the financial year.

This gives a tax credit for the period on loss before tax, amortisation of acquisition intangibles and exceptional items of £5.7m (1H23 restated: £3.8m). The tax credit reflects:

- the adverse impact of writing off deferred tax assets in respect of share scheme awards where tax deductions are expected to be lower than previously expected; and
- in 1H23 (a) the favourable impact of offsetting capital losses on which a deferred tax asset has not previously been recognised to reduce the capital gain arising on the disposal of shares following the partial conversion of the preferred stock in Visa Inc; and (b) the adverse impact of the bank corporation tax surcharge which prior to 31 March 2023 applies at a rate of 8% to the annual profits of Vanquis Bank in excess of £25m and after 31 March 2023 applies a rate of 3% to Vanquis Bank's annual profits in excess of £100m
- The tax credit (1H23: credit) reflects the recognition of deferred tax assets in respect of losses and other temporary differences on the basis the Group expects to have sufficient taxable profits in the future to enable such deferred tax assets to be recovered.
- The tax credit in respect of exceptional items amounts to £3.9m (1H23: £1.3m). The tax credits in the current and prior periods represent tax relief in respect of exceptional costs which are considered to be tax deductible.

6. Loss per share

Basic loss per share LPS is calculated by dividing the loss for the period attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the period less the number of shares held by the Employee Benefit Trust which are used to satisfy the share awards such as the Deferred Bonus Plan (DBP), Long Term Investment Scheme (LTIS), Restricted Share Plan (RSP) and Company Share Option Plan (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 DBP, LTIS, RSP and the 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

6. Loss per share (continued)

(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 L/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 LPS are set out below:

	Six months ended 30 June					
	2024			2023 (restated)[1]		
	Earnings £m	**Weighted average number of shares m**	**Per share amount pence**	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic loss per share	**(35.8)**	**254.7**	**(14.1)**	(15.9)	251.0	(6.3)
Dilutive effect of share options and awards	**-**	**-**	**-**	-	-	-
Diluted loss per share	**(35.8)**	**254.7**	**(14.1)**	(15.9)	251.0	(6.3)

	Six months ended 30 June					
	2024			2023 (restated)[1]		
	Earnings £m	**Weighted average number of shares m**	**Per share amount pence**	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic loss per share	**(35.8)**	**254.7**	**(14.1)**	(15.9)	251.0	(6.3)
Amortisation of acquisition intangibles, net of tax	**0.3**	**-**	**0.1**	2.8	-	1.1
Exceptional items, net of tax	**14.4**	**-**	**5.7**	4.0	-	1.6
Adjusted basic loss per share	**(21.1)**	**254.7**	**(8.3)**	(9.1)	251.0	(3.6)
Diluted loss per share	**(35.8)**	**254.7**	**(14.1)**	(15.9)	251.0	(6.3)
Amortisation of acquisition intangibles, net of tax	**0.3**	**-**	**0.1**	2.8	-	1.1
Exceptional items, net of tax	**14.4**		**5.7**	4.0	-	1.6
Adjusted diluted loss per share	**(21.1)**	**254.7**	**(8.3)**	(9.1)	251.0	(3.6)

[1] Refer to note 2 for details of restatement.

7. Dividends

	Six months ended 30 June	
	2024 £m	2023 £m
2022 final – 10.3p per share	**-**	25.9
2023 final – 1.0p per share	**2.5**	
Total dividends paid	**2.5**	25.9

The directors are not recommending an interim dividend in respect of the period ended 30 June 2024 (1H23: 5.0p).

8. Amounts receivable from customers

	30 June 2024 £m	31 December 2023 (restated)[1] £m	30 June 2023 (restated)[1] £m
Credit cards	**1,150.6**	1,277.7	1,223.9
Vehicle finance	**760.5**	776.1	748.2
Personal loans	**67.8**	102.4	129.6
Second charge mortgages	**31.5**	2.8	-
Total	**2,010.4**	2,159.0	2,101.7
Fair value adjustment for portfolio hedged risk	**(1.9)**	(3.2)	(5.3)
Total group	**2,008.5**	2,155.8	2,096.4

[1] *Refer to note 2 for details of restatement.*

The fair value adjustment for the portfolio hedge risk relates to the hedge accounting adjustment on the balance guaranteed swap. Hedge accounting was discontinued in 2H22 and the adjustment is now being amortised over the remaining life of the vehicle finance receivables.

An analysis of receivables by IFRS 9 stages is set out below:

	30 June 2024			
	Stage 1 £m	**Stage 2** £m	**Stage 3** £m	**Total** £m
Gross receivables				
Credit cards	1,115.8	122.0	95.2	1,333.0
Vehicle finance	608.6	122.8	189.5	920.9
Personal loans	68.8	4.0	4.9	77.7
Second charge mortgages	31.5	-	-	31.5
Total group	**1,824.7**	**248.8**	**289.6**	**2,363.1**
Allowance account				
Credit cards	(76.0)	(49.9)	(56.5)	(182.4)
Vehicle finance	(19.7)	(21.4)	(119.3)	(160.4)
Personal loans	(5.1)	(1.7)	(3.1)	(9.9)
Second charge mortgages	-	-	-	-
Total group	**(100.8)**	**(73.0)**	**(178.9)**	**(352.7)**
Net receivables				
Credit cards	1,039.8	72.1	38.7	1,150.6
Vehicle finance	588.9	101.4	70.2	760.5
Personal loans	63.7	2.3	1.8	67.8
Second charge mortgages	31.5	-	-	31.5
Total group	**1,723.9**	**175.8**	**110.7**	**2,010.4**

8. Amounts receivable from customers (continued)

	31 December 2023 (restated) [1]			
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Gross receivables				
Credit cards	1,200.8	161.4	114.2	1,476.4
Vehicle finance	391.7	224.8	527.7	1,144.2
Personal loans	104.1	5.5	7.9	117.5
Second charge mortgages	2.8	-	-	2.8
Total group	**1,699.4**	**391.7**	**649.8**	**2,740.9**
Allowance account				
Credit cards	(85.2)	(57.6)	(55.9)	(198.7)
Vehicle finance (restated)[1]	(18.2)	(27.0)	(322.9)	(368.1)
Personal loans	(6.3)	(2.4)	(6.4)	(15.1)
Second charge mortgages	-	-	-	-
Total group	**(109.7)**	**(87.0)**	**(385.2)**	**(581.9)**
Net receivables				
Credit cards	1,115.6	103.8	58.3	1,277.7
Vehicle finance (restated)[1]	373.5	197.8	204.8	776.1
Personal loans	97.8	3.1	1.5	102.4
Second charge mortgages	2.8	-	-	2.8
Total group	**1,589.7**	**304.7**	**264.6**	**2,159.0**

	30 June 2023 (restated) [1]			
	Stage 1	Stage 2	Stage 3	Total
	£m	£m	£m	£m
Gross receivables				
Credit cards	1,187.7	139.4	113.0	1,440.1
Vehicle finance	423.0	203.5	487.6	1,114.1
Personal loans	132.8	3.9	5.6	142.3
Second charge mortgages	-	-	-	-
Total group	**1,743.5**	**346.8**	**606.2**	**2,696.5**
Allowance account				
Credit cards	(96.8)	(52.5)	(66.9)	(216.2)
Vehicle finance (restated)[1]	(20.7)	(25.6)	(319.6)	(365.9)
Personal loans	(7.7)	(1.6)	(3.4)	(12.7)
Second charge mortgages	-	-	-	-
Total group	**(125.2)**	**(79.7)**	**(389.9)**	**(594.8)**
Net receivables				
Credit cards	1,090.9	86.9	46.1	1,223.9
Vehicle finance (restated)[1]	402.3	177.9	168.0	748.2
Personal loans	125.1	2.3	2.2	129.6
Second charge mortgages	-	-	-	-
Total group	**1,618.3**	**267.1**	**216.3**	**2,101.7**

[1] *Refer to note 2 for details of restatement.*

8. Amounts receivable from customers (continued)

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 (FY23: £2.7m; 1H23: £2.8m) 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 post-model adjustments for credit cards is shown below:

Credit Cards	30 June 2024 £m	31 December 2023 £m	30 June 2023 £m
Core model	**180.4**	209.4	201.5
New Model (under)/overlays (note (a))	**-**	(12.7)	-
Post Model (under)/overlays	**2.0**	2.0	14.7
Total allowance account	**182.4**	198.7	216.2

	30 June 2024 £m	31 December 2023 £m	30 June 2023 £m
Post model (under)/overlays:			
Affordability risk event (note (b))	**-**	-	0.3
Persistent debt (note (c))	**-**	-	2.2
Cost of living (note (d))	**-**	-	10.0
Recoveries (note (e))	**-**	-	2.2
Other (note (f))	**2.0**	2.0	-
Total post model (under)/overlays	**2.0**	2.0	14.7
Total (under)/overlays	**2.0**	10.7	14.7

(a) Model overlay

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 the 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 Dec'23. The resultant level of ECL provision was considered to more accurately reflect the Groups' exposure to credit risk and took into account how our receivables mix had evolved throughout later months of 2023. The new model underlay was released in 1H24 when the incumbent IFRS9 models were substituted with the new suite of IFRS 9 models.

(b) Affordability

An additional IFRS 9 impairment provision had been created to cover the principal balance of those customers impacted by risk events which may need to be written off. These risk events arose from minor temporary data misalignment instances impacting a small number of accounts which have now been remediated. This overlay was fully released in 2023.

(c) Persistent debt

A post-model overlay was calculated to refine provisioning for those customers who had entered into persistent debt 36 months. These customers were split into two categories: those who had responded to communications and agreed to pay down their outstanding balance; and those who were making minimum payments but had not responded. This overlay was fully released in 2023, as this model drawback was remediated in the new model and hence included in the model overlay.

(d) Cost of living

A cost of living overlay was initially raised in 2021 due to rising inflation and higher energy costs, which might have impacted customers' ability to make repayments. The actual effect on the customers' ability to make repayments was

8. Amounts receivable from customers (continued)

closely monitored subsequently, however the underlying credit metrics of the book remained stable and showed no signs of significant increase in credit risk. In 2023, both inflation and energy costs started stabilising and management decided to gradually release the overlay with full release by the end of 2023.

(e) Recoveries
A post-model overlay was created in 2021 to account for an estimated reduction in recoveries for debt sold to debt collection agencies. Updated information and further refinement in understanding the extent of the exposure led to management fully releasing this overlay in 2023.

(f) Other
Other includes adjustment for fraud and one day interest adjustment due to known model deficiencies.

A breakdown of the post-model adjustments for vehicle finance is shown below:

Vehicle finance	**30 June 2024**	31 December 2023 (restated)[1]	30 June 2023 (restated)[1]
	£m	£m	£m
Core model	**165.7**	419.5	375.9
New Model (under)/overlays (note (a))	**-**	(47.0)	-
Post Model (under)/overlays	**(5.3)**	(4.4)	(10.0)
Total allowance account	**160.4**	368.1	365.9

	30 June 2024	31 December 2023	30 June 2023
	£m	£m	£m
Post-model overlays:			
Fraud (note (b))	**(5.3)**	(5.2)	(4.4)
Borrowers in financial difficulty (note (c))	**-**	0.8	-
Cost of living (note (d))	**-**	-	0.5
Near prime customers (note (e))	**-**	-	(6.1)
Total post model (under)/overlays	**(5.3)**	(4.4)	(10.0)
Total (under)/overlays	**(5.3)**	(51.4)	(10.0)

[1] *Vehicle Finance receivables have been retrospectively restated, see note 2*

(a) Model overlay
Relates to new model development executed in 2023. Refer to Cards section for further details.

(b) Fraud
The fraud overlay represents a cohort of live accounts within the vehicle finance portfolio that have been identified as fraud customers. There is a corresponding adjustment within gross receivables for these accounts.

(c) Borrowers in financial difficulty
An overlay was recognised for a selection of customer accounts that are deemed to be borrowers in financial difficulty. The overlay was released in 1H24 as a result of the model update.

(d) Cost of living
The cost of living overlay was fully released in 2023. Refer to Cards section for further details

8. Amounts receivable from customers (continued)

(e) Near prime customers

The near prime customers post model overlay was introduced in 2023 due to an increased volume of new near prime customers, for whom the model did not accurately predict a significant increase in credit risk for this customer segment. This was because the Group's available historical data relating to this segment on which the models operated was minimal, due to low historic lending volumes to this customer segment. Therefore a post model overlay was created to address the model shortcomings. This overlay was released in 2H23 as the model was updated to address this limitation.

A breakdown of the post-model adjustments for personal loans is shown below:

Personal loans	**30 June 2024 £m**	31 December 2023 £m	30 June 2023 £m
Core model	**9.9**	13.1	12.4
New Model (under)/overlays (note (a))	**-**	2.0	-
Post Model (under)/overlays	**-**	-	0.3
Total allowance account	**9.9**	15.1	12.7

	30 June 2024 £m	31 December 2023 £m	30 June 2023 £m
Post-model overlays:			
Cost of living (note (b))	**-**	-	0.3
Total post model (under)/overlays	**-**	-	0.3
Total (under)/overlays	**-**	2.0	0.3

(a) Model overlay

Relates to new model development executed in 2023. Refer to Cards section for further details.

(b) Cost of living

A cost of living overlay was fully released in 2023. Refer to Cards section for further details.

The impairment charge in respect of amounts receivable from customers can be analysed as follows:

	Six months ended	
	2024 £m	2023 (restated)[1] £m
Credit cards	**66.1**	55.4
Vehicle finance	**30.3**	26.6
Personal loans	**4.9**	11.0
Total impairment charge	**101.3**	93.0

[1] *Refer to note 2 for details of restatement.*

9. Investments

	30 June 2024 £m	31 December 2023 £m	30 June 2023 £m
Visa Inc. shares	**5.1**	5.4	4.9

Visa Inc. shares
The Visa Inc shares represent preferred stock in Visa Inc held by Vanquis Bank Limited following completion of Visa Inc's acquisition of Visa Europe Limited in 2016.

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.

10. Other intangible assets

	30 June 2024		
	Acquisition intangibles £m	Computer software £m	Total £m
Cost			
At 1 January	**86.1**	**85.1**	**171.2**
Additions	**-**	**4.5**	**4.5**
Disposals	**-**	**(14.2)**	**(14.2)**
At 30 June	**86.1**	**75.4**	**161.5**
Accumulated amortisation and impairment			
At 1 January	**70.4**	**26.4**	**96.8**
Charged to the income statement	**4.2**	**6.0**	**10.2**
Impairment	**-**	**8.5**	**8.5**
Disposals	**-**	**(14.2)**	**(14.2)**
At 30 June	**74.6**	**26.7**	**101.3**
Net book value			
At 30 June	**11.5**	**48.7**	**60.2**
At 1 January	**15.7**	**58.7**	**74.4**

10. Other intangible assets (continued)

	31 December 2023 Acquisition intangibles £m	Computer software £m	Total £m
Cost			
At 1 January	75.0	68.5	143.5
Additions	11.1	19.0	30.1
Disposals	-	(2.4)	(2.4)
At 31 December	86.1	85.1	171.2
Accumulated amortisation and impairment			
At 1 January	62.5	17.7	80.2
Charged to the income statement	7.9	10.6	18.5
Disposals	-	(1.9)	(1.9)
At 31 December	70.4	26.4	96.8
Net book value			
At 31 December	15.7	58.7	74.4
At 1 January	12.5	50.8	63.3

	30 June 2023 Acquisition intangibles £m	Computer software £m	Total £m
Cost			
At 1 January	75.0	68.5	143.5
Additions	-	11.3	11.3
Disposals	-	(2.2)	(2.2)
At 30 June	75.0	77.6	152.6
Accumulated amortisation and impairment			
At 1 January	62.5	17.7	80.2
Charged to the income statement	-	8.9	8.9
Disposals	-	(1.8)	(1.8)
At 30 June	62.5	24.8	87.3
Net book value			
At 30 June	12.5	52.8	65.3
At 1 January	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. The intangible asset was calculated based on the discounted cash flows associated with vehicle finance core broker relationships and is being amortised over an estimated useful life of 10 years. Additions to acquisition intangibles in 2023 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 on 7 August 2023.

Additions to computer software of £4.5m (1H23: £11.3m) comprise costs associated with the Gateway platform development. In 1H24 £8.5m of impairment relates to the write down of development costs for a mobile app which is now considered redundant.

11. Retirement benefit asset

The group operates a defined benefit pension scheme: the Provident Financial Staff Pension Scheme. The scheme is of the funded, defined benefit type and 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 the 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.

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 is as follows:

	30 June 2024 £m	31 December 2023 £m	30 June 2023 £m
Fair value of scheme assets	**481.0**	512.9	490.4
Present value of defined benefit obligation	**(446.6)**	(474.7)	(453.6)
Net retirement benefit asset recognised in the balance sheet	**34.4**	38.2	36.8

The amounts recognised in the income statement were as follows:

	Six months ended 30 June	
	2024 £m	2023 £m
Administration costs and taxes	**(0.5)**	(0.5)
Interest on scheme liabilities	**(10.9)**	(11.5)
Interest on scheme assets	**11.7**	12.2
Net credit recognised in the income statement	**0.3**	0.2

The net credit recognised in the income statement has been included within operating costs.

11. Retirement benefit asset (continued)

Movements in the fair value of scheme assets were as follows:

	30 June 2024 £m	31 December 2023 £m	30 June 2023 £m
Fair value of scheme assets at 1 January	**512.9**	520.7	520.7
Interest on scheme assets	**11.7**	24.4	12.2
Actuarial movements on scheme assets	**(31.4)**	(7.8)	(32.2)
Contributions by the Group	**0.4**	0.8	0.4
Net benefits paid out	**(12.6)**	(25.2)	(10.7)
Fair value of scheme assets at period end	**481.0**	512.9	490.4

Movements in the present value of the defined benefit obligation were as follows:

	30 June 2024 £m	31 December 2023 £m	**30 June 2023** £m
Present value of defined benefit obligation at 1 January	**(474.7)**	(490.0)	(490.0)
Current service cost	**(0.5)**	(1.1)	(0.5)
Interest on scheme liabilities	**(10.9)**	(23.0)	(11.5)
Actuarial movement – experience	**26.9**	1.2	37.7
Actuarial movement – demographic assumptions	**-**	19.3	-
Actuarial movement – financial assumptions	**-**	(6.3)	-
Net benefits paid out	**12.6**	25.2	10.7
Present value of defined benefit obligation at period end	**(446.6)**	(474.7)	(453.6)

The principal actuarial assumptions used at the balance sheet date were as follows:

	30 June 2024 %	31 December 2023 %	30 June 2023 %
Price inflation – RPI	**3.25**	3.10	3.35
Price inflation – CPI	**2.75**	2.60	2.85
Rate of increase to pensions in payment	**3.00**	2.95	3.05
Inflationary increases to pensions in deferment	**2.75**	2.60	2.85
Discount rate	**5.25**	4.65	5.25

The mortality assumptions are based on the self-administered pension scheme (SAPS) series 3 tables (2023: SAPS series 3 tables):

- for non-pensioners: 105% of the 'Middle' table (31 December 2023 and 30 June 2023: 105% of the 'Middle' table);
- male pensioners: 99% of the 'All' table (31 December 2023 and 30 June 2023: 99% of the 'All' table); and
- female pensioners: 102% of the 'Middle' table (31 December 2023 and 30 June 2023: 102% of the 'Middle' 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.

Future improvements in mortality are based on the Continuous Mortality Investigation (CMI) 2023 model with a long-term improvement trend of 1.00% per annum and the core parameters for the initial addition and smoothing parameter but with a weighting of 0%, 0%, 25%, 25% on 2020, 2021, 2022 and 2023 experience respectively (December 2023: 2022

11. Retirement benefit asset (continued)

model and a modest allowance (0%) for the experience during 2020 and 2021 and 50% for 2022. June 2023: 2022 model and a modest allowance (5%) for the experience during 2020 and 2021).

All other available parameters for the mortality improvements model were adopted at the default level. Under these mortality assumptions, the life expectancies of members are as follows:

	Male			Female		
	30 June 2024 Years	31 December 2023 Years	30 June 2023 Years	**30 June 2024 Years**	31 December 2023 Years	30 June 2023 years
Current pensioner aged 65	**21.2**	21.2	21.3	**23.0**	22.9	23.0
Current member aged 45 from age 65	**21.1**	21.1	21.2	**23.9**	23.8	23.9

If the discount rate decreased by 0.5% (31 December 2023: 0.5%, 30 June 2023: 2%), the defined benefit obligation (not including any impact on assets) would have been increased by approximately £27m (31 December 2023: £31m, 30 June 2023: £148m).

An analysis of amounts recognised in the statement of comprehensive income is set out below:

	30 June 2024 £m	31 December 2023 £m	30 June 2023 £m
Actuarial movements on scheme assets	**(31.4)**	(7.8)	(32.2)
Actuarial movements on scheme liabilities	**26.9**	14.2	37.7
Total movement recognised in other comprehensive income in the year	**(4.5)**	6.4	5.5
Cumulative movement recognised in other comprehensive income	**(152.8)**	(148.3)	(149.2)

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 case may have implications for other defined benefit schemes in the UK, although is subject to possible appeal in 2024. The Company are aware of this legal ruling and are assessing whether there is any potential impact upon the Company although currently no conclusion has been reached therefore no quantification of any potential impact has been determined.

12. Fair value disclosures

The Group holds the following financial instruments at fair value:

	30 June 2024 £m	31 December 2023 £m	30 June 2023 £m
Financial assets			
Derivatives	**1.1**	1.3	13.4
Visa Inc. shares	**5.1**	5.4	4.9
	6.2	6.7	18.3
Financial liabilities			
Derivatives	**(9.6)**	(1.8)	(27.8)

The Group is counterparty to three derivative financial instruments.

The securitisation balance guarantee (front BGS) swap of £1.1m asset (31 December 2023: £1.3m, 30 June 2023: £13.4m) 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.

12. Fair value disclosures (continued)

The Group balance guarantee swap (back BGS) of £1.6m liability (31 December 2023: £1.8m, 30 June 2023: £14.1m) 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 of £8.0m liability (31 December 2023: £nil, 30 June 2023: £13.7m) 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% bi-annually. The swap matures in October 2026.

Except as detailed in the following table, the directors consider that the carrying value of financial assets and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values:

	Carrying value			Fair value		
	30 June 2024	31 December 2023 (restated)[1]	30 June 2023 (restated)[1]	**30 June 2024**	31 December 2023	30 June 2023
	£m	£m	£m	**£m**	£m	£m
Financial assets						
Amounts receivable from customers	**2,008.5**	2,155.8	2,096.4	**(2,332.5)**	2,780.5	2,174.4
Financial liabilities						
Retail deposits	**(1,937.5)**	(1,950.5)	(1,445.3)	**(1,908.7)**	(1,916.2)	(916.2)
Bank and other borrowings	**(504.1)**	(582.5)	(706.6)	**(483.0)**	(561.5)	(828.1)
Total	**(2,441.6)**	(2,533.0)	(2,151.9)	**(2,391.7)**	(2,477.7)	(1,744.3)

[1] *Refer to note 2 for details of restatement.*

13. Provisions

	Six months ended 30 June 2024					
	Scheme	**ROP**	**Customer compliance**	**Dilapidations**	**Others**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
At 1 January	**1.0**	**-**	**3.5**	**0.3**	**1.0**	**5.8**
Created in the period	**-**	**-**	**9.6**	**4.9**	**2.6**	**17.1**
Reclassified in the period	**-**	**-**	**-**	**-**	**-**	**-**
Utilised in the period	**-**	**-**	**(4.9)**	**-**	**(0.5)**	**(5.4)**
Released in the period	**(1.0)**	**-**	**-**	**-**	**(0.2)**	**(1.2)**
Closing balance	**-**	**-**	**8.2**	**5.2**	**2.9**	**16.3**

13. Provisions (continued)

Year ended 31 December 2023	Scheme £m	ROP £m	Customer compliance £m	Dilapidations £m	Others £m	Total £m
At 1 January	1.2	2.0	1.4	0.3	0.3	5.2
Created in the period	-	-	10.7	-	0.3	11.0
Reclassified in the period	-	-	-	-	0.6	0.6
Utilised in the period	(0.2)	-	(8.4)	-	(0.2)	(8.8)
Released in the period	-	(2.0)	(0.2)	-	-	(2.2)
Closing balance	1.0	-	3.5	0.3	1.0	5.8

Six months ended 30 June 2023	Scheme £m	ROP £m	Customer compliance £m	Dilapidations £m	Others £m	Total £m
At 1 January	1.2	2.0	1.4	0.3	0.3	5.2
Created in the period	-	-	2.3	-	2.6	4.9
Reclassified in the period	-	-	-	-	-	-
Utilised in the period	(0.2)	-	(0.3)	-	-	(0.5)
Released in the period	-	-	-	-	-	-
Closing balance	1.0	2.0	3.4	0.3	2.9	9.6

The Scheme of Arrangement (the Scheme): £nil (FY23: £1.0m, 1H23: £1.0m)
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 2H22 and the majority of the provision has been utilised, with only £0.9m of provision remaining as at December 2023. The remaining balance represents unpresented low -value customer cheques.

The remaining Scheme provision was fully released in June based on the following:

- All of the Scheme requirements as regards discharging of liabilities have been met;
- PwC, as Scheme Supervisors, have confirmed that this is the case and confirmed that the Scheme closure requirements have been met;
- Clifford Chance have confirmed the above and confirmed that that any surplus monies standing to the credit of the PFG Fund in SPV should now be returned to VBG as part of the Scheme termination in accordance with the Funding Deed.

ROP Provision: £nil (FY23: £nil, 1H23: £2.0m)
The Repayment Option Plan (ROP) provision principally reflects the estimated cost of the forward flow of ROP complaints more generally which may be received and in respect of which compensation may need to be paid. During 2023 it was determined that no further amounts were expected to be paid and the remaining £2.0m was released through exceptionals in 2H23.

Customer compliance: £8.2m (FY23: £3.5m, 1H23: £3.4m)
The customer remediation provision relates to general customer compliance matters. This includes the costs of processing a temporary uplift in spurious customer claims from CMCs (uphold rate only 5%), in relation to responsible lending. An amount for expected FOS fees is also included in the provision. The provision also includes £3.0m for expected FOS fees to be paid out.

13. Provisions (continued)

Dilapidations £5.2m (FY23: £0.3m, 1H23: £0.3m)
Additional dilapidations costs recognised in 1H23 and are now being held for all properties.

Others £2.9m (FY23: £1.0m, 1H23: £3.2m)
This predominantly relates to redundancy costs.

14. Reconciliation of loss after tax to cash generated from operations

	Six months ended 30 June	
	2024	2023 (restated)
	£m	£m
Loss after taxation	**(35.8)**	(15.9)
Adjusted for:		
– tax credit	**(10.7)**	(6.0)
– finance costs	**70.7**	50.3
– finance income	**(21.7)**	(13.3)
– share-based payment charge	**2.4**	3.2
– retirement benefit credit	**(0.3)**	(0.2)
– exceptional impairment of ROU asset	**2.4**	3.7
– additions of ROU assets	**1.2**	-
– provisions created in the year	**17.1**	4.9
– provisions released in the year	**(0.2)**	-
– exceptional release of provisions	**(1.0)**	-
– provisions utilised in the year	**(5.4)**	(0.5)
– depreciation of property, plant and equipment and right of use assets	**8.2**	2.3
– loss on disposal of property, plant and equipment	**0.1**	1.8
– amortisation of intangible assets	**10.2**	8.9
– impairment of intangible assets	**8.5**	0.4
– derivative financial instruments	**8.8**	3.5
– proceeds from derivatives	**-**	6.2
– fair value movements on Visa shares	**0.3**	(0.4)
– contributions into the retirement benefit scheme	**(0.4)**	(0.4)
Changes in operating assets and liabilities		
– amounts receivable from customers	**148.6**	(196.8)
– trade and other receivables	**(27.5)**	(22.2)
– trade and other payables	**5.5**	1.2
Cash generated from/(used) in operations	**181.0**	(169.3)

15. 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.

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.

APM	Method of calculation	Relevance
Adjusted profit before tax	A reconciliation of adjusted (loss)/profit before tax from statutory (loss)/profit for the year attributable to equity shareholders is provided on the income statement.	Adjusted (loss)/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.
Average gross customer interest earning balances	Average of gross customer interest earning balances for the 7 months ended 30 June.	This is used to smooth the seasonality of receivables across the divisions in calculating performance KPIs.
Net interest margin (NIM)	Interest income less interest expense, excluding exceptional items for the period multiplied by 365/181, as a percentage of average gross customer interest earning balances.	This measure shows the returns generated from customers to allow comparison to other banks and banking groups.
Risk-adjusted margin -	Total income, excluding exceptional items less impairment charges for the period multiplied by 365/181, as a percentage of average gross customer interest earning balances.	This measure shows the returns from customers after impairment charges.
Asset yield	Interest income from customer receivables for the period multiplied by 365/181, as a percentage of average gross customer interest earning balances.	This measure shows the returns generated from customer receivables to allow comparison to other banks and banking groups.
Cost of risk	Impairment charges for the period multiplied by 365/181, as a percentage of average gross customer interest earning balances.	This measure shows the cost of impairment charges on customer receivables to allow comparison to other banks and banking groups.
Cost:income ratio	Operating costs, excluding exceptional items for the period multiplied by 365/181 as a percentage of total income, excluding exceptional items for the period multiplied by 365/181.	This ratio is a measure of the efficiency of the Group's cost base.
Adjusted return on tangible equity (ROTE)	Adjusted (loss)/profit after tax net of fair value gains for the period multiplied by 365/181 as a percentage of average adjusted tangible equity for the 7 months ended 30 June. 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.
Tangible net asset value per share (TNAV)	TNAV per share is calculated as average adjusted tangible equity, divided by the weighted average number of shares in issue during the period.	It is used for measuring the book value of Group's shares, after deducting intangible assets.

Statement of directors' responsibilities

The directors confirm that, to the best of their knowledge, the unaudited condensed interim financial statements have been prepared in accordance with IAS 34 as contained in UK adopted IFRS, and that the interim report includes a fair review of the information required by DTR 4.2.4R, DTR 4.2.7R and DTR 4.2.8R, namely:

- An indication of important events that have occurred during the first six months of the financial year and their impact on the unaudited condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions that have occurred in the first six months of the financial year and any material changes in the related party transactions described in the last annual report and financial statements.

A list of current directors is maintained on the Vanquis Banking Group plc website: www.vanquisbankinggroup.com. All directors were present throughout the six months ended 30 June 2024 other than those set out below:

– Andrea Blance stepped down from the Board on 1 February 2024
– Karen Briggs, Oliver Laird and Jacqueline Noakes were appointed to the Board on 27 March 2024
– Elizabeth Chambers and Margot James stepped down from the Board on 15 May 2024.

The maintenance and integrity of the Vanquis Banking Group website is the responsibility of the directors. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accept no responsibility for any changes that may have occurred to the unaudited condensed interim financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of unaudited condensed interim financial statements may differ from legislation in other jurisdictions.

By order of the board

Ian McLaughlin – Chief Executive Officer Dave Watts – Chief Financial Officer
31 July 2024