Annual Report and Accounts

for the year ended 31 December 2023

Our Purpose is to deliver caring banking so our customers can make the most of life's opportunities

Banking with heart

Headlines

2023 was a challenging year for Vanquis Banking Group. After disappointing interim results in July 23, our new management team took immediate action to return the Group to a path of sustainable, profitable growth. Our North Star strategy will enable us to meet the needs of an expanded customer base and deliver attractive returns to our shareholders by 2026.

Total customer numbers[1]
1.75m
↑ 0.08m (2022: 1.67m)

Amounts receivable from customers
£2.2bn
↑ £0.3bn (2022: £1.9bn)

Adjusted profit before tax – continuing operations
£24.9m
↓ £101.7m (2022: £126.6m)

Regulatory capital[2]
£609.0m
↓ £69.8m (2022: £678.8m)

Liquidity
£703.3m
↑ £225.1m (2022: £478.2m)

Statutory (loss)/profit before tax – continuing operations
£(4.4)m
↓ £114.5m (2022: £110.1m)

Adjusted return on tangible equity
3.2%
↓ (2022: 21.8%)

Operational carbon footprint offset[3]
100%
→ (2022: 100%)

Certain alternative performance measures (APMs) have been used in this report (see pages 189 to 191)

1 Total customer numbers net of cross product holding.
2 The reduction in regulatory capital is primarily due to the scheduled unwind of IFRS 9 transitional relief and dividends paid.
3 Not including scope 3 emissions associated with suppliers' and financed vehicle emissions.

Contents

Visit: vanquisbankinggroup.com

Visit: vanquisbankinggroup.com/sustainability

Who we are

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

Our Purpose

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

Our business model

Read more on pages 10 and 11

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

Credit	Savings	Money management

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

Our customers' core needs

Read more on page 10

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

Our ESG priorities

Read more on page 16

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

Investment case

We have the potential to transform our business

Despite a very challenging year, we have made a strong start to our transformation initiatives and are on track to deliver customer benefits and efficiency gains in 2024 and beyond.

1 Our management team is implementing our new strategy at pace to deliver attractive, sustainable returns.

A new Chairman, Chief Executive and Chief Financial Officer are now in post, supported by a blend of new and experienced Board members and a well-balanced Executive Committee of new and long-serving leaders.

Read more on pages 54 to 56

38%
of the Board and ExCo new in post in 2023

2 We have a compelling social purpose.

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

Read more on pages 6 and 7

144
years' experience in consumer finance and supporting communities

3 We participate in attractive and sizeable markets.

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

Read more on page 8

Target addressable market
23m
consumers

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

4 We have unique competitive advantages.

We benefit from a differentiated approach to our target customers and have carefully developed propositions to respond to their needs. Assets to help us meet these needs include the Snoop money management app and access to retail funding.

Read more on page 11

95%
of users would recommend Snoop

Source: Snoop app survey

5 We are primarily funded by retail deposits.

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

Read more on page 9

84%
funded by retail deposits

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

We will measure our success through a series of customer-focused and financial measures. As a result of the strategic initiatives under way, we project an increase in adjusted return on tangible equity (ROTE) to 'mid-teens' by 2026.

Read more on page 12

2026 adjusted ROTE:
'mid-teens'

Chairman's statement

A pivotal year

"The Board is highly supportive of our Purpose and strategy being developed by the executive team, and is encouraged by our early progress."

Sir Peter Estlin
Chairman

Introduction

2023 was a pivotal year for Vanquis Banking Group. We successfully rebranded the Group under the Vanquis brand and welcomed a new CEO, Ian McLaughlin, in late July. However, it was also a challenging year, with poor interim results leading to a significant fall in shareholder value. We saw the departure of our Chairman and CFO in Q3. Yet, in the toughest of corporate conditions, I take comfort from the fact that dedication by colleagues to our customers has remained a constant. This reinforced for me the bank's immense potential to serve an important social purpose, namely to create equity of opportunity by helping our customers to access the banking system. For us, the 'S' of ESG could not be more real. It was the reason I joined the Board.

First impressions and immediate action

Since joining the Board in April 2023 and taking over as Chair in September, I have visited all of our offices several times, meeting colleagues and seeing first hand their commitment to customers. It has also been a real pleasure to work with Ian McLaughlin. His impact from day one has been nothing short of inspirational. He has strengthened the executive team, with the appointments of Dave Watts as CFO, Jill Armstrong as Chief Customer Officer (CCO) and Jem Walters as Chief Technology Officer (CTO), overseen the successful acquisition and integration of Snoop to the Group, led by John Natalizia, and embarked at pace on a plan to reset, redefine and reinvigorate our business with the passion of someone with a career-long commitment to retail banking.

Early progress and long-term potential

The Board is highly supportive of our Purpose and the strategy being developed by the executive team, and is encouraged by our early progress. The team have made difficult decisions and started to deliver tangible results in a short space of time: managing receivables growth while analysing customer needs, applying necessary price increases and taking hard decisions about colleagues to achieve an immediate reduction in our cost base. The strategic review has been similarly well executed, creating fresh enthusiasm and excitement amongst colleagues about the business, and we look forward to further improving customer outcomes and restoring intrinsic value.
An important first milestone for the new team was to deliver on the guidance for FY23 set in October 2023, notably an adjusted profit before tax (PBT) range of £25-30m, with an adjusted PBT of £24.9m. We also recognise that we recorded a statutory loss after tax for the year of £(6.0)m, generating a profit on a statutory basis in the second half, thanks to cost management actions and impairment provision releases of £74.5m in 2023 (2022: £94.1m). Return on tangible equity (ROTE) for FY23 was 3.2%. At our strategy seminar on 27 March 2024, we will set out how we intend to build returns substantially over the next three years to achieve a target adjusted ROTE of mid-teens by 2026.

Capital management and dividend

The Group intends to propose a final dividend of 1.0p per share for 2023, subject to final Board and regulatory approvals. The Group also signals its intention to pay a dividend of up to 1.0p per share for 2024, subject to Board and regulatory approvals, with measured progression in 2025. From 2026, following full implementation of the new strategy, the Board will revisit the capital allocation policy and reset the level of dividend from which to maintain a progressive policy thereafter.

Board priorities

Aligned to the Group's new strategy, we have initiated changes in Board governance.

First, we have absorbed the work of the Customer, Culture and Ethics Committee into main Board discussions to match the over-arching customer focus being ingrained in the business.

Second, will use the opportunity of member succession to ensure that we have the requisite skills and diversity of thought to oversee the activities of a specialist bank. I would like to take this opportunity to publicly thank Andrea Blance for her near seven-year commitment to the Group, and in particular for her role as Senior Independent Director (SID). I look forward to working with Angela Knight as she takes on the SID role. Further changes to the Board are expected shortly as two existing directors are considering not standing for re-election at the forthcoming AGM. In their stead, we aim to announce the appointment of three new non-executive directors, bringing a wealth of experience and skills to the Board. We have also appointed Kate Rosenshine, as a Board Observer, who will use the opportunity as an observer to gain an understanding of what it takes to be a non-executive director. Kate is currently a serving executive with Microsoft where she leads their Digital Natives strategic partnerships.

Finally, while continuing to discharge our governance duties, we intend to enhance shareholder engagement, equip ourselves with better management information, adopt a laser-sharp focus to critical risks and allocate more time on our agenda to consider longer-term industry issues such as knowing our customers in a digital world, and how to continue to help improve the quality of regulation of the banking industry.

Conclusion

I want to conclude with heartfelt thanks to all my Board colleagues for the support they provided to the business during the past year. On behalf of the Board of Directors, I also want to thank everyone at Vanquis Banking Group who went above and beyond in their commitment to the business, particularly in the last few months.

Looking forward into 2024, the Board will support and challenge the executive team as it aims to balance successful delivery of short-term milestones with long-term value creation. Change takes its toll, and perhaps the most important role for the Board is to ensure that key individuals, and the organisation as a whole, have the resources and mental resilience they need to keep pace with the transformation under way. We are here to support them and I look forward to reporting back on our progress.

Sir Peter Estlin
Chairman
26 March 2024

Chief Executive Officer's review

Transforming our business - caring for our customers

"We're here to deliver caring banking so our customers can make the most of life's opportunities. Doing that well will allow us to deliver attractive and sustainable returns for our shareholders."

Ian McLaughlin
Chief Executive Officer

Introduction

After I started at Vanquis Banking Group on 26 July 2023, we immediately experienced a significant fall in our share price as the market reacted to an unsatisfactory set of interim results on 28 July. I spent my first five months rapidly implementing the immediate changes required to put us on a path to better performance. We also initiated a thorough strategic review which will be presented at our strategy seminar on 27 March 2024. I have been extremely impressed with how my colleagues have responded and I am looking forward to working with them for the benefit of our customers as we bring our new strategic ambition to life.

Reflections on 2023

Despite some serious challenges being evident, I also discovered many positives. First and foremost, our people really care about doing the right thing for our customers; there is a genuine sense of social purpose. Progress had also been made in creating a fit-for-purpose corporate structure, including differentiating ourselves through access to retail funding. However, the business had been operating in product silos and the communication and alignment between teams was not where it needed to be. This had led to duplication in functions and there was little evidence of cost discipline. Particularly evident was a lack of visibility and accountability of centrally held costs.

Financially, the Group generated a £5.5m adjusted loss before tax from continuing operations in the first six months of 2023 (1H22: profit £54.3m), despite 11% growth in net receivables (1H22: 0%). Costs rose by 6% in the 6 month period to 1H23, compared to 1H22 and net interest margin (NIM) declined by 2.5% to 19.1% (1H22: 21.6%). The Group recorded a statutory loss before tax from continuing operations of £14.5m (1H22: profit of £46.9m). These results drove a 29% decline in our share price on the day of publication and crystallised the need for swift remedial action as well as a fundamental review of our strategic direction.

Immediate action was taken in the second half of 2023 to moderate lending growth, reduce IFRS 9 strain, reduce costs, and implement appropriate price rises to improve product profitability. In our Q3 trading statement on 17 October 2023, we committed to deliver adjusted PBT for the year of £25-30m, and I am pleased that the business traded broadly in line with our expectations, delivering adjusted PBT of £24.9m (FY22: £126.6m). We recorded a statutory loss after tax for the year of £(6.0)m. H2 performance benefited from a combination of cost management actions and impairment provision releases. Moderation of net receivables growth in the second half led to year-on-year receivables growth of 14% and swift action on costs contributed to a 10% half-on-half reduction in adjusted operating costs. NIM for the year amounted to 19.0% (FY22: 21.2%), reflecting the higher funding costs and lower asset yield. Our key financial ratio is adjusted return on tangible equity (ROTE). This rose from (1.8%) in 1H23 to 3.2% for FY23.

Three further priorities were established to help restore overall performance and credibility.

1. Refreshed our Executive team to create the right mix of customer experience, capability and personal values with five new hires in key roles – Chief Customer Officer, Chief Financial Officer, Chief Technology Officer, Chief Digital, Data and Analytics Officer, and Chief of Staff – alongside seven seasoned Vanquis Banking Group executives in Operations, Transformation, HR, Communications, Risk, Legal, and Internal Audit.

2. Better communication to engage our colleagues, partners and other key stakeholders on the need for substantial change.
3. Simplifying our operating model and removing duplication, this delivered cost savings in 2023 and will deliver c.£60m of cost savings - without compromising on customer service.

In summary, we have demonstrated an ability to set and execute plans at pace and are seeing early progress from this. However, we still have a lot to do.

Strategy

I am excited by the output of our North Star strategic review and am looking forward to turning our plans into reality. We have a new sense of purpose – 'to deliver caring banking so our customers can make the most of life's opportunities'. The power of purpose to unite and motivate an organisation is immense. For us, the social purpose, the 'S' at the centre of ESG, is vital. Environmental and Governance objectives are also critical, and we will fulfil all our ESG responsibilities, but the 'S' of social purpose is at the heart of our business.

We have always cared about the customers we serve: now we have fundamentally changed the way we organise ourselves to serve them even better. Previously, we defined our customers by risk categories and organised our business around product lines. Now, we put their needs at the very heart of the way we operate. We undertook deep analysis using a well-respected financial segmentation model, augmented by our own customer research and data. From this, we identified three core customer needs:

- Help me borrow healthily.

- Help me feel in control of my everyday spending.

- Help me build a financial safety net.

We are expanding our customer proposition to meet these needs and we are restructuring our service operation to serve them more effectively. We will refresh our distribution strategy, meet our customers where they are and develop new partnerships to introduce ourselves to them.

Over time, we aspire to measure our success through a series of customer KPIs which are somewhat unusual in the banking sector, such as lifetime value, the increase we can drive in customers' credit scores and the cumulative value of savings delivered to customers by Snoop. To these we will add more traditional measures of sustainable performance such as adjusted ROTE and Cost:Income ratio.

Key initiatives for 2024

As we start to implement our North Star strategy, these initiatives will be our top priorities in 2024.

1. Develop compelling propositions for core customer needs.
2. Establish exceptional 'through the journey' management of risk.
3. Drive our distribution strategy to meet our customers where they naturally are and improve our costs of acquisition.
4. Establish Snoop as a uniquely valuable first point of customer contact.
5. Continue to improve operational effectiveness, for example by building on our successful offshoring programme.
6. Embed strong leadership and innovation, specifically in digital, data and analytics.
7. Better manage our complaint volumes.

Outlook

Our customers have proved their resilience in the face of cost of living pressures, and no discernible impact has been seen in the business's credit performance. We operate in a clearly defined, growing market sector and have attractive points of differentiation versus current peers (for example, Snoop and lower funding costs).

As a business, we have short-term challenges to address, however I am confident that our new strategy will deliver good outcomes for our customers and attractive and sustainable returns for our shareholders over the medium and longer term.

We are currently experiencing significant levels of third-party complaint submissions many of which are speculative in nature. The majority of complaints, which primarily relate to lending origination rather than in-life servicing and are in respect of a wide range of different matters with no common theme or systemic issue, lack substance and are not upheld. However, the higher than normal volumes and reviewing them is materially impacting our costs and we are therefore exploring proactive legal steps to address the situation.

The next two years, 2024 and 2025, will be periods of restructuring for Vanquis Banking Group. We are already taking significant steps to redevelop our customer proposition and reset pricing, and we expect to return to modest lending growth from the start of the second quarter of 2024. In 2025, we intend to deliver accelerated but disciplined growth across our full range of products, but the near-term adverse impact of IFRS 9 accounting requirements linked to receivables growth means that adjusted ROTE is expected to remain in the low single digits.

Looking ahead to 2026, we expect to be delivering an adjusted ROTE in the mid-teens driven by a return to sustainable income growth serving a broader customer base; together with the benefits of greater efficiency and significant payback from our technology infrastructure investment.

Conclusion

Reflecting on the huge amount of change we have driven in a very short period of time, I want to pay tribute to my colleagues for the way they have embraced it. Thank you, to each and every one of you. I also want to thank our investors for trusting us to turn this business around. The change programme ahead of us will be challenging and exciting. Success is in the hands of a very talented and dedicated team. As the UK's largest specialist finance provider, we have unmatched dedication to our chosen customers and substantial potential to grow by meeting their needs. We relish the challenge ahead and our colleagues are absolutely focused on delivering caring banking so our customers can make the most of life's opportunities. This is when Vanquis is at its best. It's what we call 'Banking with Heart'.

Ian McLaughlin
Chief Executive Officer
26 March 2024

Market overview

Embracing key trends

Market trends

The consumer finance market continued to experience significant change in 2023, marked by consumers adapting to economic headwinds, digital innovation, regulatory evolution, a commitment to financial inclusion, and increased responsiveness to ESG considerations.

Consumers adapting to economic headwinds: In 2023, UK consumers have grappled with substantial economic hurdles, including escalating interest rates, a growing tax load, and inflation rates surpassing recent historical averages. Despite these obstacles, they have shown resilience by adjusting their habits. This has manifested in a more prudent approach to spending together with a shift towards more environmentally friendly choices.

Digital innovation: The industry emphasis is on creating a low-friction, secure and convenient customer journey, increasingly coupled with provision of tools to assist consumers to improve their financial outcomes. The use of AI, machine learning and data science is becoming more prevalent throughout the consumer journey, as well as within specialist functions such as finance, risk and HR. Early proof points have included the early detection of fraud through intelligent algorithms, and AI-based financial management tools that leverage open banking and make personalised recommendations.

Regulatory evolution: Regulatory frameworks continue to mature, with emphasis on responsible lending practices and consumer outcomes shaping the industry. Particularly noteworthy in 2023 has been the introduction of Consumer Duty by the FCA, together with clarification on the vehicle finance discretionary commission investigation timeline. It is to be noted that Vanquis Banking Group has never used discretionary commission.

Financial inclusion: Lenders are actively engaging in initiatives to bridge the financial inclusion gap for individuals with non-prime credit histories. This ranges from alternative, and frequently manual, underwriting through to tailored approaches to forbearance.

ESG (environmental, social and governance) considerations: Sustainability and responsible lending practices are gaining prominence, with lenders increasingly factoring in ESG within their propositions, aligning with a growing consumer consciousness about the impact of their purchase choices. This trend is not only driven by regulatory pressures but also reflects a broader shift in societal values, as evidenced by a range of recent consumer surveys that have found that sustainability is an important consideration for consumers when making a purchase.

Market opportunity

Our business model is to offer our chosen target customers differentiated credit, savings and money management solutions, with lending predominantly funded by retail deposits.

Our approach to targeting in the past has been 'who-led' - that is, we have defined target customers at product level first in terms of hard data characteristics such as credit score. Whilst this remains undoubtedly useful for credit decisioning, we have been minded to develop a different way of thinking.

Our revised approach is 'needs-led'. We have identified and profiled substantial groups of customers where core needs are common, even if demographics and attitudes vary.

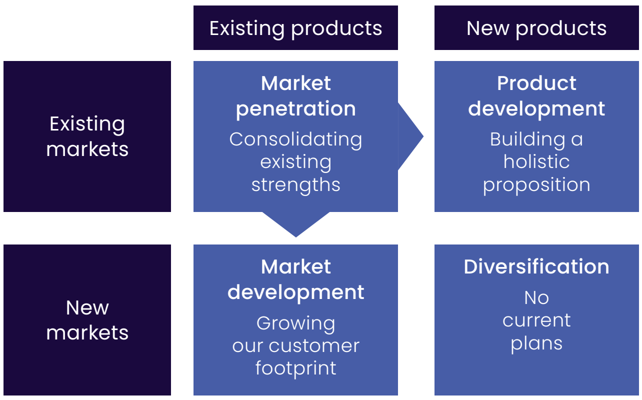
This offers a more intuitive starting point for the development of value propositions and solutions, and allows us to take a holistic view of the customer rather than several single-product lenses.

This has enabled us to develop a richer understanding of our existing customer base and our 'market penetration' strengths to consolidate.

We have identified additional 'market development' space where we can grow because we have both the capability to play and a clear 'right to win'.

As we develop a wider, holistic proposition for our chosen target customers, we will seek further growth through 'product development'.

The chart below summarises our breakout approach:



Strategy

Our North Star strategy

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

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

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

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

This has led us to review and re-articulate our Group Purpose: 'to deliver caring banking so our customers can make the most of life's opportunities'.

Our future solution set and customer experience are being co-created with customers through an 'empathic design' process which draws in expertise from across the Group.

Our strategy is being delivered through five strategic themes:

Our five strategic themes and objectives

Strategic themes	Objectives	Focus for 2024	Links to risks Find our Principal risks on pages 44 to 50	Links to KPIs Find our KPIs on pages 12 and 13
1. Customer centricity	To serve our customers with differentiated solutions that proves Vanquis Bank: – cares about my needs; – is an organisation I trust; – empowers me to make the right financial choices for me; and – supports me when it matters.	– Understand the customer and introduce targeted customer propositions. – Grow customer engagement to drive card utilisation. – Improve customer experience.	1 2 3 7 8 9 10 11	1 2
2. Insightful risk management	To provide exceptional 'through the journey' management of risk, based on an intimate understanding of the customers and their needs.	– Invest in our risk management capability to differentiate in the market.	1 2 3 7 8 10 12	6 7 8 9 10 11 12 13 14 15 16
3. Efficient organisation	To establish a high-performing and continuously improving organisation across management, operations and financial resource management and capital.	– Optimise capital and liquidity management. – Execute cost transformation. – Continue enhancing operational excellence, with a focus on collections and fraud.	4 5 6 8 10 11 12	6 7 8 9 10 11 12 13 14 15 16
4. Digital, tech, data and analytics	To leverage efficient modern technology that supports digital-first customer and colleague experience.	– Continue with the technology transformation. – Execute data and analytics transformation with the benefit of Snoop functionality.	1 2 3 7 8 9	6 7 8 9 10 11 12 13 14 15 16
5. A great people proposition	To empower people with the skills, career and culture that inspires great customer empathy and belief in our Purpose.	– Progress our collective 'one Group' culture. – Create an enabling environment that is supportive of the strategy.	1 2 3 10	3 4 5

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

Market status quo

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

Our principles

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

Business model

We are driven by our customer-centric approach

Understanding our customers' needs

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

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

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

Core needs:

'Help me borrow healthily'

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

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

'Help me feel in control of my everyday spending'

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

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

'Help me build a financial safety net'

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

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

Our customer proposition

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

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

Customer centricity: our customer journey

1. **Awareness**
We create awareness by meeting customers where they are.

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

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

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

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

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

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

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

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

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

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

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

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

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

Our core products

- Credit cards
- Vehicle finance
- Personal loans
- Savings
- Budgeting and money management

Our strengths

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

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

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

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

Risk-based pricing
Our organisation has extensive credit experience and capability in the markets we serve.

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

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

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

Key performance indicators

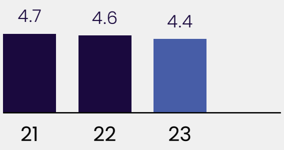
The key performance indicators (KPIs) represent the principal metrics reported to Group management on a monthly basis to support the strategic decision making.

Customer centricity

1

Customer satisfaction – Cards

4.4



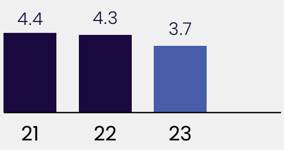
Definition
The extent to which surveyed customers were satisfied with the service provided on a scale of 1 to 5.

Strategic focus
Demonstrates how happy our customers are with the service they are receiving.

2

Customer satisfaction – Vehicle finance

3.7



Definition
The extent to which surveyed customers were satisfied with the service provided on a scale of 1 to 5.

Strategic focus
Demonstrates how happy our customers are with the service they are receiving.

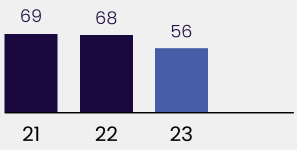
Comment
Whilst declining, customers remain positive about the experience we deliver. Management actions in FY23 are expected to yield service improvement in FY24.

A great people proposition

3

Colleague engagement score

56%



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

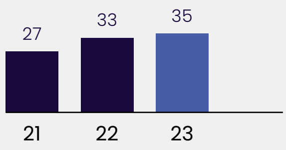
Strategic focus
To continuously monitor and take action to maintain and improve colleague engagement.

Comment
The survey conducted in December 2023 is reflective of the extent of change in 4Q23.

4

Senior management gender diversity

35%



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

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

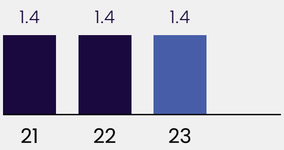
Comment
We continue to drive actions to support better gender balance.

A great people proposition continued

5

Community investment (£m)

£1.4m



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

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

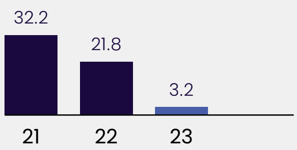
Comment
We continue to invest in our Foundation partners to address the wide range of social and financial inclusion issues that are relevant to our customers and the communities where we operate.

Insightful risk management – Efficient organisation – Digital, tech, data and analytics

6

Adjusted ROTE (%)

3.2%



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

Strategic focus
Demonstrates how well the Group's returns are generated from its tangible equity. Removing the impact of whether the development has occurred through organic or inorganic growth.

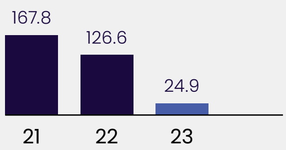
Comment
The reduction reflects the lower adjusted PBT in 2023.

7

Adjusted PBT (£m)

R

£24.9m



Definition
Adjusted profit before tax is stated before amortisation of acquisition intangibles, discontinued operations and exceptional items.

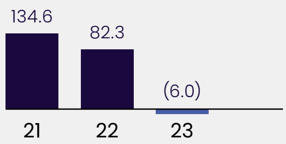
Strategic focus
Profits which will impact organic investment within the Group or dividend payments to the Group's shareholders.

Comment
The reduction primarily reflects the increased cost of risk year-on-year.

8

Statutory (LAT)/PAT (£m)

£(6.0)m



Definition
Statutory (loss)/profit after tax is stated before discontinued operations.

Strategic focus
Profits which will impact organic investment within the Group or dividend payments to the Group's shareholders.

Comment
Concrete plans are in place to deliver progressive growth.

Key

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

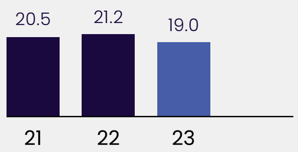
See pages 189 to 191 for an explanation of their relevance, definition and method of calculation. In the current year, the updated management team have revised their focus to the APMs presented below, there have been no changes to these APMs in the year.

R Links to remuneration

Insightful risk management – Efficient organisation – Digital, tech, data and analytics continued

9 Net interest margin (%)

19.0%



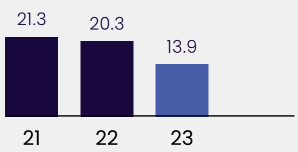
Definition
Interest income less interest expense, excluding exceptional items for the 12 months ended 31 December as a percentage of average gross receivables.

Strategic focus
Demonstrates the returns generated from customers.

Comment
The decline reflects the higher interest costs and lower asset yield.

10 Risk-adjusted margin (%)

13.9%



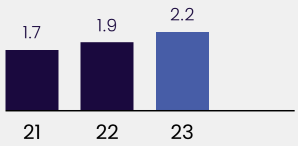
Definition
Total income, excluding exceptional items, less impairment charge for the 12 months ended 31 December as a percentage of average gross receivables.

Strategic focus
Demonstrates the returns from customers after impairment charges.

Comment
The decline reflects higher impairment charges and higher interest costs.

11 Customer receivables (£bn)

£2.2bn



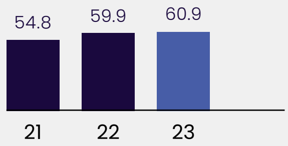
Definition
Amounts receivable from customers as reported on the balance sheet for the Group's continuing operations representing gross receivables less impairment provision calculated in accordance with IFRS 9.

Strategic focus
Amounts receivable from customers net of provisions.

Comment
Receivables have grown year-on-year notwithstanding the active volume management in 2H23.

12 Cost:income ratio (%)

60.9%



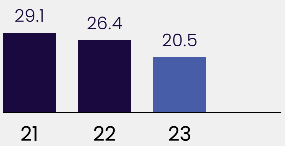
Definition
Adjusted annualised operating costs as a percentage of annualised total income for continuing operations.

Strategic focus
Efficiency of the cost base in delivering returns.

Comment
The rising trend reflects broadly static income, with cost headwinds mitigated by proactive management actions in the second half of 2023.

13 CET1 ratio (%)

20.5%



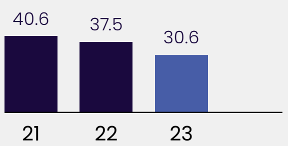
Definition
The ratio of the Group's Common Equity Tier 1 (CET1) to the Group's risk-weighted assets measured in accordance with the Capital Requirements Regulation (CRR).

Strategic focus
Demonstrates the Group's ability to withstand financial distress.

Comment
The Group maintained a robust capital position with a CET1 ratio of 20.5%, within the Group's updated CET1 target range of 19.5% to 20.5%.

14 Total capital ratio (%)

30.6%



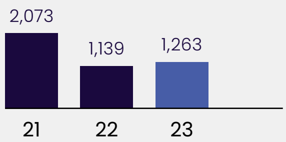
Definition
The ratio of the Group's total regulatory capital (own funds) to the Group's risk-weighted assets measured in accordance with the CRR.

Strategic focus
Demonstrates the Group's ability to withstand financial distress and the ability to facilitate future growth in risk-weighted assets.

Comment
The Group continues to hold a significant total capital surplus.

15 Liquidity coverage ratio (%)

1,263%



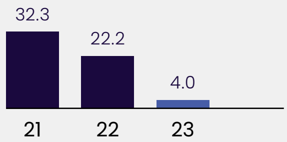
Definition
A regulatory measure that assesses net 30-day cash outflows as a proportion of high-quality liquid assets (HQLA).

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

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

16 Adjusted RORE (%) R

4.0%



Definition
Adjusted return on required equity (RORE) is defined as adjusted profit after tax for continuing operations divided by the Group's monthly average PRA regulatory capital requirement including PRA buffers for the period.

Strategic focus
Demonstrates how well the Group's returns are reinvested and is an indicator of its growth potential.

Comment
The adjusted RORE reduced in FY23 reflecting the reduced profitability year-on-year.

Sustainability

Understanding and engaging with our key stakeholders

Effective engagement with our stakeholders is key to how Vanquis Banking Group operates and informs our decision making processes, not only in respect of the products and services we offer to our customers, but also in terms of supporting the delivery of our Purpose. It is also important that we respond to issues that could impact our stakeholders, such as climate change.

Our key stakeholders

Customers

We have a diverse customer base across the UK and aim to support their everyday spending, help to build savings and promote healthy borrowing.

- We provide access to appropriate credit products and services to our 1.75 million customers so that they can live their lives, improve their credit score and increase future financial options.
- We conduct customer segmentation research to better understand and meet the needs of our customers and support them to be more financially resilient.
- We work with charities and partners in the communities we serve to address issues such as debt advice, financial education and other consumer vulnerability matters.

Colleagues

Our colleagues are vital to the Group's long-term success. It is essential that we continue to attract and retain the best talent by providing a workplace culture that is encouraging, supportive and inclusive.

- We have partnered with Great Place to Work to support our colleague engagement and culture agenda.
- Our Inclusion Community Affinity Groups (which focus on gender, race, disability, LGBTQ+ and social mobility) have helped to celebrate diversity and inclusion and improve our workplace practices.
- We launched a new Learning and Development Hub for colleagues which offers more training and development opportunities to colleagues.

Regulators and Government

We are subject to the regulations, rules and approvals of the FCA and PRA. Maintaining proactive, open and constructive dialogue with these bodies and policymakers is key to ensuring that regulations meet the needs of our customers and other stakeholders.

- We have engaged with our supervisors at the FCA and PRA on an ongoing basis on issues that are material to our business strategy.
- We have participated in FCA consultations on its Credit Information Market Study.
- We engaged with Government bodies and MPs on a range of issues of importance to the firm including financial inclusion and social mobility.

Shareholders

Our shareholders are both institutional and individual investors. We are committed to providing them with clear and accurate information on our strategy and business performance, and delivering sustainable, profitable growth based on our deep understanding of, and commitment to, our customer base.

- We corresponded and met with shareholders representing over two-thirds of our issued share capital between our interim results in July 2023 and year end in order to create better shareholder understanding of our investment case.
- We guided to adjusted PBT for FY23 of £25-£30m in our third quarter trading statement in October 2023 to create greater transparency of expectations, and delivered in line with this range.
- We issued a market update on 11 March 2024 ahead of our FY23 results on 27 March 2024 to clarify our expectations for 2024 and 2025.
- We will hold a strategy seminar on 27 March 2024 to communicate the findings from our North Star strategic review and describe the benefits we expect to deliver.

Suppliers

The suppliers we use are wide ranging, from our outsourcing partners to IT and software providers. They play a key role in the delivery of our operations and we ensure that they comply with our due diligence process which covers issues such as human rights, climate change and data protection.

- We rolled out new Supplier Management Framework activities and standards which continue to standardise the Group's procurement processes and procedures.
- We carried out a 'voice of the supplier' survey to gauge the Group's performance in relation to a range of supplier satisfaction and procurement satisfaction themes.
- We have continued to engage with suppliers via our due diligence process on the climate risk agenda.

Communities

Our social purpose inspires us to improve the lives of children and young people in the communities where our customers live and work by providing them with access to education, financial and social inclusion, and economic development opportunities.

- In 2023, we launched the Vanquis Banking Group Foundation whose vision is to build a future where every child and young person in the UK is supported to achieve their full potential, contributing to a brighter future.
- We continued to work with partners School-Home Support and the Dixons Academies Trust to support school pupils with items of uniform including blazers, shoes, coats and PE kits.
- We disbursed over £236,000 in grants to 30 voluntary organisations focusing on inequality, exclusion, disadvantage and mental health issues.

Introduction: Our ESG strategy

Our Purpose to deliver caring banking so our customers can make the most of life's opportunities brings clarity to why Vanquis Banking Group exists and the important role that we play in the lives of our 1.75 million customers through the provision of responsible and sustainable products and services. It also underlines our commitment to respond to the needs of our key stakeholders, whether they are our customers, colleagues, communities, and managing and reporting our environmental, social and governance (ESG) performance.

> "Through the management and reporting of our ESG priorities, we're not only able to ensure that our Purpose is at the heart of our business, which will put customers at the centre of everything we do, but that the Group is on a path to a strong and sustainable future which delivers for our customers, colleagues, communities and shareholders."
>
> **Ian McLaughlin**
> Chief Executive Officer

ESG strategy

To capitalise on this opportunity, the Group has a sustainability strategy which is aligned with our Purpose and centres on the following two areas: operating our business of lending to our customers in a responsible manner; and acting responsibly and sustainably in all our stakeholder relationships. This enables us to focus our attention on championing equality, diversity and inclusion, and providing our colleagues with a working environment that is healthy, safe and meritocratic; treating our suppliers fairly; supporting the communities we serve to be financially and socially included so that they can thrive; and playing our part in the UK's transition to a cleaner, net zero economy.

Our Purpose, and the goals of our sustainability strategy, align with the UN's Sustainable Development Goals (SDGs). The following SDGs are the ones we believe the Group can make the most significant contribution towards.

ESG KPI performance overview

We use a number of non-financial measures to assess, manage and report the embedding of our Purpose, vision and mission as well as our performance against our stated ESG objectives and targets. These measures also support the Group to meet non-financial reporting requirements under sections 414CA and 414CB of the Companies Act 2006 and inform the remuneration of the executive directors, which is, in part, linked to our progress towards the Group's ESG objectives which are set out below.

Our policies

To support the embedding of the Group's ESG strategy, we have a number of corporate policies which cover a range of environmental and social issues. These include an Environmental Management Policy, Modern Slavery and Human Rights Policy and Inclusion and Diversity Policy. These and other policies are available at www.vanquisbankinggroup.com and details of how they are governed are summarised in our the Group's Non-Financial Information Statement on pages 42 and 43, which has been produced to comply with sections 414CA and 414CB of the Companies Act 2006.

	Objective	Measure	Performance in 2023
Customers	To ensure that every decision we take, from proposition development through to in-life management, is guided by a clear understanding of how they will benefit our customers.	Levels of customer satisfaction.	Credit cards: 4.4/5 (2022: 4.6/5). Vehicle finance: 3.7/5 (2022: 4.3/5).
		Number/percentage of customer complaints.	Total number of complaints: 69,609 (2022: 28,576). Number of complaints referred to the FOS: 9,974 (2022: 2,953). % of FOS complaints upheld in the customer's favour: 14% (2022: 35%).
Colleagues	To create and sustain an inclusive and supportive workplace culture, where colleagues feel healthy, well and engaged, and that they can reach their maximum potential and deliver their best work.	Colleague engagement score as measured by annual colleague engagement survey.	Overall colleague engagement score: 56% (2022: 68%).
		Better Everyday Index score which relates to the Group's culture and the way we treat customers and colleagues.	Better Everyday Index score: 48% (2022: 60%).
Communities	To improve the lives of children and young people in the communities where our customers live and work by providing them with access to education, social and financial inclusion, and economic development opportunities.	The amount invested per year to support community programmes, money advice programmes and social research, including the number of grants distributed to grass roots community organisations.	£1.4m invested to support the Group's Foundation (2022: £1.4m). 1,696 hours volunteered by colleagues (2022: 1,014).
The environment	To ensure that climate-related risks and opportunities are integrated into our business strategy and decision making in areas such as operational resilience, customer service, supply chain management, and, where appropriate, capital.	Absolute scope 1 and 2 greenhouse gas (GHG) emissions.	Scope 1 and 2 emissions: 806 tCO_2e (2022: 1,017 tCO_2e), a reduction of 21%. Total scope 1 and 2 (and associated scope 3) emissions: 1,039 tCO_2e (2022: 1,348 tCO_2e), a reduction of 23%.
		Updated report which complies with the recommendation disclosures of the Task Force on Climate-related Financial Disclosures (TCFD).	Refer to pages 19 to 28 of this report.

Our colleagues

Having happy and healthy colleagues is critical to the Group's success. We recognise that each colleague has an important role to play in creating and sustaining an inclusive and supportive workplace culture. We know that when colleagues feel healthy, well and engaged, they can reach their maximum potential and deliver their best work.

About our workforce

Our workforce is made up of permanent and fixed-term employees, and contractors (individuals from companies or suppliers who provide a service to the Group). At Vanquis Banking Group we call these our colleagues.

Building an inclusive culture

Continuing to build and sustain an inclusive workplace culture, where all our colleagues can be themselves and thrive, is key to the delivery of our strategy and ensuring that we are best placed to deliver for the diverse customer base we serve. Throughout the year, our five Affinity Groups (which focus on gender, race, disability, LGBTQ+ and social mobility) have celebrated a variety of events, including Leeds Pride, Black History Month, National Inclusion Week and National Apprenticeship Week. They have also supported the business to help build inclusive teams by establishing partnerships with Women in Data, LGBT Great, Investing in Ethnicity and by becoming a Disability Confident Committed Employer.

We also continue to engage with colleagues through an annual survey to collect diversity, inclusion and socio-economic background information.

Diversity and inclusion data as at 31 December 2023[1]

- 18% (2022: 18%) of colleagues informed us that they had a disability or long-term health condition.
- 18% (2022: 17%) of colleagues informed us that come from a Black, Asian, other White or Minority Ethnic background.
- 5% (2022: 6%) of colleagues informed us that they were part of the LGBTQ+ community.
- 69% (2022: 71%) of colleagues attended a state-run or state-funded school when growing up.

1 This data is based on colleagues' voluntary self-declaration via our December 2023 Great Place to Work colleague engagement survey which accounts for 70% of the Vanquis Banking Group workforce.

By being a signatory to the HM Treasury Women in Finance Charter, the Group is committed to improving female representation at senior management and director level. This commitment is supported by a target to have 40% female representation in the Group's senior management population by December 2026. Further inclusion and diversity information which relates to the FCA's Listing Rules 9.8.6(9) and 9.8.6(10) is set out in the report of the Nomination Committee on pages 75 to 77.

As of 31 December 2023, the representation of women and men in the Group's workplace is as follows:

	Total	No. of women	% of women	No. of men	% of men
Board	10	5	50%	5	50%
Executive Committee	10	3	30%	7	70%
Senior management population	105	36	34%	69	66%
All workforce	1,478	720	49%	758	51%

Colleague engagement

Colleague engagement is a key way of monitoring and assessing our culture where colleagues can learn and develop their careers, and deliver on our Purpose. In December 2023, we used a new survey provider, Great Place to Work (GPTW), to measure colleagues' views and experiences. Trust is at the heart of the GPTW model, which is grounded by strong values and effective leaders. Scores for overall colleague engagement and our Better Everyday Index, which is linked to the Group's culture, fell during the year, which reflects the levels of uncertainty and change that colleagues have experienced, and are set out opposite.

Overall colleague engagement score in 2023:

56%
(2022: 68%)

Better Everyday Index score in 2023:

48%
(2022: 60%)

Community Foundation overview

Our Purpose and values of caring about people, pulling together as a team, finding a better way and getting the right things done have their roots in the heritage of our Company which was founded by Joshua Waddilove in 1880. They underpin our long-standing commitment to champion the communities we serve and, in particular, support and empower children and young people.

The Vanquis Banking Group Foundation

We support the communities we serve through the Vanquis Banking Group Foundation which we launched in June 2023. This Company-led Foundation aims to improve the lives of children and young people in the communities where our customers live and work by providing them with access to education, social and financial inclusion, and economic development opportunities.

Our **vision** for the Foundation is to build a future where every child and young person in the UK is supported to achieve their full potential, contributing to a brighter future. Our **mission** is to improve the lives of children and young people by providing educational and social development opportunities which support financial and social inclusion. This **mission** is aligned with the five UN Sustainable Development Goals that relate to: No Poverty, Quality Education, Gender Equality, Decent Work and Economic Growth, and Reduced Inequalities.

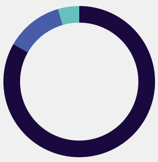
The Foundation will address the root causes of financial exclusion by focusing on three key strategic pillars:

Education	Community	Financial inclusion
We back programmes that boost literacy and numeracy rates and offer insights into the world of work and the skills needed to secure opportunities.	We support social and financial inclusion in the communities where we operate.	This work supports our customers and other consumers to make the most of their financial options.

The methodology we use for reporting on community investment aligns with the B4SI framework, which is a recognised global standard in measuring and managing corporate community investment. In 2023, we invested £1.4m in the communities we serve via the Vanquis Banking Group Foundation.

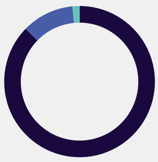
2023 community investment figures

2023



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

2022



Cash	£1,221,822
Management costs	£156,592
Value of colleague time	£21,132
Total	£1,399,546

Education

We support programmes to boost the literacy and numeracy of children, young people and other groups, and offer them insights into the world of work and the skills that will help them secure opportunities, including employment.

National Numeracy – The Group has been a supporter of National Numeracy since 2018, supporting the National Numeracy Day campaign for six years. In 2023, National Numeracy Day was held on 18 May and celebrated the importance of numbers in everyday life and inspired children and adults to improve their numeracy skills in their lives at home, work and school. Along with inspiring almost 830,000 actions to improve number confidence and skills in May alone, the campaign led to 16,854 downloads of National Numeracy resources, a 70% increase on 2021. In addition, eight colleagues have volunteered as part of the charity's volunteering programme and the Group is a member of the charity's Leadership Council.

School-Home Support – The funding we provide to School-Home Support enables its practitioners to provide advice and support to families in Bradford and Kent, enabling them to access vital support with bills, gain employment and, crucially, get children in school and ready to learn. In 2023, the charity supported 133 individuals via intensive casework support and worked with 269 individuals that benefited from early response support. The average school attendance increased by 11.7%. We also provide funding to School-Home Support and another partner, the Dixons Academies Trust, to deliver our School Uniform Project. In 2023, this project provided funding to over 1,000 families in Bradford, Blackpool, Liverpool, London and Manchester, so that they could access essential items of school uniform for their children, ensuring that they did not lose out on their education because they could not afford to buy it. In September, we were able to host their annual staff conference in our Bradford head office.

Ahead Partnership – A group of students from New College Bradford, who were all taking IT and business-focused courses, took part in our new mentoring programme facilitated by the Ahead Partnership. The programme comprised five sessions, developed to support these young people in thinking about their next steps for their futures. The sessions included: meeting colleagues from different functions and levels in the business during a tour of our Bradford offices; a careers speed networking session; goal setting and actions planning; interview preparation and practice; and help with where to look for and apply for jobs. Their mentors also supported them in developing an app idea that would encourage people aged 16-18 to save money and led to the development of a 'Design an app' day at the request of the students.

Community Foundation overview continued

Community

Through our community foundation partners, we aim to help to address the wide range of social and financial inclusion issues that are relevant to our customers and the communities where we operate.

Community foundations: we currently have community foundation partnerships with Bradford District Community Foundation, Hampshire and Isle of Wight Community Foundation, Kent Community Foundation and London Community Foundation to support investment in the communities that are close to our main business premises. By working with our community foundation partners, we have the confidence that we are directing our funding to the places where it is needed the most. In 2023, through our four partnerships in Bradford, Kent, London and Hampshire, we provided grants totalling £236,270 to 30 grass roots community organisations. The grants will help organisations to address a wide range of complex issues, such as reducing inequality, exclusion and disadvantage for children and young people. The organisations we've supported this year include:

- **Level Up, Gosport** – our funding will help to deliver work placements for young people aged 18-25 who have additional support needs. The work will take place in Gosport and aims to reach 48 young people facing challenging lives.
- **Bangladeshi Youth Organisation, Bradford** – our funding will support Aspire 2 Success which will engage children and young people from the disadvantaged Manningham and City wards, including new arrival refugees and children from the more established BAME community, who are 'at risk' of falling behind and not realising their true potential, to deliver a training development programme to raise their aspirations.
- **Youth Resilience UK** – our funding will help to support the continuation of services across Medway, Swale and Thanet, working with disengaged young people, either as an intervention measure within their school if the individual is at risk of exclusion or at an alternate education provision post-exclusion. This will include a broad range of services, including counselling, peer-support training programmes, mental health support and raising awareness about the dangers and impact of crime and substance misuse.
- **Family Friends, Brent** – our funding will support the provision of a dedicated family connector and volunteer network to lead on the delivery of family befriending in Brent, including navigating financial struggles, housing insecurity, mental health concerns, and educational obstacles.

Fundraising

Throughout 2023, our colleagues raised funds for many causes that are close to their hearts. They have also generously supported relief efforts from the devastating earthquakes in Morocco, Turkey and Syria, and flooding in Libya. This was done through the appeals coordinated by the Disasters Emergency Committee. The funds raised by colleagues were then matched by the Group.

Financial inclusion

We fund a range of money advice and debt management organisations to support the delivery of financial education to children and young people, and debt advice to our customers and other consumers.

The Money Charity – we have supported The Money Charity for over a decade. The charity's vision is that everyone achieves financial wellbeing by managing their money, and it works towards this by delivering products and services that provide education, information and advice to people in education, workplace and community settings. Over the past 10 years, our support has enabled The Money Charity to deliver 2,478 workshop hours to over 57,000 children and young people. Throughout 2023, The Money Charity delivered 32 workshop hours to over 2,700 children and young people in Yorkshire, Greater Manchester, Merseyside and the West Midlands. Over a third of these workshop hours were targeted at groups of 'disadvantaged' young people, due to an above average percentage of the young people who go to the school/college receiving free school meals, or because the group of young people have another specific vulnerability. In addition, our support enabled The Money Charity to deliver 36 workshop hours to 228 adults in a range of groups including those who are at risk of or experiencing homelessness, care leavers, refugees, and people with disabilities.

Volunteering

We encourage our colleagues to give up their valuable time to support the projects they care most about as well as the communities that are supported by the Group. In 2023, colleagues volunteered 1,696 hours to support community projects. This compares to the 1,014 hours volunteered by colleagues in FY22. For example, during 2023, colleagues from our Customer Experience, Marketing and Data and Analytics teams volunteered to support two projects. Sixteen colleagues from our vehicle finance business took part in a team challenge at the Southsea Green Community Garden in Portsmouth and rebuilt old and broken raised beds, refurbished an overgrown memorial garden, built a new shed and undertook a general garden tidy-up. Eighteen colleagues from our Cards business spent two days at the Wellgate Community Farm in Romford and painted farm buildings and fencing, and cleared land to make way for new animals.

Climate-related financial report

The Group recognises that failure to take action on climate change not only poses a significant threat to society at large and the global economy, but also to the day-to-day operations of our business and the lives of our customers, colleagues and other stakeholders. We know that we have an important role to play in tackling climate change, and it is the responsibility of businesses and organisations from all sectors to reduce the carbon intensity of their activities in order to mitigate and prevent further climate change.

Our commitment to achieve net zero GHG emissions by 2040 (in respect of our scope 1, 2 and 3 GHG emissions) is ahead of the UK Government's net zero by 2050 target, and has been further strengthened by the carbon reduction targets we set in 2023 and which have been approved by the Science Based Targets initiative (SBTi) (see page 28 for more information).

Climate-related financial report summary

The climate-related financial report set out below is fully consistent with the four pillars and 11 recommended disclosures of the TCFD. In doing so, Vanquis Banking Group complies with the FCA's Listing Rule 9.8.6R(8). The report also meets the requirements of the Climate-related Financial Disclosure (CFD) Regulations 2022 and the UK Companies Act (that is, sections 414CB(2A)(a to h). Our 2023 report is organised around the 11 TCFD recommended disclosures. Reference is also made to the parts of our report that comply with the specific sections of the CFD Regulations.

Governance

The Group has developed robust governance and management structures, which includes appropriate processes and controls at the most relevant levels within the organisation to effectively manage the climate risks we face and to ensure we meet any reporting requirements. We believe that these structures are proportional to the nature and scale of our business operations, allowing the Board, its committees and the senior management team to assess, manage and report climate-related risks and opportunities, as well as monitor and provide rigorous challenge to the Group's progress against the goals and targets that have been set in relation to the climate change agenda.

1 Board oversight of climate-related risks and opportunities (section 414CB(2A)(a))

The Vanquis Banking Group plc Board has ultimate accountability for all risks, including climate-related risks and opportunities. It also has overall accountability for the delivery of the Group's ESG strategy and regularly reviews performance in accordance with this strategy. The Board fulfils this accountability by receiving regular updates at its meetings. It is also supported by the Board's Customer, Culture and Ethics (CCE) Committee and Audit Committee.

The CCE Committee provides oversight of the Group's approach to managing and reporting its impact on the environment, which includes considering climate-related impacts on strategy, major plans of action, and business plans as well as setting the organisation's performance objectives, monitoring implementation and performance. The process in place that enables the CCE Committee to oversee the climate-related risk agenda and its application to the Group and its stakeholders, involves submitting papers to its members for discussion and approval. The Audit Committee, which provides oversight of, and approves, the non-financial performance information that is included in the Group's Annual Report and Financial Statements, reviews and approves the content of the Group's climate-related financial report (see below).

Governance and management of climate risks and opportunities

Structure	Activities undertaken in 2023
Board	As a minimum, an annual review of the Group's climate change objectives as part of a broader review of the Group's Purpose/ESG strategy.
CCE Committee	Two updates were provided to this Committee in 2023 which enabled members to oversee the Group's ongoing compliance with the FCA's Listing Rule to ensure that its report was consistent with the recommendations of the TCFD, monitor the progress being made in developing the SBTi-approved carbon reduction targets that will be set for the Group, and assess the climate-related metrics that are included in the remuneration scorecard for executive directors.
Audit Committee	Annual review and scrutiny of the Group's annual climate-related financial report.
Executive Committee	The ExCo has, as a minimum, an annual discussion on the Group's ESG strategy, including an update on any climate change objectives. The Committee also reviews and approves any carbon reduction targets and the content of the Group's climate-related financial report.
Climate Risk Committee	Meets at least three times a year and provides guidance and direction for the assessment and management of climate change-related risks and opportunities that are material to the Group and its stakeholders.
Climate/Environmental working groups	These groups work closely with the Sustainability team to deliver activity to support the Group in meeting stated targets/metrics and to comply with reporting requirements.
Sustainability team	Responsible for the ongoing management of the Group's sustainability activity, including on climate-related matters. The team coordinates the work required to set targets/metrics, ensure compliance with reporting requirements and support the wider business to meet targets/metrics.

Sustainability continued

Climate-related financial report continued

2 Management's role in assessing and managing climate-related risks (section 414CB(2A)(a))

Vanquis Banking Group's CEO, with support from the Executive Committee, provides management oversight of the progress being made by the Group in managing its strategic ESG objectives, including those that relate to climate change. The cross-functional Climate Risk Committee (CRC) provides guidance and direction for the assessment and management of climate change-related risks and opportunities that are material to the Group and its stakeholders to support the Group's ongoing compliance in meeting the recommendations of the TCFD. During 2023, the CRC supported the Group's scenario analysis work and the setting of the carbon reduction targets that were submitted to the SBTi for approval in June 2023.

Knowledge and skills

The Group ensures that its Board and senior leadership team have the requisite knowledge and skills that will help us build a business that will prosper by responsibly helping our customers, while growing sustainably and profitably. Members of our Board have experience on a range of sustainability issues. They are also able to add to this by accessing resources on the ESG agenda via our Board reporting portal or through specific programmes that are delivered by, for example, the Corporate Governance Institute. We also have a number of sustainability experts within our senior management team. For example, members of the Group's Climate Risk Committee regularly attend briefings that are delivered by our advisors or third parties such as the UN Global Compact Network UK.

Remuneration

The remuneration of our executive directors is partly linked to our progress in meeting climate risk-related reporting requirements and working towards the setting of longer-term carbon reduction targets, via their annual bonus plan. There is also an ESG underpin in the Group's Restricted Share Plan (RSP), whereby awards are granted annually to executive directors in the form of conditional awards or options. For more information, refer to the Directors' Remuneration Report on pages 93 to 115.

Strategy

Our strategy is to ensure that climate-related risks are integrated into our business strategy and decision making in areas such as operational resilience, customer service, and supply chain management, and, where appropriate, capital allocation. Our net zero by 2040 long-term target, along with the medium-term SBTi-approved carbon reduction targets that were set on 30 January 2024, and our evolving transition plan, set out how, and in which areas, we will reduce the GHG emissions of our operations and supply chain (see page 26 for more information).

3 Identification of climate-related risks and opportunities over the short, medium and long term (Section 414CB(2A)(d))

In this section, we identify climate-related risks and opportunities which have potential to impact our business over the short-term (zero to one year), medium-term (one to five years) and long-term (five or more years) time horizons. These time horizons are consistent with other risks that we manage, however, we acknowledge that the time horizon over which climate-related risks will manifest themselves may be a significantly longer time horizon than we experience with other risk types. We continue to assess the potential of material climate-related risks and opportunities to impact our business, as well as the resilience of our strategy and stakeholders to such impacts, using scenario analysis. This involves: identifying risk scenarios, linking the impacts of the scenarios to financial risks, assessing any sensitivities to those risks, and extrapolating the impacts of those sensitivities to calculate an aggregate measure of exposure and potential losses. In doing so, we use two major risk categories: physical risks (which include acute, extreme weather events, and chronic, long-term climate shifts), and transition risks (which relate to regulatory changes, technological innovations and customer demand changes that may occur while transitioning to a low-carbon economy).

Our scenario analysis makes use of the Group's financial forecasts, operational footprint, customer data, supply chain information and environmental data, to create a representation of Vanquis Banking Group. To support our analysis, climate scenarios of the Network for Greening the Financial System (NGFS) have been adopted when assessing our risks, which categorise climate scenarios into three transition types: Orderly, Disorderly, and Hot House World.

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

The climate-related risks and opportunities which have potential to impact our business in the short, medium and long term are set out below:

Risk/opportunity	Impact on business	Time horizon(s)
Physical risk (acute)	Extreme weather events (e.g. heavy rain, high wind and heatwaves) may disrupt/ damage our facilities, direct or indirect supply chain operations and result in negative financial, operational or reputational impacts. The long-term success of the business is dependent on the protection of our colleagues, customers, and business infrastructure and processes. More frequent and severe weather events could pose a threat to these critical assets.	Short and medium term
Physical risk (chronic)	Long-term changes in climate and weather patterns (e.g. changing annual rainfall levels, mean temperatures increases and rising sea levels) could disrupt our facilities, direct or indirect supply chain operations and result in negative financial, operational or reputational impacts.	Long term
Transition risks (policy and legal)	New or additional climate-related laws, regulations or contractual commitments (e.g. those that apply to energy usage, business travel or GHG emissions) may result in increased compliance costs, taxes on emissions, penalties or restrictions that relate to our business models.	Medium and long term
Transition risks (reputation)	Our customers, colleagues, investors and regulators expect us to take appropriate measures to reduce our contribution to climate change. Our brand is essential to the growth and success of our business. Damage to our reputation as a result of poor environmental performance, including the failure to meet our climate-related commitments (e.g. our net zero by 2040 ambition) or regulatory expectations, could result in negative media attention and may impact customer or investor demand or result in a loss of existing talent or the inability to attract new talent.	Short, medium and long term
Climate-related opportunities (product and services)	There is an opportunity for us to develop a new business model that introduces new products to our customers which accommodate their needs and meets emerging climate-related policies (e.g. to enable our vehicle finance customers to purchase battery electric vehicles (BEVs)).	Medium and long term
Climate-related opportunities (resource efficiency and resilience)	We continually identify opportunities to invest in improving the energy efficiency of operations and infrastructure, ensuring that they are resilient. This not only helps us to manage our risks but also to reduce operating costs.	Short, medium and long term

4 The impact of climate-related risks and opportunities on our businesses, strategy and financial planning (section 414CB(2A)(e))

In analysing the results of our scenario analysis, we have used high, medium and low financial impact categories, to represent the estimated loss to the Group's revenues over the next five years assuming that no mitigating action is taken. These categories are used within our Risk Management Framework.

The guidance for banks published by the TCFD in 2021 requires us to disclose information on significant concentrations of credit exposure to carbon-related assets. It is suggested that the vehicle finance business of Vanquis Banking Group is more susceptible to the risks associated with climate change. In particular, the transition risks associated with the introduction in the UK of a total ban on the sale of new petrol and diesel cars and vans. However, this ban has been pushed back five years from 2030 to 2035.

The Group's credit exposure to the assets that are purchased through the loan products that our vehicle finance business offers, continues to be considered limited, given that the vehicle finance we offer is typically on three to five-year secured hire purchase contracts. We also continue to monitor the list price of used electric vehicles (which continues to be a barrier to ownership for many of our customers) and explore the development of new finance products that will enable our customers to transition from internal combustion engine cars to hybrid vehicles or battery electric vehicles (BEVs).

Sustainability continued

Climate-related financial report continued

4. The impact of climate-related risks and opportunities on our businesses, strategy and financial planning (section 414CB(2A)(e)) continued

The table below shows the scenarios that the Group has selected and their overall level of physical and transition risks which are driven by the level of policy ambition timing, coordination and technology levers as stated by the NGFS.

Physical risks	Acute risks		Chronic risks
Scenario	**Orderly**	**Disorderly**	**Hot House World**
	NGFS Net Zero 2050	**NGFS Fragmented World**	**NGFS Current Policies**
Description	In this scenario, physical risks encompass extreme weather events and rising sea levels, posing threats to infrastructure, agriculture, and ecosystems globally. Current temperatures are high due to the continued emission of GHGs since the industrial revolution, resulting in a global temperature increase between 1 and 2°C. However, in this scenario, the global community aims to limit temperature increases to well below 2°C above pre-industrial levels, fostering a more stabilised climate and reducing the intensity of temperature-related impacts.	In this scenario, physical risks intensify, leading to increased GHG emissions and exacerbated climate-related challenges. The NGFS scenarios suggest that current temperatures are elevated due to ongoing GHG emissions, contributing to a global temperature increase of 1 to 2°C. This scenario anticipates more frequent and severe extreme weather events, disproportionately affecting vulnerable regions. The lack of global collaboration implies higher GHG emissions, contributing to significant temperature increases and associated impacts on a global scale.	In this scenario, physical risks include the continuation of current trends such as more frequent heatwaves, changing precipitation patterns, and disruption to ecosystems. Current temperatures are high due to ongoing GHG emissions, resulting in a global temperature increase of 1 to 2°C. Without substantial measures beyond current policies to reduce emissions, temperatures are expected to rise further. The scenario projects global warming of 1.5°C by the 2030s, 2°C by around 2050, and 3°C by the 2090s. These temperature increases could lead to strong exposure to natural hazards and acute as well as chronic climate-related risks due to insufficient efforts to curb temperature increases.
Risk rating by NGFS	Low	Medium	High
Financial impact/risk to Group[1]	Low	Low	Medium
Time horizon	Short and medium term	Medium and long term	Long term
Impact	In this scenario, there is likely to be an increase in the instances of extreme weather events such as heavy rain, high wind and heatwaves. The impacts of these events are likely to be minimal.	While climate-related physical risks also increase in this scenario, the impact caused by, for example, extreme weather patterns, is much smaller than in the Hot House World scenario. This is because this scenario assumes that global climate policies are somewhat more successful in lowering global emissions, which mitigates the most extreme changes in the climate. This is likely to result in more vulnerable parts of the world being exposed to the impacts of the long-term changes in climate and weather patterns. In the UK, there would likely be significant regional variability in flooding impacts but it should be noted that, according to the Flood Re scheme, large areas of the country are not materially impacted by flood risk. However, it is likely that this scenario would result in more instances of extreme weather events, such as heavy rainfall and high winds, which could disrupt work environments and routines.	The greatest impact in physical risk is seen in this scenario as the cost of damage caused by inland and coastal flooding, high winds and subsidence is expected to increase as the global mean temperature rises. This could pose a significant threat to the Group's properties and infrastructure which, in turn, could impact our insurance or reinsurance costs, as insurance companies could face higher payouts due to climate-related damages. This scenario could also have greatest consequences in terms of colleagues' productivity as extreme weather events may disrupt work environments and routines which could have implications for our customers.

1 **High** - A loss impacting the profit and loss statement by more than 20% and/or by more than £20m.
Medium - A loss impacting the profit and loss statement by between 10% and 20% and/or between £5m and £20m.
Low - A loss impacting the profit and loss statement by between 5% and 10% and/or by between £1m and £5m.

Mitigation:

The Group will adopt the following actions in order to mitigate against these physical risks and ensure that our strategy responds to any potential opportunities:

- continuing to maintain and test business continuity plans to ensure the continuity of our operations in a range of situations, including those where an extreme weather event occurs; and
- shifting to more sustainable, low-impact resources and having a series of targets to achieve this aim (for example, to ensure that we use 100% renewable energy across the Group).

In terms of Vanquis Banking Group's exposure to physical risks, although it is accepted that extreme weather events will increase in number and severity compared to the present, they are unlikely to be as severe as those expected under the 'Current Policies' scenario. Also, the direct financial impacts associated with these events are considered to be minimal for the Group because its four main offices are leased, and insurance is in place to help mitigate the impacts of such physical risks.

Transition risks	Policy and legal risks		
Scenario	Orderly	Disorderly	Hot House World
	NGFS Net Zero 2050	NGFS Fragmented World	NGFS Current Policies
Description	The scenarios provided by the NGFS use three different models to provide estimates of uncertainty. In the medium term, the amount of CO_2 emissions under the 'Current Policies' scenario differs considerably. There are also different estimates for when net zero CO_2 emissions must be reached in order to limit warming to 1.5°C. A significant shift towards emissions-neutral alternatives in all sectors is needed to replace fossil fuels and carbon-intensive production and consumption. In order to facilitate this transition, policymakers will increase the implicit cost of GHG emissions. In the meantime, climate policies may result in higher costs due to the prolonged development and deployment of alternative technologies. According to the NGFS scenarios, higher carbon emissions imply strict policies, and a carbon price of around $160 per tonne would be needed by the end of the decade to encourage a transition to net zero by 2050. Moreover, governments are enforcing strict policies which bring different costs and benefits.		
Risk rating by NGFS	Medium	High	Low
Financial impact/risk to Group[1]	Low	Low	Low
Time horizon	Medium and long term	Long term	Medium and long term
Impact	This scenario assumes a decline in total global GHG emissions with advanced economies leading the way, met through a combination of rapid deployment of clean energy technologies, energy efficiency and demand reduction. As carbon removal costs are predicted to increase to accelerate the transition to a net zero economy, the Group may be at risk of achieving its ambition to be net zero by 2040 due to the rise of cost in carbon removal strategies. Further, the ongoing implementation of the carbon pricing described above might result in increased costs associated with our operations and travel and transport. Both these could contribute to decreasing the Group's revenues.	This scenario assumes delayed and divergent climate policy ambition globally, leading to elevated transition risks in some countries and high physical risks everywhere due to the overall ineffectiveness of the transition. In these circumstances, carbon prices and amounts of investment are different across geographies, with some countries' ambitious efforts being undermined by limited action in some others. At the same time, climate policies differ significantly across sectors; the transport and buildings sectors experience carbon prices three times as high as the rest of the economy. The combination of these misaligned efforts across countries and sectors leads to higher transition risks which could contribute to decreasing the Group's revenues.	In this scenario, we would not see the impact of transition risks, but we would expect to see the impact of physical risk in the long term. As discussed above, we would expect an adverse overall economic outcome, but do not consider it possible to accurately quantify these impacts.

1 **High** - A loss impacting the profit and loss statement by more than 20% and/or by more than £20m.
Medium - A loss impacting the profit and loss statement by between 10% and 20% and/or between £5m and £20m.
Low - A loss impacting the profit and loss statement by between 5% and 10% and/or by between £1m and £5m.

Sustainability continued

Climate-related financial report continued

4. The impact of climate-related risks and opportunities on our businesses, strategy and financial planning (section 414CB(2A)(e)) continued

Transition risks	Reputation risks		
Scenario	Orderly	Disorderly	Hot House World
	NGFS Net Zero 2050	NGFS Fragmented World	NGFS Current Policies
Description	Reaching net zero by 2050 is the core driver of the transition risks that the NGFS describes in its scenarios. Firstly, NGFS explains that decarbonising energy is the fundamental key of the transition to a net zero carbon economy. This will necessitate the switching to alternative sources of energy such as solar, wind or nuclear, as well as the deployment of carbon, capture and storage (CCS). In addition, deployment of Carbon Dioxide Removal (CDR) technologies will compensate for the GHG emissions by removing carbon from the atmosphere.		
Risk rating by NGFS	Low	Medium	Medium
Financial impact/risk to Group[1]	Low	Low	Low
Time horizon	Short, medium and long term	Medium and long term	Medium and long term
Impact	As the Group is committed to reaching net zero by 2040 by equalising or lessening the emissions that are emitted into the atmosphere, there could be a potential risk imposed to the Group's reputation and costs in the short, medium and long term. Damage to our reputation from poor environmental performance, including the failure to meet our climate-related goals, could impact customer or investor demand or result in a loss of existing talent or the inability to attract new talent. Failure of the Group to deliver or sufficiently drive change through our net zero by 2040 target in this scenario could result in these risks being realised.	In these scenarios, as mentioned above, it is expected that global climate policy ambition would be divergent and/or delayed. This could lead to negative media attention or changes in consumer, colleague, investor and other stakeholder preferences which could contribute to reducing the Group's revenue and/or market share. However, it is anticipated that these impacts could take longer than the NGFS Net Zero 2050 scenario to be realised or could be generated by specific stakeholders or in specific locations (e.g. within the Group's supply chain).	

1 **High** - A loss impacting the profit and loss statement by more than 20% and/or by more than £20m.
Medium - A loss impacting the profit and loss statement by between 10% and 20% and/or between £5m and £20m.
Low - A loss impacting the profit and loss statement by between 5% and 10% and/or by between £1m and £5m.

Mitigation:

The actions the Group will adopt in order to mitigate against these transition risks and ensure that our strategy responds to any potential opportunities include:

- continuing our net zero target by 2040 journey by continuing to adopt sustainable energy sources, implement energy efficiency measures and engage with our suppliers to encourage them to reduce their own carbon emissions;
- delivering on our SBTi-approved carbon reduction targets;
- continuing to engage with our customers on the benefits of using our vehicle finance products to purchase BEVs/hybrid vehicles. At the same time, engaging with our stakeholders to gain further insight into the used BEV market and the current state of the charging infrastructure in the UK;
- continuing to monitor customer default rates due to increased costs (e.g. as a result of energy cost increases); and
- ensuring that the remuneration of the executive directors is partly linked to our progress in meeting the Group's climate-related goals and targets.

Climate-related opportunities

We continue to explore opportunities that will enable us to introduce new products to our customers which accommodate their needs and meets emerging climate-related policies (e.g. to enable our vehicle finance customers to purchase battery electric vehicles (BEVs) or hybrid electric vehicles). However, the affordability of BEVs continues to be the main barrier to ownership for the Group's vehicle finance customers. The average loan amount for our vehicle finance customers stood at £8,525 in 2023. BEVs are still more expensive than their petrol and diesel counterparts, and there is an insufficient range of affordable BEVs on the market. Of the 111,671 'live' customers that are served by our vehicle finance business, 274 have purchased a BEV car, and 16 a BEV light commercial vehicle. Take-up of BEVs is also influenced by the ability of our customers to access a reliable charging infrastructure. According to a House of Lords Committee report on the current state of the BEV industry, up to 40% of households do not have off-street parking at home and thus are entirely reliant on public charging. The availability of public charge points across the UK is highly variable, and the Government has missed its targets for motorway charge points. This means that many consumers face considerable anxiety around whether, and where, they will be able to charge BEVs reliably, affordably, and quickly, and around the battery range of second-hand cars.

We also continue to identify opportunities to introduce energy efficiency initiatives across the Group. We continue to do this through the environmental management system (EMS) we have in place at our Bradford head office, and premises in London, Chatham, Kent and Petersfield, Hampshire.

5 The resilience of our strategy, taking into account different climate-related scenarios (section 414CB(2A)(f))

Our sustainability strategy focuses on our customers, colleagues, suppliers, the communities we serve and the environment, and supports us to deliver strong Company performance. This means that climate change and how our business and key stakeholders respond and adapt to it is an important part of our sustainability strategy.

The analyses we have undertaken to date, and which are set out above, show that the policy and legal risks, and reputation risks associated with the transition to a low-carbon economy, as well as the physical risks associated with climate change are most material to our business activities and key stakeholders and therefore have potential to impact the Group in the short, medium and long term. While our internal processes determined that these risks are not likely to have a material impact on our business over our stated time horizons, we nonetheless maintain robust mitigation strategies to improve our resilience to the impacts of climate change. The NGFS Net Zero 2050 scenario would have the biggest impact on the Group in the short to medium term before any mitigating actions were considered or taken into account. This is primarily due to the potential for increases in the price of carbon to have an impact on the cost of our energy use, business and other operating costs. The NGFS Fragmented World scenario reveals higher levels of disruption as a result of increases in extreme weather events and other natural disasters compared with the NGFS Net Zero 2050 scenario. However, the actions and an outline transition plan that are set out above, will enable the Group to address any of the concerns associated with these scenarios as they will contribute to reducing our exposure to both transition and physical risks. Under the NGFS Current Policies scenario, despite there being much uncertainty about the impacts of climate change, we can expect our business and our stakeholders to be impacted by more extreme physical risks in the longer term, as well as lack of policies to support the transition to a low-carbon economy. In these circumstances, the Group would have to ensure that adequate measures were in place to manage and address the physical risks and their potential to impact our operations, customers and other stakeholders.

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

In preparing the Group's financial statements (see page 124 to 128), we have considered the impact of the results of our scenario analysis and climate-related risks on our financial performance, and while the effects of climate change represent a source of uncertainty, there has not been a material impact on our financial judgements and estimates due to the physical and transition climate-related risks in the short to medium term.

6 Our processes for identifying and assessing climate-related risks (section 414CB(2A)(b))

We have an established Group Risk Management Framework to identify, assess, mitigate and monitor the climate-related risks and opportunities we face as a business. As with all principal risks, and any sub-category risks, this Framework sets out the high-level policy requirements and control principles that are in place and those responsible for managing both the overall risk and the relevant mitigating controls (see pages 19 to 24 for more information). In the Group's newly agreed risk classifications, climate risk sits under strategic performance principal risk 12 as a sub-category (12.3). This is because the Group's long-term success is dependent on the sustainability of its operations and business models, and the resilience of its supply chain. By integrating climate risk within our Framework, it is possible to assess how it interacts with other material principal risks, including those that relate to credit, capital, operations, legal and governance matters and conduct and regulations. All risks are monitored and reviewed throughout the course of the year to identify changes that could impact the risk profile.

Sustainability continued

Climate-related financial report continued

7 Our processes for managing climate-related risks (section 414CB(2A)(b))

The Group's cross-functional CRC supports the embedding of the risk management approach for identifying and assessing climate-related risks and mitigating controls. The CRC continues to recommend that a 'risk cautious' appetite for exposure to climate risk is adopted and supports the implementation of a control framework that prevents significant customer or stakeholder detriment, regulatory non-compliance and/or reputational damage as a result of climate change. By undertaking scenario analysis, the CRC has been able to quantify climate-related risks that are material to Vanquis Banking Group and carry out an initial evaluation of their size, scope and impact. This has enabled the CRC to better understand and prioritise any risks and assess the resilience of the Group's strategy and operations to potential climate-related impacts. The Group's approach to the ongoing management of climate-related risks is supported by a number of processes. These include: monthly risk appetite reporting using metrics which to relate carbon pricing, customer default rates, operational impacts associated with extreme weather events and the progress being made in relation to our net zero target, and a risk control self-assessment (RCSA) process for climate risk which enables us to identify, analyse and understand the related controls that are in place, and to evaluate these against our risk appetite and the desired risk levels, to determine whether any improvements need to be made. Regular updates are also provided to the Board's Risk Committee on the progress made in terms of delivering mitigating activities which relate to the Group's climate risk.

8 How our processes for identifying, assessing and managing climate-related risks are integrated into our overall approach to risk management (section 414CB(2A)(c))

Climate-related risks and opportunities are integrated within our Enterprise Risk Management Framework and are continually monitored. This enables us to continuously evaluate the significance of our risks based on their likelihood and impact and to prioritise their management accordingly. Through this framework, we also monitor the environment for new and emerging risks, and to keep up to date with any evolving regulatory requirements. We remain committed to understanding and assessing the risks associated with climate change and their impact on the Group's financial results, and will continue to update our approach to scenario analysis as more business-related, economic and climate data becomes available.

Metrics and targets

The Group has a number of metrics and targets in place to monitor and manage the most significant risks and opportunities arising from climate change. These are set out on page 28 and are linked to the risks tested as part of the scenario analysis and the opportunities identified by the Group. A Group-wide view of our energy consumption and greenhouse gas emissions data can be found below. In addition, we have set SBTi-approved carbon reduction targets in line with the latest climate science recommendations necessary to meet the goals of the Paris Agreement and limit global warming to 1.5°C, well below 2°C. Vanquis Banking Group's GHG emissions data has been subject to a limited assurance by SLR Consulting Limited in accordance with the ISAE 3000 Assurance Standard. A full assurance statement is available on the Group's website at www.vanquisbankinggroup.com.

9 The metrics used to assess climate-related risks and opportunities in line with our strategy and risk management process (section 414CB(2A)(h))

Our GHG emissions reduction targets have been updated this year to align with the net zero definition of the SBTi. We submitted targets to reduce our scope 1 and 2 GHG emissions and to engage with our suppliers to reduce our scope 3, category 1 GHG emissions to the SBTi in 2023 and these were approved on 30 January 2024.

Our transition plan – a path to net zero by 2040

To deliver on our net zero by 2040 ambition, we have developed an outline plan that will enable us to transition to a low-carbon economy and deliver in line with the science-based carbon reduction targets.

What has been delivered to date?	How will we reduce our scope 1 and 2 GHG emissions?	How will we reduce our scope 3 GHG emissions?
A reduction in our scope 1 and 2 emissions by 21%. Movement to 100% renewable electricity purchased. A reduction in some of scope 3 emissions by reducing the emissions associated with well-to-tank and waste generation.	Reduce absolute GHG emissions via the introduction of energy efficiency measures and use of alternative fuels. Implement behavioural change measures. Monitor technological developments for low-carbon solutions.	Work across our supply chain to support decarbonisation. Reduce absolute GHG emissions associated with business travel, colleague commuting, water use and waste generation. Continuously monitor developments in the battery electric vehicle market.

10 Our scope 1, 2 and 3 GHG emissions and related risks

The Group reports this information in accordance with the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy that has been implemented through the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018. In doing so, we follow the GHG Protocol Corporate Accounting and Reporting Standard to calculate the scope 1, 2 and 3 emissions that are material to our operations and business activities. We employ a financial control approach to account for our GHG emissions and and have used the UK Government Conversion Factors for Company Reporting (28 June 2023) published by the Department for Energy Security and Net Zero and Department for Business, Energy and Industrial Strategy.

	2023	2022
Scope 1 GHG emissions (CO_2e)		
Gas use	186	142
Diesel and petrol use	15	13
Scope 2 GHG emissions (CO_2e)[1]		
Electricity use (market-based emissions)	556	453
Electricity use (location-based emissions)	604	862
Scope 3 GHG emissions (CO_2e)		
Scope 3 associated 'well-to-tank' emissions	81	287
Scope 3 category 1 – purchased goods and services[2]	20,210	16,420
Scope 3 category 3 – fuel and energy-related activities (not included in scope 1 and 2)	233	332
Scope 3 category 5 – waste generated in operations[3]	10	16
Scope 3 category 6 – business travel	688	214
Scope 3 category 7 – employee commuting[4]	9,766	2,389
Scope 3 category 13 – downstream leased assets (market based)[5]	0	0
Scope 3 category 15 – investments[6]	303,846	227,524
Total energy consumed (kilowatt hours)	4,389,415	6,013,939
Scope 1 and 2 (and associated scope 3) emissions intensity ratio (kg of CO_2e/per customer)	0.59	0.79

1 The market-based emission factors from two suppliers are in CO_2 and not CO_2e (i.e. do not include non-CO_2 emissions); however, the variance between CO_2 and CO_2e is considered to not be material. The supplier emissions factors used in market-based method covers the period 1st April 2022 – 31st March 2023 only.
2 When calculating the suppliers' carbon emissions using the spend-based method, we used the UK Government Department for Business, Energy & Industrial Strategy which was published in June 2023 and present data from 2019. However, due to inflation, an inflation rate of £1.23 has been implemented to ensure accuracy and transparency.
3 In the absence of water treatment volume data for some offices, we have assumed that the water treatment volume is the same as the water supply volume; this approach results in an overestimate of the water treatment volumes.
4 Employee Commuting to Work emissions (tCO_2e) are based on the 2023 employee survey. The significant increase in employee commuting emissions is due to the change in calculations approach. This year environmental factors provided from the UK government have been applied.
5 The market-based method has been used to calculate the GHG emissions associated with an office that is leased by the Group where 100% renewable electricity is used.
6 The emissions from the vehicles that are financed by the Group are based on the number of live vehicle financial agreements for the 2023 reporting period. The vehicle emission factors are in CO_2 and not CO_2e (i.e. do not include non-CO_2 emissions); however, the variance between CO_2 and CO_2e is not considered to be material.

Sustainability continued

Climate-related financial report continued

11 The targets used to manage climate-related risks and opportunities and performance against targets (section 414CB(2A)(g))

Risk/opportunity-related category	Aspect	Metric	Target(s)[1]
Policy and legal	**GHG emissions**	Scope 1, 2 and 3 GHG emissions reporting and reductions which relate to energy and water use, business travel and waste management.	See our environmental KPI results and GHG emissions table on page 27 of this report and the ESG data table on the Group's website.
	Science-based targets (SBTi approved)	Carbon reduction.	Reduce scopes 1 and 2 GHG emissions by 39.9% by 2028 from a 2021 base year. 78% of suppliers by spend covering purchased goods and services will have science-based targets by 2027.
Energy source	**Renewable energy**	Renewable energy use.	Continue to use 100% renewable electricity across our business premises by December 2024.
Market opportunities	**Customer engagement**	Customer sentiment and perception regarding their ability to transition to a low-carbon economy as well as the Group's ESG performance.	Monitor the number of Group customers using our vehicle finance products to purchase BEVs and hybrid electric vehicles. Monitor customer attitudes and perceptions towards buying BEVs. Engage with policymakers to support the uptake of BEVs by consumers in the mid-cost and near-prime parts of the consumer credit market.
Reputation	**Supplier due diligence**	Monitor supply chain activities in line with the Group's ESG commitments and Corporate Environmental Management Policy.	See SBTi-approved target above. Also, engage with 100% of materially significant suppliers to determine their exposure to climate risks.
	Investor relations	Investor sentiment and perception regarding the Group's ESG performance.	Continue to participate in CDP, the FTSE4Good Index, MSCI, and the S&P Global Corporate Sustainability Assessment.
Policy/liability	**Executive remuneration**	The remuneration of the executive directors is partly linked to our progress in meeting the Group's climate-related goals and targets.	Please refer to the Directors' Remuneration Report on pages 93 to 115.
Physical risks	**Weather patterns**	Operational impacts caused by severe weather events and changes in weather patterns.	Monitor increases in operating costs (e.g. associated with increased insurance premiums and potential for reduced availability of insurance on assets in 'high-risk' locations).

1 These targets are not dependent upon any UK Government policy initiatives that support the reduction of GHG emissions over time.

Our customer case studies

Meet Beth

Vanquis credit card customer

Age: 27

Lives with: Partner and three-year-old boy.

Lives in: Three-bedroom semi-detached home in New Path, Annan.

Job role: Mental Health Nurse working for Dumfries and Galloway NHS at the local drug and alcohol service.

Likes: Spending time with family and being a mum, meditation and watching TV.

Perceives credit: As being a necessary back up, a just in case.

"I've lived here all my life, as have my parents and their grandparents. I'm really close with my family and our cousins live just a couple of doors down from us.

Everyone is within walking distance, which is nice. I work part time three days a week and it suits our lifestyle. As a Mental Health Nurse, I have a caseload and my day-to-day includes things like treatment reviews, supporting people suffering from substance abuse. I do home visits as well as run clinics, but it's full-on work. There are lots of people in crisis situations but in my role I get to help them, care for them and help them learn to care for themselves. I enjoy helping people and in this job I can engage with someone and support them to improve their lives.

Me working three days is the balance we need at the moment. I get to spend more time with my son, and it reduces the amount we have to spend on child care which was around £300 last month. I'm so blessed to have family close by to help on the other days because otherwise I wouldn't have been able to go back to work. But my little boy gets his free hours soon, so that'll be a big help.

It can be difficult managing family life. Occupational health is helping me get to work and back at the moment whilst I'm waiting for my licence back following some seizures I'd had. They're all under control now, so it's just a waiting game. But this has been making things a bit trickier for us.

When I get my licence back, I'll be able to take us out and about on some 'free' trips and just get out the house a bit more. It also means I can spend more time with my friends – we've all got children about the same age, so it's nice to go and do things with them on my days off.

I became a Vanquis Credit Card customer about a year ago. I was initially looking for a balance transfer and Vanquis were offering six months with no interest. I didn't particularly plan on using it too much, but I have used it on the run up to Christmas and birthdays – and to make life more manageable."

> "Vanquis has been the backup we've needed when our wages have run out, but we can't do without – and there's still a week 'till payday."

Our customer case studies continued

Meet
Jenn

Vehicle finance customer

Age: 27

Drives: Red BMW 116D with a private plate.

Length of agreement with Moneybarn: Three years and counting.

Lives with: Mum Paula, Dad, three dogs and two kittens in Selby with a very small garden that has been taken over by the dogs.

Lives in: A three-bedroom semi-detached council house.

Job role: Swimming teacher who works term times at the local leisure centre.

Likes: Family time, gym time, road trips, Spotify and watching The Vampire Diaries.

Perceives credit: As something everyone has (or has had) an issue with.

"When I left school, I went on to complete a childcare course at college and I started working as a Lifeguard. My brother and cousin both started as Lifeguards, too. But I'm good with kids and wanted to find a role which meant I could work more directly with children. That's when I started my training to become a swimming teacher. I teach the duckling stages, which is from babies up to age three and also stages 1-4 for the over four-year-olds – I do both groups and one-to-one lessons. It's my absolute dream job and I'm being trusted to do more managerial tasks, too, now.

When I'm not at work, I just like to chill. I spend a lot of time at the gym with my friend, sitting in my comfy chair listening to Spotify or maybe watching The Vampire Diaries. My mum is my best friend, we spend a lot of time together just hanging out – we do pretty much everything together.

Everyone suffers with bad credit, don't they? From making mistakes in the past with past relationships and things like that – it's so common. Everyone I know struggles to get credit.

So when I came to needing a bigger car I went to Walkers, the garage on the corner, and explained that I'd been refused finance before.

I did have a Corsa but when me and my boyfriend started to get more serious, I had to think about the future and fitting a car seat in as well as a push chair for his three-year-old boy, AJ. I was needing a bigger boot and back seat area. The guy at the garage recommended Moneybarn and a bigger car to me.

I've wanted a BMW ever since I was young. Then I got my private plate – It looks like Niffa, like my other nickname – as in Jenn-NIFFA!

Moneybarn has been brilliant. They've helped me get the car of my dreams that meets my needs and my credit rating has improved. I'd still look to use them again because the customer service is so good, plus I've recommended them to some people.

Whilst I do use my car for work, it mainly gets used for trips at weekends and out of term time. Most recently we've booked to go see the Blackpool lights and we've got a hot tub holiday coming up, too."

> "They've helped me get the car of my dreams and even my credit rating has improved."

Credit card and loan customer

Age: 41

Lives with: Partner and three children (aged 1, 7 and 12) in Beeston, Nottingham.

Lives in: Three-bedroom semi-detached house in which her and her partner have shared ownership. It's the first home either of them has owned.

Job role: Refugee Worker (Project Manager/Bid Writer), Town Councillor (as of May '23) and Founder of the Broxtowe Community Projects charity.

Likes: Coffee and quizzes with friends and visiting theme parks. Ellie's children's hobbies include climbing, archery and roller skating.

Perceives credit: As something she'll only use if it's absolutely necessary.

"I came to University in Nottingham and never left. I lived in Beeston and found work here soon after leaving uni, and since then I've built up my roles in the community around my work with the church. In my Refugee Worker role, I'm writing bids and trying to find money to help the people in the community. There are many refugees situated in a hotel near to the church and through the charity I founded in the pandemic, Broxtowe Community Projects, I've been running a local food bank for quite some time. But I've noticed the need is becoming greater and greater. That's why I'm looking at setting up a social supermarket for this community. I've found a space and members will pay £3.50 a week for a value of approximately £20 worth of food. We've also been running English lessons and we have around 100 people coming to learn English every week, rising to around 200 students when we run event days.

I first came across Vanquis through ClearScore a couple of years ago and I thought that a credit card could come in handy for when I was really stretched. Normally my credit cards live in a box in the house.

> "Our house move wouldn't have been possible without Vanquis."

I don't spend on them casually, it's always an intentional, considered, thought-through spend. I like to work out when I'm able to pay off the credit that I've used – I don't like revolving debt or even the idea of it. My card is used always with intent. We're not poor but we're not rich either, so I think it's just smart to keep a close eye on finances.

We moved house in February this year. This is the first home I've owned. It's a shared ownership, so we've bought our share and the rent we're paying is minimal. It's the move that we've been using credit for. We've always lived in rented accommodation, so we had to buy everything – absolutely everything! I initially used my credit card to pay for the carpets, that was around £400. But we knew we'd need quite a bit more.

Because I already had the card with Vanquis, we looked to them to take out a bigger loan. It just works out less expensive overall that way. My Vanquis loan has paid for our privacy and our ability to function in our new home.

We've bought blinds, the right sized curtains, curtain poles, loo roll holders. All the things you take for granted in a rental, we have to pay for all at once and make sure the children had everything they need to be comfortable and live life practically.

We spent a bit of the loan on tidying up some smaller debts but the rest has gone on life's essentials. The card and the loan has helped us so much – the move just wouldn't have been possible without Vanquis."

Financial review

A business in transition

> "After a disappointing first half of 2023, the Group's full-year financial performance was in line with expectations after taking swift action in the second half of 2023 to manage volume growth, stabilise margin and reduce costs. Our capital, liquidity and funding positions remain strong, as we look to grow our business in 2024."

Dave Watts
Chief Financial Officer

Income statement

	2023 £m	2022 £m
Interest income	556.0	491.5
Interest expense	(113.4)	(58.8)
Net interest income	**442.6**	432.7
Fee and commission income	44.2	47.0
Fee and commission expense	(1.7)	(2.8)
Net fee and commission income	**42.5**	44.2
Other income	3.7	3.8
Total income	**488.8**	480.7
Impairment charges	(166.1)	(66.1)
Risk-adjusted income	**322.7**	414.6
Operating costs	(327.1)	(304.5)
Statutory (loss)/profit before taxation from continuing operations	(4.4)	110.1
Tax charge for continuing operations	(1.6)	(27.8)
Statutory (loss)/profit after taxation from continuing operations	**(6.0)**	82.3
Loss after taxation from discontinued operations	–	(4.9)
Statutory (loss)/profit for the year attributable to equity shareholders	**(6.0)**	77.4
Add back:		
Tax charge	1.6	27.8
Amortisation of acquisition intangibles	7.9	7.5
Exceptional items	21.4	9.0
Loss after taxation from discontinued operations	–	4.9
Adjusted profit before tax	**24.9**	126.6

Certain alternative performance measures (APMs) have been used in this report. See pages 189 to 191 for an explanation of their relevance as well as their definition.

To enhance transparency and understanding of our financial performance, the Group has taken the decision in the current year to enhance the presentation of our financial performance to initially focus on the statutory income statement with a reconciliation to adjusted profit before tax, which is a primary measure to assess our financial performance. All periods presented have been retrospectively re-presented. 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 the financial statements.

In line with these changes, the Group has rationalised its use of APMs, which are summarised on pages 189 to 191 including an explanation of their relevance as well as their definition.

Profit/(loss) before tax

The Group's statutory loss before tax, including amortisation of acquisition intangibles and exceptional items, was £4.4m; prior year profit before tax was £110.1m, or £99.4m including the discontinued consumer credit division (CCD).

The Group reported a lower adjusted profit before tax of £24.9m (2022: £126.6m). Total income of £488.8m (2022: £480.7m) was £8.1m higher, driven by higher receivables across all product lines and repricing initiatives in cards, offset by higher funding costs. Impairments of £166.1m (2022: £66.1m) reflect higher new originations, comparatively reduced benefits of enhancements in IFRS 9 models and post-model releases than in 2022, lower debt sale profits, and lower revaluation of the post charge-off asset. The back book underlying asset quality remained broadly stable. Higher costs of £327.1m (2022: £304.5m) from inflationary headwinds, elevated customer compensation claims from claims management companies and higher exceptional costs. Exceptional costs of £21.4m were recognised in 2023 (2022: £9.0m), including transformation costs of £17.0m (2022: £5.3m), comprising redundancy and outsourcing (£9.4m), property exit costs (£4.1m) and strategic consultancy (£3.5m).

Income

Net interest income increased by 2% to £442.6m (2022: £432.7m) with interest income rising 13% driven by receivables growth in the first three quarters of 2023. The Group's funding cost increased from £58.8m in 2022 to £113.4m in 2023, as market savings rates on retail deposits increased from their historically low levels as the UK bank base rate has moved upwards.

The Group's NIM, net interest income as a percentage of average gross receivables, decreased by 2.2% from 21.2% in 2022 to 19.0% in 2023, reflecting the higher funding costs and lower asset yields in both vehicle finance and personal loans. Management actions, including repricing, taken during the second half of 2023 increased 4Q23 NIM by 0.2% relative to 3Q23.

Fee and commission income reduced 4% to £42.5m (2022: £44.2m). The Repayment Option Plan (ROP) has been discontinued; excluding ROP, underlying fee and commission income increased £2.8m year-on-year.

Impairment/cost of risk

Impairments have benefited from a release of provisions no longer required in credit cards and vehicle finance, arising from ongoing IFRS 9 model refinements (£57.7m in 2023), and the full release of the cost of living post-model adjustment (£10.8m). The level of releases in 2023 (£74.5m) were lower than releases in 2022 (£94.1m), contributing to a higher impairment charge this year.

The macroeconomic environment, the minimal impact of the cost of living crisis, and refreshed model parameters reflecting the refocus onto lower-risk market segments, are the predominant reasons for release of provision. Underlying asset quality remained high and delinquency trends remained stable.

The Group's cost of risk, defined as impairment charges as a percentage of average gross receivables, has increased from 3.2% in 2022 to 7.1% in 2023.

Risk-adjusted net interest margin, defined as risk-adjusted net interest income as a percentage of average gross receivables, has decreased from 20.3% in 2022 to 13.9% in 2023 as a result of higher impairment charges and higher funding costs.

The Group's coverage ratio has reduced from 24% at December 2022 to 21% at December 2023, reflecting the current nature of the macroeconomic environment, the release of impairment provision no longer required predominantly due to IFRS 9 model refinement, and the stable underlying credit quality of our portfolios.

Costs (adjusted)

Excluding amortisation of acquisition intangibles and exceptional items described above, adjusted operating costs increased 3% to £297.8m (2022: £288.0m). Proactive management actions taken during the second half of 2023 has in part mitigated cost headwinds. These headwinds include inflation and heightened (speculative) customer complaints from claims management companies. The Group has continued investment in the diversification of customer propositions and the IT investment in the Gateway platform. Cost management is being embedded as a core discipline throughout the Group, and transformation cost savings are on track to meet £60m savings target as advised at 3Q23 with full benefit expected in 2024.

Tax

The tax charge of £1.6m (2022: £27.8m) on the loss before tax (profit in 2022) reflects the mainstream corporation tax rate of 23.5% (2022: 19.0%) on the Group's (loss)/profit before tax, exceptional items and amortisation of acquisition intangibles, generating a tax charge of £7.7m (2022: £29.4m), a tax credit of £4.3m (2022: £0.2m), and a tax credit of £1.8m (2022: £1.4m) respectively.

The tax charge arises principally from adverse impacts of (a) non-deductible expenses of £0.9m (2022: £0.9m), (b) prior year adjustments of £1.5m (2022: beneficial impact £3.6m) as a result of write offs of deferred tax assets which are no longer supportable and lower than anticipated share prices on vesting of share awards offset in 2022 by the beneficial impact of agreeing historic tax liabilities; (c) revaluing deferred tax balances in credit cards and loans of £1.3m (2022: £3.2m) to reflect from 1 April 2023 the reduction in the bank corporation tax surcharge rate from 8% to 3% and the increase in the threshold below which banking profits are not subject to surcharge from £25m to £100m; (d) net of the beneficial impact of £1.4m (2022: £nil) from using brought forward capital losses to offset capital gains. The tax charge for 2022 also reflected the adverse impact of the bank corporation tax surcharge of £8.4m and a net beneficial impact of £2.3m from transactions with discontinued operations including payment for losses at a discounted price.

Adjusted return on tangible equity (ROTE)

The Group's adjusted return on tangible equity (ROTE) has decreased from 21.8% in 2022 to 3.2% in 2023, reflecting the lower adjusted PBT in 2023.

Earnings per share (EPS)

With the £83.4m decrease in the Group's profit after tax, the basic earnings per share has decreased from 32.8p in 2022 to 2.4p loss per share in 2023. The adjusted basic earnings per share has decreased from 38.7p per share in 2022 to 6.8p in 2023.

Dividend policy

The Board proposes a final dividend of 1.0p per share for 2023, subject to final regulatory approvals. The Group also signals its intention to pay a dividend of up to 1.0p per share for 2024, subject to Board and regulatory approvals, with measured progression in 2025. From 2026, following full implementation of the new strategy, the Board will revisit the capital allocation policy and reset the level of dividend from which to maintain a progressive policy thereafter.

Financial review continued

Summarised balance sheet

	2023 £m	2022 £m
Assets		
Cash and balances at central banks	743.3	464.9
Amounts receivable from customers[1]	2,171.9	1,905.4
Pension asset	38.2	30.7
Goodwill and other intangibles	146.8	134.5
Other assets	108.5	127.8
Discontinued operations	–	–
	3,208.7	2,663.3
Liabilities		
Retail deposits	1,950.5	1,100.6
Bank and other borrowings[2]	582.5	815.4
Trade and other payables	44.1	62.6
Other liabilities	48.5	69.8
Discontinued operations	–	0.2
	2,625.6	2,048.6

1 Amounts receivable from customers in 2023 are presented net of £3.2m (2022: £7.9m) fair value adjustment for portfolio hedged risk. Underlying receivables from customers are £2,175.1m (2022: £1,913.3m).
2 Bank and other borrowings in 2023 are presented net of £1.0m (2022: £4.6m) fair value adjustment for hedged risk. Underlying bank and other borrowings are £583.5m (2022: £820.0m).

Assets have increased by 21% to £3,209m driven by growth in receivables, and higher balances placed with the Bank of England, driven by the surplus deposits raised from customers.

Receivables from customers increased by £266.5m (14.0%) in the year from £1,905.4m in 2022 to £2,171.9m in 2023. Strong growth in the first half of 2023 was partially offset by management action to moderate growth in the second half of the year to enhance the capital position.

Liabilities have increased by 28% to £2,626m as retail deposits increased by 77% following management actions to promote retail savings products offered by the Group.

Liquidity and funding

The Group's liquidity is almost entirely held in the Bank of England reserve account (2023: £703.3m, 2022: £478.2m). This represents a significant level of excess liquidity and a liquidity coverage ratio of 1,263% (2022: 1,139%).

At 31 December 2023, the bank had retail deposit funding of £1,950.5m (2022: £1,100.6m), and was able to deliver the required funding base at an attractive cost compared to wholesale alternatives, and the Group is now significantly funded by retail deposits (84% of total funding). All outstanding senior unsecured wholesale funding has now been extinguished for cost efficiency, although the Group maintains its access to the wholesale markets via its £2bn Euro Medium-Term Note programme updated in 2023. Ongoing funding diversification is provided by modest levels of private securitisation and Bank of England funding collateralised by both vehicle finance and credit card assets, together with further retail funding capabilities developed through 2023 to include notice accounts and, imminently, easy access and ISAs. The Group's cost of funds rose from 2.8% to 4.4% but remains below market benchmark interest rates, reflecting changes to the Group's funding mix post-waiver, and the stable contractual term duration of the Group's funding.

Capital

The Group maintains a robust capital position with CET1 ratio of 20.5% (2022: 26.4%) and a total capital ratio of 30.6% (2022: 37.5%). This is within the Group's updated CET1 target of 19.5% to 20.5% and represents a surplus of £142.5m (Tier 1) and £283.4m (total capital) above the Group's total capital requirement and regulatory combined buffers. As permitted, the Group elected to phase in the impact of adopting IFRS 9 over a five-year period, and has now fully unwound the transition adjustment as the transition period ended on 1 January 2023. The overall reduction in the capital ratio in 2023 reflects mainly the scheduled unwind of the final IFRS 9 adjustment on 1 January 2023, together with additional capital required to be held for higher lending in the year.

Further information on the impact of the IFRS 9 transitional arrangements is provided in the Group's Pillar 3 disclosures available on the Group's website, www.vanquisbankinggroup.com.

The risk weighted exposures (RWE) have increased by £180m year-on-year, primarily because of receivables growth (£167m of RWE) in 2023.

At 31 December 2023, the Group's leverage ratio of 16.4% (2023: 21.0%) remains comfortably above the minimum requirement.

Pillar 3 disclosures

Pillar 3 disclosure requirements are set out within the Disclosure (CRR) part of the PRA rulebook. The consolidated disclosures of the Group, for the 2023 financial year, will be issued concurrently with the Annual Report and Accounts and can be found on the Group's website, www.vanquisbankinggroup.com.

Summary balance sheet and financial metrics

	2023 £m	2022 £m
Receivables		
Gross receivables	2,351.1	2,176.6
Net receivables	2,175.1	1,913.3
Per share metrics		
Adjusted EPS (p)	6.8	38.7
Dividend (p)	6.0	15.3
Selected key ratios		
Adjusted ROTE	3.2%	21.8%
Asset yield	22.6%	23.7%
Cost of funds	4.4%	2.8%
Net interest margin (NIM)	19.0%	21.2%
Cost of risk	7.1%	3.2%
Risk-adjusted margin (RAM)	13.9%	20.3%
Adjusted cost: income ratio	60.9%	59.9%
Total capital ratio	30.6%	37.5%
CET1 capital ratio	20.5%	26.4%
Liquid assets (HQLA) (£m)	682.0	421.0
Excess HQLA over LCR (£m)	627.0	384.0

Dave Watts
Chief Financial Officer
26 March 2024

Operating review

Product trading performance

Detailed analysis of the product contribution to the trading results of the Group can be found on page 36 for credit cards, page 37 for vehicle finance, page 38 for personal loans, and page 39 for Snoop.

Segment analysis – Adjusted product contribution

	Cards FY23 £m	Vehicle finance FY23 £m	Loans FY23 £m	Other FY23 £m	Corporate centre FY23 £m	Total FY23 £m
Interest income	371.0	150.3	25.9	0.4	8.4	556.0
Interest expense	(51.6)	(28.7)	(4.0)	(0.2)	(28.9)	(113.4)
Net interest income	319.4	121.6	21.9	0.2	(20.5)	442.6
Fee and commission income	44.2	–	–	–	–	44.2
Fee and commission expense	(1.7)	–	–	–	–	(1.7)
Net fee and commission income	42.5	–	–	–	–	42.5
Other income	1.3	2.0	–	0.4	–	3.7
Total income	363.2	123.6	21.9	0.6	(20.5)	488.8
Impairment charges	(130.0)	(15.2)	(20.9)	–	–	(166.1)
Risk-adjusted income	233.2	108.4	1.0	0.6	(20.5)	322.7
Adjusted operating costs[1]	(167.8)	(49.5)	(16.0)	(3.6)	(60.9)	(297.8)
Adjusted PBT/(LBT) contribution	65.4	58.9	(15.0)	(3.0)	(81.4)	24.9

	Cards FY22 £m	Vehicle finance FY22 £m	Loans FY22 £m	Other FY22 £m	Corporate centre FY22 £m	Total FY22 £m
Interest income	337.4	137.7	13.1	–	3.3	491.5
Interest expense	(22.4)	(22.1)	(1.2)	–	(13.1)	(58.8)
Net interest income	315.0	115.6	11.9	–	(9.8)	432.7
Fee and commission income	47.0	–	–	–	–	47.0
Fee and commission expense	(2.8)	–	–	–	–	(2.8)
Net fee and commission income	44.2	–	–	–	–	44.2
Other income	0.9	2.9	–	–	–	3.8
Total income	360.1	118.5	11.9	–	(9.8)	480.7
Impairment charges	(16.8)	(40.8)	(8.5)	–	–	(66.1)
Risk-adjusted income	343.3	77.7	3.4	–	(9.8)	414.6
Adjusted operating costs[1]	(164.8)	(39.7)	(19.1)	–	(64.4)	(288.0)
Adjusted PBT/(LBT) contribution	178.5	38.0	(15.7)	–	(74.2)	126.6

1 Adjusted operating costs are stated before exceptional items.

Corporate centre

The corporate centre includes operations, technology & change, and support functions which collectively serve the needs of the wider Group. Costs excluding exceptional items were £60.9m (2022: £64.4m), £3.5m lower than prior year. Excluding inflation headwinds, costs were £7m lower than prior year, primarily due to management action taken in the second half of 2023 to realise savings through new transformation initiatives, optimisation of resources, and process efficiency drives, as part of the commitment to reduce Group costs by £60m.

Funding costs of £28.9m (2022: £13.1m) were higher year-on-year due to the higher interest rate environment. Interest income of £8.4m (2022: £3.3m) was higher due to higher interest rates on higher cash reserves in the BOE reserve account.

Operating review continued

Credit cards – Continues to attract new customer bookings

	2023 £m	2022 £m	Change
Total customer numbers ('000)	**1,375.5**	1,540.8	(10.7%)
New customer bookings ('000)	**267.3**	224.6	19.0%
Period-end receivables	**1,277.7**	1,181.6	8.1%
Average gross receivables[1]	**1,416.9**	1,331.9	6.4%
Interest income	**371.0**	337.4	10.0%
Interest expense	**(51.6)**	(22.4)	130.4%
Net interest income	**319.4**	315.0	1.4%
Net fee and commission income	**42.5**	44.2	(3.8%)
Other income	**1.3**	0.9	44.4%
Total income	**363.2**	360.1	0.9%
Impairment charges	**(130.0)**	(16.8)	673.8%
Risk adjusted income	**233.2**	343.3	(32.1%)
Adjusted operating costs[2]	**(167.8)**	(164.8)	1.8%
Adjusted PBT contribution[3]	**65.4**	178.5	(63.4%)
Asset yield[4]	**24.7%**	25.0%	(0.3%)
Cost of risk[5]	**(9.2%)**	(1.3%)	(7.9%)
Risk adjusted margin[6]	**16.5%**	25.8%	(9.3%)

1 Average of gross customer interest earning balances for the 13 months ended 31 December.
2 Adjusted operating costs are stated before exceptional items.
3 Adjusted PBT contribution is stated as profit before tax before exceptional costs.
4 Interest income from customer receivables for the 12 months ended 31 December as a percentage of average gross receivables.
5 Impairment charges for the 12 months ended 31 December as a percentage of average gross receivables.
6 Total income, excluding exceptional items less impairment charge for the 12 months ended 31 December as a percentage of average gross receivables.

The Group's credit card business is a leading player in the non-prime Credit Card market. In 2023, we received Moneyfacts Consumer Awards winner – Credit Card App of the Year and Credit Builder Card Provider of the Year, together with two Card and Payments Awards for 'Best Customer Service' and for the 'Best Benefits/Loyalty Scheme'.

We offer our card products to a broad spectrum of customers but are focused particularly on providing access to a credit card to customers who may struggle to obtain one from a mainstream provider. We support our customers through great service whether it be our award-winning app or the people in our customer service teams.

In 2023, we extended our digital service to customers by offering Apple Pay, as well as new features within the Vanquis App including enabling customers to view their card information and PIN, and a new way for customers to register for Google Wallet from within the Vanquis App. Take-up of all these new features has been strong, with over 450k of our customers already signing up to Apple Pay.

We are committed to continuously improving our services and support for customers, and in 2023 we sought to embed new ways of working based on an 'empathic design' approach and conducted a significant piece of qualitative research to deeply understand our customers, putting our customers at the very heart of how we design and improve our customer journeys.

From a service rating perspective, Vanquis credit card's latest 2023 Institute of Customer Service (ICS) Satisfaction Index score is 86.8 vs an all-sector average of 77.7. We aim to make our customer experience effortless, and these results directly demonstrate the progress we have made.

Total customer numbers decreased by 10.7% to 1,375.5k, as of December 2023 (2022: 1,540.8k), which in part was driven by a campaign to close dormant accounts at the end of the year for customers who no longer needed/wanted their Vanquis card.

New customer bookings for the year were 267.3k, up from 224.6k in 2022, as a result of expanding the range of promotional offers to new customers and working with affiliates and our partner for our co-branded card (thimbl).

Financial performance

For FY23, the business reported adjusted PBT contribution of £65.4m (2022: £178.5m) and period-end net receivables of £1,277.7m (2022: £1,181.6m).

Throughout 2023, the management team has focused on increasing customer engagement and new customer growth, delivering 6.4% growth in average receivables to £1,416.9m (2022 £1,331.9m), partly due to the uptake of digital wallet usage amongst customers.

During the second half of the year, deliberate action was taken to moderate growth to improve profitability by reducing the day one impact of IFRS 9 driven expected credit losses from new business.

Total income was up 0.9% to £363.2m (2022: £360.1m), due to net interest income increasing by 1.4% to £319.4m (2022: £315.0m), net fee and commission income declining by 3.8% to £42.5m (2022: £44.2m), and other income increasing by 44.4% to £1.3m (2022: £0.9m). Asset yield reduced from 25.0% to 24.7%.

Interest expense rose from £22.4m to £51.6m as market savings rates and UK bank base rate moved upwards, impacting the Group's funding cost.

Risk adjusted income fell £110.1m to £233.2m (2022: £343.3m), as a result of impairment charges rising to £130.0m (2022: £16.8m). Impairments benefited from a release of provisions no longer required arising from ongoing IFRS 9 model refinements (£17.0m) and the full release of the cost of living post model adjustment (£10.0m), but the level of releases in 2023 were lower than releases in 2022. Impairment provision releases (£92.5m) last year related to Covid-19 and model recalibration. Underlying asset quality remained stable year-on-year. The annualised cost of risk increased from 1.3% to 9.2%, and risk adjusted margin fell to 16.5% (2022: 25.8%).

Adjusted operating costs increased by 1.8% to £167.8m (2022: £164.8m), against a backdrop of significant inflation and growth in customer acquisition.

Vehicle finance - continued robust performance

	2023 £m	2022 £m	Change
Total customer numbers ('000)	111.7	100.0	11.7%
New customer bookings ('000)	50.8	42.1	20.7%
Period-end receivables	792.2	655.4	20.9%
Average gross receivables[1]	784.7	656.6	19.5%
Interest income	150.3	137.7	9.2%
Interest expense	(28.7)	(22.1)	29.9%
Net interest income	121.6	115.6	5.2%
Other income	2.0	2.9	(31.0%)
Total income	123.6	118.5	4.3%
Impairment charges	(15.2)	(40.8)	(62.7%)
Risk-adjusted income	108.4	77.7	39.5%
Adjusted operating costs[2]	(49.5)	(39.7)	24.7%
Adjusted PBT contribution[3]	58.9	38.0	55.0%
Asset yield[4]	19.2%	21.0%	(1.8%)
Cost of risk[5]	(1.9%)	(6.2%)	4.3%
Risk adjusted margin[6]	13.8%	11.8%	2.0%

1 Average of gross customer interest earning balances for the 13 months ended 31 December.
2 Adjusted operating costs are stated before exceptional items.
3 Adjusted PBT contribution is stated as profit before tax before exceptional costs.
4 Interest income from customer receivables for the 12 months ended 31 December as a percentage of average gross receivables.
5 Impairment charges for the 12 months ended 31 December as a percentage of average gross receivables.
6 Total income, excluding exceptional items less impairment charge for the 12 months ended 31 December as a percentage of average gross receivables.

The Group's vehicle finance business is a significant player in the non-prime UK vehicle finance market, as recognised by the numerous awards won in 2023, reflecting our hard work, passion, and dedication.

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

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

Total customer numbers grew 11.7% to 111.7k, as of December 2023 (2022: 100.0k). This has been achieved through several initiatives that have included technology investment in Moneybarn Direct, targeted retention of customers, and entry into the Personal Contract Hire market.

New customer bookings for the year were 50.8k, up 20.7% from 42.1k in 2022, as a result of strengthened distribution and competitive pricing. The improved price competitiveness was due to our funding costs from retail deposits being comparatively lower than the wholesale funding relied upon by most of our competitors.Notably, Moneybarn Direct, our direct to customer channel, had a strong year with approvals up 82%.

Financial performance

For FY23, vehicle finance reported an adjusted PBT contribution of £58.9m (2022: £38.0m) and receivables at the end of the period up 20.9% to £792.2m (2022: £655.4m).

Throughout 2023, management focused on sustainable growth, delivering 19.5% growth in average gross receivables to £784.7m (2022: £656.6m), with deliberate action taken to moderate growth in the second half of the year to improve profitability by reducing the day one impact of IFRS 9 driven expected credit losses from new business.

Interest income rose by 9.2% to £150.3m (2022: £137.7m), delivering 19.2% annualised asset yield (2022: 21.0%).

Net interest income rose by 5.2% to £121.6m (2022: £115.6m), as a result of the increase in receivables being offset by rising interest expense due to market savings rates and UK bank base rate moving upwards, impacting the Group's funding cost.

Other income fell to £2.0m (2022: £2.9m), with total income amounting to £123.6m (2022: £118.5m).

Risk adjusted income increased by £30.7m to £108.4m (2022: £77.7m), benefiting from impairments reducing £25.6m to £15.2m (2022: £40.8m). The impairment reduction reflects IFRS 9 model refinements and recalibration leading to an impairment provision release of £47.0m in 2023 (2022: £0.5m), as Vehicle Finance has purposefully transitioned towards the lower credit risk near prime market. This one-off impairment provision release masks higher expected losses from receivables growth (£18.1m) particularly evident during the first half of 2023. As a result, cost of risk dropped from 6.2% to 1.9%.

The risk adjusted margin improved to 13.8% (2022: 11.8%).

Adjusted operating costs rose by £9.8m (24.7%) to £49.5m (2022: £39.7m) with efficiency gains offset by increased complaints costs driven primarily by spurious claims from claims management companies, and higher volume.

Vehicle finance has never entered into discretionary broker commission arrangements.

Operating review continued

Personal loans - A stable year-on-year performance

	2023 £m	2022 £m	Change
Total customer numbers ('000)	43.7	34.4	27.0%
New customer bookings ('000)	29.6	27.0	9.6%
Period-end receivables	102.4	76.3	34.2%
Average gross receivables[1]	123.1	50.9	141.8%
Interest income	25.9	13.1	97.7%
Interest expense	(4.0)	(1.2)	233.3%
Net interest income	21.9	11.9	84.0%
Total income	21.9	11.9	84.0%
Impairment charges	(20.9)	(8.5)	145.9%
Risk-adjusted income	1.0	3.4	(70.6%)
Operating costs	(16.0)	(19.1)	(16.2%)
LBT contribution	(15.0)	(15.7)	(4.5%)
Asset yield[2]	21.0%	25.7%	(4.7%)
Cost of risk[3]	(17.0%)	(16.7%)	(0.3%)
Risk adjusted margin[4]	0.8%	6.7%	(5.9%)

1 Average of gross customer interest earning balances for the 13 months ended 31 December.
2 Interest income from customer receivables for the 12 months ended 31 December as a percentage of average gross receivables.
3 Impairment charges for the 12 months ended 31 December as a percentage of average gross receivables.
4 Total income, excluding exceptional items less impairment charge for the 12 months ended 31 December as a percentage of average gross receivables.

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

When selecting their loan, customers are looking for a loan that provides them with the amount of money they need, with repayments over a period that makes their monthly payment affordable, at the lowest possible price (APR). From extensive market research, we have identified that our customers value repayment certainty and flexibility if circumstances change, so we offer fixed APRs for the period of the loan, no penalty fees for additional interest charged for missed or late payments and there is no retention of interest when customers pay off the loan early.

Total customer numbers grew 27.0% to 43.7k, as of December 2023 (2022: 34.4k).

New customer bookings for the year were 29.6k, up 9.6% from 27.0k in 2022, driven by the expansion of the product range offered to both existing and new to Vanquis customers, with Vanquis branded loans launched on the new technology platform.

Loans customers are highly satisfied by their Vanquis loan and the service they receive. This is evidenced by loans customers giving their loan a Net Promoter Score of 51, a customer satisfaction score of 89% and by 89% of customers also saying that they would use a Vanquis loan again. The Vanquis loan product was also the winner of 'Best Loan Provider' in the 2023 Consumer Credit Awards.

Financial performance

For FY23, the business reported a LBT contribution of £(15.0)m loss (2022: £(15.7)m) and receivables at the end of the period up 34.2% to £102.4m (2022: £76.3m).

Personal loans average gross receivables increased 141.8% to £123.1m (2022: £50.9m). Deliberate action was taken to moderate growth in the second half of the year to improve profitability by reducing the day one impact of IFRS 9 driven expected credit losses from new business. This included a temporary pause in active marketing of personal loans as we undertook the Group wide strategic refresh.

Interest income rose by 97.7% to £25.9m (2022: £13.1m), delivering 21.0% asset yield (2022: 25.7%), as a result of the year-on-year receivables growth and introduction of lower APR loans as part of the product range expansion.

Interest expense rose by 233.3% to £4.0m, reflecting receivables growth and rising interest expense due to market savings rates and the UK bank base rate moving upwards, impacting the Group's funding cost.

Net interest income was up 84.0% to £21.9m (2022: £11.9m).

Risk adjusted income decreased by £2.4m to £1.0m (2022: £3.4m), as a result of an increase in impairment from £8.5m to £20.9m. The increase in impairment reflects a recalibration of expected losses as we refine our underwriting parameters on this relatively immature portfolio, resulting in the cost of risk increasing to 17.0% from 16.7%.

The risk adjusted margin declined to 0.8% (2022: 6.7%).

Operating costs were ongoing, albeit lower by £3.1m to £16.0m (2022: £19.1m), largely due to reduced technology investment.

Snoop – Helps our customers save money

Snoop is an award-winning fintech that uses open banking to help users save money and manage their finances more effectively. The app helps its customers build their financial capability, and targets annual savings of up to £1,500. Snoop demonstrably improves financial wellbeing with over 15,000 four and five-star reviews, and from a survey of 500 users, a 95% customer recommendation rate, and 80% of users reporting increased financial confidence. As such, it is an important addition to the Group's customer proposition.

Leveraging Snoop's innovative technology and data capabilities will also unlock valuable opportunities for the Group. Test marketing of Snoop to Vanquis customers progressed ahead of expectations in 4Q23 and we will continue to actively promote Snoop to our 1.5 million strong customer base in 2024. This will position the Group as a relevant presence in their daily lives, drive improved creditworthiness and support improved borrowing and debt management.

Snoop's impact extends beyond individual users, offering businesses valuable insights into evolving consumer spending behaviours. In 4Q23, Snoop launched SpendMapper, a self-service business intelligence dashboard. SpendMapper leverages over £100bn of real-time spending data to help businesses understand how and where consumers spend, and how this is changing. Further scaling the business in 2024 will enrich Snoop's data insight proposition and enhance the Group's overall data capabilities.

Snoop was incorporated into the Group on 7 August 2023, and the business reported an adjusted loss before tax of £(2.5)m from the date of incorporation to 31 December 2023.

Meet Hugo

Snoop customer

Age: 29

Lives with: Partner, Danielle in a semi-detached house in Burton on Trent.

Job Role: Radiographer at Queens Hospital.

Likes: Cinema, video games and going to the gym.

"My partner and I live in Burton on Trent in a two bedroom semi with a nice garden. It's close to work as we're both radiographers at Queens Hospital in Burton, working a range of shifts, so it's ideal.

I've been using Snoop for around two years now after hearing about the app through a money saving website. The main attraction was being able to track my spending and see where I could save myself some money. I downloaded the app and started using it right away. It's very user friendly with a good tips section and I like that it alerts you to upcoming deals.

Being able to see my outgoings by category has really helped and seeing how the price of things fluctuates has helped me refine some of my spending habits and really think about what I'm buying now.

For example, I didn't realise how much money I was spending each month on takeaways – it was a lot and was quite a shock to me at the time. Now I'm aware of it, I maybe have one a week now, but I don't buy without consideration.

I'll think about what I'm ordering, only order what I really need and as a result I'm saving a lot more money each month – and I'm eating more healthy foods!

I'm getting so many insights into my financial habits. The tips section has been great; Snoop shared an offer with me to switch bank accounts to get £175 cash back from the bank. That was useful and bumped up our savings that month.

The Snoop brand is cool too, breaking things down and explaining everything really clearly. The emojis make all the messages feel more personal, like we're connected, and I like the cute little symbol too."

> "I downloaded the app and started using it right away. It's very user friendly."

Section 172(1) statement

The directors have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in section 172(a)–(f) of the Companies Act 2006 (s.172).

Stakeholder engagement

The Group has a well-established stakeholder engagement strategy which defines our priorities, opportunities and responsibilities for engagement with our stakeholders and recognises differing stakeholder interests and preferred methods of engagement.

Our stakeholders, how we've engaged with them during 2023 and the outcomes of this engagement can be found on pages 63 to 67.

Principal decisions

S.172 of the Companies Act 2006 necessitates effective decision making by the Board. The decisions of the Board are led by the Group's Purpose, culture and strategy with the objective being to deliver long-term value for its stakeholders. Board activities during the year are detailed on pages 59 and 60 and the principal decisions made by the Board can be found on pages 41, 58, 60, 65 and 74.

Disclosures relating to how the directors have discharged their responsibilities under s.172 are integrated throughout the Strategic Report and Governance Report; please see the table opposite for references. More information on our Board's setting of the Group's strategy can be found on page 57 and 58.

Section 172 provision	Relevant disclosure	Pages
The likely consequences of any decision in the long term	Chairman's Statement	4
	Business model	10
	Strategy	9
	Sustainability	14
	Non-financial and sustainability information statement	42
	Risk management and principal risks	44
	Viability statement	51
	Board focus areas during 2023	59
	Stakeholder engagement and decision making	63
	Governance Report	52
	Nomination Committee Report	73
	Directors' Remuneration Report	93
The interests of the Company's employees	Chairman's Statement	4
	CEO's Review	6
	Sustainability – our colleagues	16
	Risk management and principal risks	44
	Chairman's introduction to governance	52
	Board focus areas during 2023	59
	The Board: our culture	61
	Stakeholder engagement and decision making	63
	Our Designated Non-Executive Colleague Champion	67
The need to foster the Company's business relationships with suppliers, customers and others	Chairman's Statement	4
	CEO's Review	6
	Business model	10
	Strategy	9
	Sustainability	14
	Key performance indicators	12
	Non-financial and sustainability information statement	42
	Risk management and principal risks	44
	Stakeholder engagement and decision making	63
	Engagement with shareholders	67
The impact of the Company's operations on the community and the environment	Chairman's Statement	4
	CEO's Review	6
	Sustainability – Community Foundation overview	17
	Sustainability – TCFD disclosure	19
	Non-financial and sustainability information statement	42
	Sustainability - Our ESG Strategy	15
	Stakeholder engagement and decision making	63
	Customer, Culture and Ethics Committee report	78
The desirability of the Company maintaining a reputation for high standards of business conduct	Chairman's Statement	4
	CEO's Review	6
	Strategy	9
	Sustainability	14
	Sustainability – TCFD disclosure	19
	Non-financial and sustainability information statement	42
	Stakeholder engagement and decision making	63
	Board focus areas during 2023	59
	The Board: our culture	61
	Assessing Board performance	71
	Audit and Risk Committees	80 to 86
The need to act fairly as between members of the Company	Stakeholder engagement and decision making	63
	Investor relations	67
	Board activities	59
	Directors' Remuneration Report	93
	Business model	10

Decision making for long-term success

We believe that considering the broad range of our stakeholders' perspectives in our Board discussion and decision making is central to us making balanced and well-informed decisions. For the last three years we have integrated an s.172 impact analysis into our Board reporting and this helps draw out stakeholder perspectives. Stakeholders have different interests and priorities and the Board sees its role to make decisions that balance stakeholder interests, recognising that decisions will not always result in a positive outcome for all stakeholders. Ultimately, the Board aims to make decisions that drive the Company's long-term success and align to the Group's Purpose, culture and strategy and deliver sustainable value to our stakeholders as a whole. During 2023, the Board made several principal decisions that demonstrate this commitment. You can read about these principal decisions, including the Board's decision making process and considerations in reaching their decision, below and on pages 41, 58, 60, 65 and 74.

Principal decision: the acquisition of money-saving fintech Usnoop Limited (Snoop).

The Board approved the acquisition of fintech business Snoop which had developed an award-winning personal financial management app. The Snoop app was considered by the Board as being of benefit to the Group's customers and aligned with the Group's Purpose to assist its customers with their financial planning and education. To read more about Snoop please see page 39.

Decision making process

The Board was made aware of the potential acquisition of Snoop in Q2 2023, and supported management to proceed with undertaking due diligence with the support of third-party advisors. At the Group Strategy Conference held in June 2023, the Board was introduced to Snoop's management and proposition in person. A further request for approval to proceed in principle with the proposed acquisition of Snoop was received by the Board in July 2023 which was supportive and delegated authority to a sub-committee to oversee and finalise the transaction. At each stage, the Board, and later the dedicated sub-committee, considered what value and benefits the Group and its customers would receive from the purchase, the rationale for the purchase, what other options might be available to the Group, and that the transaction had been structured appropriately.

Strategy and Purpose

The Group's Purpose is to deliver caring banking so our customers can make the most of life's experiences, and Snoop's Purpose, to make everyone better off, aligned well. The Snoop app is a personal financial management tool that offers money management, bill management, bill switching and personalised financial insights to its customers. The Board recognised the Snoop app as having the potential to support the Group's current customers and potential customers to better control their finances and reduce their cost-of-living proactively and sustainably. The Snoop app was recognised as best in class and provided a straightforward and high-quality user experience. Becoming part of the Group provided Snoop with the potential opportunity to access a large number of customers that might benefit from their app.

The Board further recognised the Group's strategy to modernise and benefit from mature, open-banking-driven technology that could provide insights into the financial wellbeing of its customers. Furthermore, the Snoop management team alongside the Snoop technology would bring additional and valuable expertise into the Group.

Challenges

The Board sought and received independent legal, commercial and financial advice regarding the transaction and ensured that a comprehensive due diligence process had been completed to a high standard.

The Board noted the financial projection risks that accompanied a fast-growing start-up, and noted that management had addressed these potential risks (including the risk of revenue and customer growth failing to meet projections) in the transaction structure.

Snoop was considered a relatively low business risk from a conduct risk perspective as it did not provide lending, had not taken any customer deposits and did not provide financial advice.

Balancing stakeholder interests

The Board carefully considered the risks and benefits of the transaction as they pertained to its stakeholders. The Board expected the acquisition of Snoop to deliver benefits to the Group's stakeholders as a whole and in particular to its customers. Analysis had identified that those Group customers who already had the Snoop app had demonstrated active use compared to other cohorts of users. The Board recognised the potential to provide the Group's customers with value-added services commensurate with the Group's community purpose to improve financial education and aid social mobility which was also a keen interest of the Group's regulators, the PRA and FCA.

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

Links to stakeholders

Links to risks P10 P11

Links to strategic themes 1 4

Links to s.172

Links to stakeholders

- Customers
- Colleagues
- Regulators and government
- Shareholders
- Communities
- Suppliers

Strategic themes

1. Customer centricity
2. Insightful risk management
3. Efficient organisation
4. Digital, tech, data and analytics
5. A great people proposition

Links to risks

P Find our key risks on pages 46 to 50

Links to s.172

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

Non-financial and sustainability information statement

Information on the Group's non-financial impact can be found throughout the report. The table below explains how the Group meets the non-financial and sustainability information reporting requirements of section 414CB of the Companies Act 2006. The requirements are addressed in this section by means of cross referencing to indicate which sections of the narrative they are embedded.

		Pages
Business model	The Group has re-articulated its Purpose: to deliver caring banking so our customers can make the most of life's opportunities. The Group is committed to delivering differentiated solutions to meet customer needs. You can read about the Group's strategy and business model on pages 9 to 11.	**Pages 2-3** **Pages 9-11**
Colleagues and their contribution	Our colleagues are central to the Group's long-term success and the achievement of its mission. We continue to work to enhance our workplace culture and maximise colleague engagement. **Supporting policies:** Inclusion and Diversity Policy, Family Friendly Policy, Mental Health & Wellbeing Policy. **Due diligence:** All People policies were reviewed during 2022 to ensure a unified approach under the new shared corporate services model. Diversity metrics are closely monitored (see Nomination Committee Report from page 73-77). Health and Safety training is mandatory for all new colleagues and there is regular refresher training throughout the year. Our Affinity Groups and peer circles allow us to take a Group-wide approach when it comes to moving essential conversations forward around inclusion and diversity. They also provide both a sounding board and spring board for ideas, as well as a platform for transformative action. **Risks and risk management:** People risk (page 50). **Measurement:** Colleague engagement is measured through our Group colleague surveys (page 16).	**Pages 14-16** **Page 64**
Environmental impact	**Supporting policies:** Environmental Management Policy, Climate Principal Risk Policy and Procurement Policy. **Due diligence:** The Group reports in line with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) which enables us to consider the impact of climate-relate risks and opportunities on the Group's financial performance. Also, the Group's supplier due diligence processes and procedures involve engaging with suppliers to understand their exposure to material climate-related risk and carbon reduction commitments. **Risks and risk management:** Strategic performance risk (page 50), customer risk (page 46) and regulatory risk (page 47). **Measurement:** Pursuant to the FCA's Listing Rule 9.8.6R(8) and the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018 and the Companies (Strategic Report)(Climate-related Financial Disclosure) Regulations 2022, the Group publishes an annual TCFD report and discloses comprehensive environmental data in its Annual Report and Accounts. The Group also makes an annual submission to the CDP. Finally, as a signatory to the UN Global Compact, the Group is aligned with its environmental principles and reports on its progress annually, www.vanquisbankinggroup.com/sustainability/responding-climate-change/.	**Page 15** **Pages 19-28** **Page 64**
Social and community impact	The Group's community investment activities are delivered through the Vanquis Banking Group Foundation. The mission of this Foundation is to improve the lives of children and young people by providing educational and social development opportunities which support financial and social inclusion. **Supporting policies:** Community Involvement Policy and Volunteering and Matched-Funding Policy. **Due diligence:** The activities and initiatives that are delivered via the Group's Foundation are reviewed and approved by the Group Executive Committee and Group plc Board on an ongoing basis. This involves ensuring that the Group's investments have a sustainable benefit to the communities it serves and the business itself. A dedicated Group team is responsible for the design, development and delivery of the Group's Foundation. **Risks and risk management:** People risk (page 50) and regulatory risk (page 47). **Measurement:** The Group reports on the amount it has invested in its community investment activities, as well as the social impacts that have been delivered, in its Annual Report and Accounts. This is done using the B4SI (Business for Social Impact) Framework so that the Group can understand the differences its contributions make to business and society. The Group's colleague surveys are also used to understand colleagues' understanding of, and engagement with, the Group's community investment programme (page 16).	**Pages 14-18** **Page 65**

		Pages
Respect for human rights	The Group is committed to supporting and respecting human rights and, as such, is opposed to slavery and human trafficking in both its direct operations and in the indirect operations of its supply chains. As such, the Group will not knowingly support or do business with any organisation involved in slavery or human trafficking. **Supporting policies:** Human Rights and Modern Slavery Policy, Procurement Policy, Diversity Policy and Whistleblowing Policy. **Due diligence:** The Group has well-established supplier due diligence processes and procedures to manage supply chain-based risks and ensure suppliers comply with the Group's policy requirements and meet legislative requirements, including those that relate to the Modern Slavery Act 2015. Across the Group, all new suppliers are assessed for the types of potential risks they pose and are sent questionnaires covering issues such as financial stability, data protection, information security, business continuity, regulatory compliance, and corporate responsibility. **Risks and risk management:** Regulatory risk (page 47), people risk (page 50) and customer risk (page 46). **Measurement:** Pursuant to section 54(1) of the UK Modern Slavery Act 2015, we produce a Modern Slavery Statement, see www.vanquisbankinggroup.com/modern-slavery-statement/. Also, as a signatory to the United Nations Global Compact, the Group is aligned with its human rights and labour standards and reports on its progress annually, see https://unglobalcompact.org/what-is-gc/participants/148181-Vanquis-Banking-Group.	**Pages 14-18**
Anti-corruption and bribery measures	**Supporting policies:** Anti-Bribery and Corruption Policy, Corporate Hospitality Policy, Whistleblowing Policy. **Due diligence:** The Group has a zero-tolerance approach to bribery and corruption and all colleagues undertake mandatory training. The Audit Committee oversees compliance with the Corporate Hospitality Policy and the Board oversees the Whistleblowing Policy. **Risks and risk management:** Customer risk (page 46) and regulatory risk (page 47). **Measurement:** Completion of mandatory training is monitored; whistleblowing reports are overseen by the Board; and any matters relating to corporate hospitality are monitored by the Audit Committee.	**Pages 90-91**
Climate-related financial disclosures	Task Force on Climate-related Financial Disclosures (TCFD). In line with the FCA's Listing Rule 9.8.6R(8) and requirements of the Climate-related Financial Disclosure (CFD) Regulations 2022, we have included a statement in the strategic review of this report which is consistent with the four recommendations and 11 recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD). Our disclosures are in line with the four core elements (or pillars) of the TCFD (governance, strategy, risk management, and metrics and targets).	**Page 15** **Pages 19-28**

Risk management and principal risks

Embedding an effective Risk Management Framework and culture

"In 2023, we focused on embedding the Group's risk strategy and Risk Harmonisation programme. This helped us to successfully navigate through a year of significant change and stabilise our business as we look to explore and refresh our strategic opportunities. Our Risk Management Framework is focused on insight, support and challenge to ensure the Group grows in a safe and sustainable manner. We continue to embed a strong risk awareness culture and control environment."

Gareth Cronin
Group Chief Risk Officer

The Risk Management Framework (RMF) creates a clear link between our Purpose and strategic risk objectives:

Our Purpose

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

Our strategy

1. Customer centricity	2. Insightful risk management	3. Efficient organisation	4. Digital, tech, data and analytics	5. A great people proposition

Strategic risk objectives

Supporting the realisation of our strategy and ensuring positive outcomes for our customers and key stakeholders.

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

Risk pillars

Our four risk pillars underpin the delivery of our strategic risk objectives.

Customer and conduct We deliver fair customer outcomes and meet the expectations of our regulators.	**Financial** We manage our credit risk exposures, supported by financial strength and liquidity in normal and stressed conditions.	**Operational** We ensure operational risk is minimised through effective people, processes and systems aligned to our strategic goals.	**Strategic** We seek new business opportunities which are aligned to our customer, regulatory and commercial objectives.

Overview

During 2023, the Group continued to strengthen its risk management capabilities through the completion and embedding of the Risk Harmonisation programme. The transformation made has been validated through an independent external quality assessment, which confirmed significant improvements in the overall risk maturity across the Group and the business's approach to managing risks collaboratively.

The Risk function has been integral to the strategic opportunities undertaken throughout the year. The function provided oversight of the governance, risk management and controls to the plans in place for the offshoring of aspects of customer services, the reduction in the Group's total capital requirement (TCR), transformation programmes across our product lines and the emerging strategy development. This has been on the backdrop of significant changes to the composition of the Board and executive management.

Group approach to risk management

Our RMF provides a comprehensive approach to the consistent management of risks across the Group. It supports the aggregated reporting and escalation of material risks to the Group's Board and executive management.

Managing risk is an integral part to the management of the business, its strategy and corporate governance. It is critical to enable us to optimise our shareholder return whilst maximising our business opportunities and positive outcomes for all our key stakeholders, which include shareholders, customers, colleagues and regulators.

The RMF adopts an enterprise approach, enabling a single view of all the current and emerging risks and consistent management of those risks across the Group. Fundamental to the application of an effective RMF are the following attributes:

- **Risk culture:** We promote a risk culture that supports appropriate risk awareness, behaviours and judgements in the level of risk we are willing to take. Our culture is underpinned by an appropriate balance between risk and reward, with accountabilities reinforced through the Senior Managers and Certification Regime (SMCR). Risk objectives are included in the executive non-financial scorecard: the Risk Adjustment Framework for the Group's senior management functions and material risk-takers; and, in 2023, we implemented a mandatory risk objective for all colleagues irrespective of role type and level of seniority. Risk culture was further promoted during the year with extensive levels of training provided by the Enterprise Risk team.
- **Risk appetite:** The Group defines its risk appetite as the amount and type of risk the Group is prepared to seek, accept or tolerate at any point in time. We have risk appetite statements and preferences for all 12 of our principal risks, which are reviewed annually and approved by the Board. These statements are cascaded into the sub-risk categories and supported by metrics, thresholds and key risk indicators. Risk appetite measures are reported and monitored on a monthly basis, with actions taken where agreed thresholds are breached. Risk appetite will be an integral part of the Group's strategic and business planning process for 2024, which encompasses our philosophy to economic, regulatory, commercial and customer outcomes.
- **Risk governance:** The Group has defined its risk governance structure to strengthen its ability to identify, assess, manage and report risks, while supporting the Group in responding to the changing internal, external and regulatory environments. The Board is responsible for the effective management of risk and ensures the RMF is fit for purpose and aligns to our risk appetite and strategy. The Risk Committee and Executive Committee are the committees most directly involved with risk management governance and oversight activities (further details of the Risk Committee's remit can be found on pages 84 to 86). Below these, there are several committees across the business that have been established to monitor the principal and emerging risks, including the oversight of a robust control environment and escalation of matters through the risk governance structure.
- **Three Lines of Defence:** The Group operates a Three Lines of Defence model to promote clear responsibilities and accountabilities for risk management activities and to support effective embedding. We apply an integrated assurance approach, which combines the planning, execution and issue management activities of assurance teams operating across the Three Lines of Defence and seeks to complement each other's assurance activities.

Three Lines of Defence model

Vanquis Banking Group operates a Three Lines of Defence model to articulate key accountabilities and responsibilities for managing risk and to support effective embedding of risk management across the Group.

The First Line of Defence – line management

Owns the risk and is responsible for identifying, assessing, monitoring and reporting risk within its respective areas, whilst ensuring that appropriate internal controls, processes and systems are in place to deliver against business strategy and objectives.

The Second Line of Defence – Risk function

Establishes the RMF and policies and supports the First Line of Defence in developing minimum control standards and expectations to manage risk. Provides independent oversight of governance, risk management and controls across the Group to ensure risks are identified, measured, managed and reported appropriately.

The Third Line of Defence – Internal Audit

Provides independent and objective assurance on the design adequacy and operational effectiveness of internal controls, and overall effectiveness of Vanquis Banking Group's risk governance and risk management practices, and provides assurance on whether the First and Second Lines of Defence fulfil their respective responsibilities.

Risk management and principal risks continued

Recent developments

- A reduction in the Group's TCR from the PRA to 11.9% (previously 18.3%) in March 2023. The overall capital requirement (OCR) reduced from 21.8% to 15.4%, which included the regulatory combined buffer prevailing at the time of 3.5% but excludes confidential buffers set by the PRA and additional internal management buffers.
- Successful delivery of requirements to meet the FCA's Consumer Duty regulations in July 2023.
- Completed the Risk Harmonisation programme across the Group, resulting in a more efficient and effective approach to enterprise risk.
- Full implementation of the automated Group risk management system.
- Enhanced our operational risk and control self-assessment (RCSA) process.
- Enhanced our IFRS 9 models and the efficiency of impairment provisioning process.

Future opportunities

- Recognising that credit risk is key to the achievement of our strategic objectives, we will be investing in our processes and people to enhance our capabilities.
- Following the completion of the Risk Harmonisation programme, and with solid foundations for risk management in place, we will lead a programme of work during 2024 to further enhance our risk culture and maturity and transfer full accountability to the First Line of Defence.
- We will look to streamline our risk governance activities between the Board and operational management as we move from individual product management to a joined-up customer proposition.
- We continue to progress with our Operational Resilience programme to provide additional safeguarding to the operation of our business and meet future regulatory requirements.
- Technical debt will continue to be closely monitored and addressed/upgraded where it is deemed essential or beneficial to do so as focus remains on delivering the new strategic platform for the Group.

Principal risks

Principal risks are risks which are most significant to Vanquis Banking Group's strategy and business model and have formally been articulated as part of its risk appetite framework. Principal risk categories and associated risk appetite statements are reviewed and approved by the Board on an annual basis, effectively defining the Group's overall risk appetite and recognising changes to our risk profile.

The principal risks have been updated for 2024, recognising the evolution of the breadth and types of risks that the Group is exposed to and reflective of the environment we currently operate in. Our principal risks and how we manage them are set out below. In summary, our principal risks have remained largely stable year on year, albeit with volatility during H2 2023 following the half-year results and actions taken in response.

Strategic themes

1 Customer centricity
2 Insightful risk management
3 Efficient organisation
4 Digital, tech, data and analytics
5 A great people proposition

Risk Pillar 1: Customer and conduct
We deliver fair customer outcomes and meet the expectations of our regulators.

Principal risk

P1 Customer

The risk of poor customer outcomes due to poor design, distribution and execution of products and services or poor governance and processes.

Key considerations

Our target customer cohorts require robust practices to support responsible lending for borrowers under financial pressure and provide appropriate solutions to meet our customers' needs. We continually seek improvement to our product governance processes and customer outcome monitoring activity across the First and Second Lines of Defence, and proactively provide compliance advice and guidance on key matters.

We continue to see a high volume of complaints driven by Claims Management Companies (CMCs), with one such CMC accounting for 80% of the volume. CMCs are regulated by the Solicitors Regulation Authority and therefore do not follow FCA guidelines. Due to this, we are witnessing poor practices, such as lack of customer due diligence on their part, and the level of upheld complaints has been consistently low for both the Group and the Financial Ombudsman Service (FOS).

Mitigating actions

- Customer, Culture and Ethics Committee oversaw the development, embedding and monitoring of the Group's customer objectives.
- The Group successfully delivered the requirements to meet the FCA's Consumer Duty regulations in July 2023.
- Board-approved conduct risk framework and supporting metrics are embedded across the Group to ensure delivery of good customer outcomes across all high-risk interactions, such as lending, forbearance, vulnerability and complaints.
- A rigorous customer outcomes assurance activity programme is in place.
- A complaints methodology and forum have been established to identify and learn from complaints trends and FOS referral outcomes.
- In November 2023, the FCA confirmed receipt of our update on queries relating to Borrowers in Financial Difficulty (BiFD) action and acknowledged our ongoing progress to deliver the BiFD action plan.

Links to strategic themes

1 2 4 5

Risk Pillar 1: Customer and conduct continued
We deliver fair customer outcomes and meet the expectations of our regulators.

Principal risk

P2 Regulatory

The risk that our systems and controls do not support effective regulatory compliance and we fail to meet the expectations of our regulators.

Key considerations

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. The PRA/FCA published 'The Regulatory Initiatives Grid' in November 2023 and it highlights a number of key initiatives that are being proposed for 2024/25. The current initiatives do not pose a risk at this stage to the Group.

The FCA announced in January 2024 that it intends to review how motor finance firms have implemented a ban, originally introduced back in 2021, on discretionary (variable) commission levels. The announcement does not impact the Group directly as we do not pay discretionary commission currently or historically, only fixed, on our vehicle finance products.

Mitigating actions

– SMCR responsibilities are aligned to the RMF and Group Delegated Authorities Manual (GDAM) providing a complete and clear view of accountability, risk and control ownership and clarity around delegations and mandates for approval. Senior management functions are required to attest to their understanding and agreement of these.
– Conduct and regulatory policies and procedures are in place to ensure the Group has appropriate controls and processes to deliver fair customer outcomes.
– A compliance monitoring plan is in place, supported by a robust methodology, to independently assess the adequacy and effectiveness of the control frameworks in place to drive fair customer outcomes and regulatory compliance.
– Strong and proactive regulatory relationships with regular lines of communication are in place with both the FCA and PRA, who have been kept abreast of our strategic initiatives, key risk management activities and responses to regulatory developments e.g. Consumer Duty implementation and BiFD action plan.
– Following the PRA's Periodic Summary Meeting in March 2023, we have successfully completed all actions due for delivery in 2023, with a small number to deliver in Q1 2024.

Links to strategic themes

1 2 4 5

P3 Financial crime

The risk that the Group's products and services are used to facilitate financial crime against the Group, customers or third parties.

Key considerations

Financial crime includes anti-money laundering (AML), counter terrorist financing (CTF), financial sanctions, external and internal fraud and anti-bribery and corruption (ABC).

On average, we monitor 11 million transactions and 1.75 million customers each month for signs of financial crime. The banking industry continues to suffer from organised crime groups socially coercing individuals into providing security information, exposing them to fraud. In addition, the Group's fraud exposure has increased as a result of the Group's changing risk profile due to an increase in brand prominence, the launch of digital wallets and higher average credit limits/loan values offered to customers. Further technology developments are ongoing in support of our detection and prevention objectives.

Mitigating actions

– Financial crime oversight has been consolidated across all products, implementing consistent risk oversight supported by Group-wide AML, CTF, sanctions, fraud and bribery policies, overseen by a Group Money Laundering Reporting Officer (MLRO).
– 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.
– 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 Group-wide Fraud Strategy and Analytics team is in place within the First Line of Defence, which focuses on fraud prevention, consistent and fair customer outcomes and loss mitigation.
– A detailed business-wide financial crime risk assessment is in place to measure financial crime risk consistently and effectively. This is now being extended to cover the vehicle finance product.
– Oversight of our outsourced operations administering our savings products has been enhanced and the articulation of the financial crime controls. All new products are subject to a financial crime risk assessment.

Links to strategic themes

1 2 4 5

Risk management and principal risks continued

Principal risks continued

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

Principal risk

P4 Capital

The risk that the Group fails to maintain the minimum regulatory capital requirements, management buffer on a consolidated basis to cover risk exposures and withstand a severe stress.

Links to strategic themes

3

Key considerations

The Group and Bank maintain sufficient capital resources, both in terms of amount and quality, to support the business strategy and provide a buffer for stress events. Throughout the year, the Group and Bank have maintained capital ratios in excess of regulatory requirements (see capital risk management section on page 140 for the Group's capital position). In assessing the adequacy of capital resources, the Group and Bank consider the material risk to which they are exposed and the appropriate strategies required to manage those risks.

The 'Strong and Simple' regulatory initiative will be monitored for any impacts on the Group's and Bank's management of capital risk. The PRA is expected to begin consultation on capital requirements for simpler regime firms in Q2 2024. The implementation of Basel 3.1 is expected to have limited impact on the capital position.

Mitigating actions

- The capital framework is reviewed by the Board as part of the annual Internal Capital Adequacy Assessment Process (ICAAP).
- Capital risk appetite metrics are monitored by the Board, Risk Committee and Assets and Liabilities Committee (ALCO).
- Capital is held to meet Pillar 1 requirements, the most significant elements for the Group and Bank being credit and operational risks.
- In addition, the PRA requires firms to hold capital to meet Pillar 2A requirements, as assessed in the ICAAP. This confirms the amount of capital required to be held to meet risk partially covered by Pillar 1 and risk not covered by Pillar 1. The combination of Pillar 1 and Pillar 2A requirements forms the TCR.
- To protect against consuming its TCR, firms are also subject to regulatory capital buffers and the PRA may set an additional firm-specific PRA buffer, forming the OCR.
- In March 2023, the Group announced a reduction to its TCR from the PRA to 11.9% (previously 18.3%). The OCR reduced from 21.8% to 15.4%, which included the regulatory combined buffer prevailing at the time of 3.5% but excluded confidential buffers set by the PRA and additional internal management buffers.
- The Group's Pillar 3 disclosures for the year ended 31 December 2023 are published separately on the Group's website. Pillar 3 complements Basel's Pillar 1 and 2 framework and seeks to encourage market discipline by developing a set of disclosure requirements, which would allow market participants to assess key pieces of information on a firm's capital, risk exposures, risk management processes, leverage and remuneration.

P5 Funding and liquidity

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

Links to strategic themes

3

Key considerations

The Group and the Bank maintain sufficient liquid assets both in terms of amount and quality, to meet daily cash flow needs and stressed scenarios driven by the Group's own risk assessment and regulatory requirements. Throughout the year, the Group and Bank have maintained funding and liquidity ratios in excess of regulatory requirements. Liquid assets solely comprise of reserves held with the Bank of England (see liquidity risk management section on pages 136 to 138).

The 'Strong and Simple' regulatory initiative will be monitored for any impacts on the Group's and Bank's management of funding and liquidity risk. Changes announced to date have limited impact on the management of this risk, which are due to go live throughout H1 2024.

Mitigating actions

- The funding and liquidity framework is reviewed by the Board as part of the annual Internal Liquidity Adequacy Assessment Process (ILAAP). ALCO is responsible for managing the balance sheet structure, including the funding plan and its risks.
- To ensure that there is no significant risk that liabilities cannot be met as they fall due, business cash flows are managed and stress tested. The Group and Bank maintain liquid asset buffers of at least 100% of the anticipated outflows seen under internal stress test scenarios (90-day stress) and the regulatory prescribed liquidity coverage ratio (30-day stress).
- Funding and liquidity metrics are monitored through daily liquidity reporting, reported monthly at ALCO meetings and quarterly to the Risk Committee and Board.
- Throughout the year, the Group has moved to a more retail deposit source of funds, having successfully repaid maturing wholesale funding sources. Additionally, the Bank has demonstrated that it continues to have access to the retail deposit market through fixed-rate deposits. The Group has worked closely with our third-party provider, Newcastle Strategic Solutions Limited, to make operational improvements and has broadened the range of retail products it offers to include 30-day and 90-day notice accounts. The Bank will continue to ensure it has sufficient and diverse access to retail deposit markets.

P6 Market

The risk that the net value of or net income arising from assets and liabilities are impacted as a result of changes in market prices or rates, specifically interest rates, currency rates or equity prices.

Links to strategic themes

3

Key considerations

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 the Group and Bank are exposed to are interest rate risk and basis risk (see market risk management section on pages 138 and 139).

Mitigating actions

- The Group and the Bank use interest rate sensitivity gap analysis to inform them of any significant unmatched positions.
- The increased quality of interest rate risk in the banking book (IRRBB) management and the capability to transact external and internal interest rate swaps have significantly enhanced the monitoring and management of market risk.
- The market risk position is reported monthly to ALCO and includes risk appetite metrics set for earnings at risk, market value sensitivity, economic value of equity and basis risk. This includes the risk under different interest rate risk scenarios as prescribed by regulation.
- The Group and the Bank have limited appetite for market risk, which is only taken if essential to core business activities.

Risk Pillar 2: Financial continued

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

Principal risk

P7 Credit

The risk of unexpected credit losses due to customers failing to meet their contractual obligations.

Key considerations

The Group is exposed to credit risk at all stages in the customer lifecycle, which can fluctuate from the point of application and various stages through the agreement. Credit risk is impacted by a number of factors outside of the Group's control, including wider economic conditions.

The Group's credit quality has progressively and materially improved over the year, partly due to the strategy enhancements, improvements in credit decisioning and processes, and targeted credit tightening in response to market and regulatory changes. As a result, overall average customer quality has improved and unit delinquency rates are lower than pre-Covid-19 (see credit risk management section on page 136).

Mitigating actions

- Credit risk is managed within a formal credit risk management framework, consisting of Board-approved risk appetite, credit policies and RCSA.
- The Group Credit Committee assists the Chief Risk Officer in execution of their delegated authorities in overseeing the credit risk management of our portfolios.
- Main credit scorecards continue to be redeveloped based on enhanced modelling approaches and upgraded data sets.
- Credit and affordability strategies continue to be adjusted according to the changing market and economic conditions and tightened where appropriate.
- Portfolio performance monitoring continues to be enhanced to capture newly emerging risks.
- Credit data and management information continue to be augmented by newly available data sources, including the most up-to-date credit reference data and open banking insights sourced through Snoop.
- IFRS 9 models and impairment provisioning processes have been redeveloped with enhanced oversight from the Model Governance Committee.

Links to strategic themes

1 2 4

Risk Pillar 3: Operational

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

Principal risk

P8 Operational

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Key considerations

Operational risk is inherent to our Group's activities and can crystallise in the form of interruption or degradation in the performance or capacity of our technology applications and operational infrastructure. Our inherent operational risk is heightened as we deliver our activities through a multi-site and hybrid colleague working approach, utilising in-house capability, third-party and offshore business support. During 2023, we increased customer operation activity with our existing offshore partners.

Whilst it is not possible, nor cost effective, to fully eliminate operational risk, failure to build resilience and recovery capabilities into business processes can result in customer detriment, loss and reputational damage.

Mitigating actions

- The Group's Three Lines of Defence model ensures there are clear lines of accountability between management which owns the risks, oversight by the Risk function and independent assurance provided by Internal Audit. The model provides continuous integrated assurance over the effectiveness of key controls and swift response and remediation to issues if they arise, supported by an automated and integrated risk management system.
- Operational risk is overseen by the monthly Operations Risk Forum, with clear lines of escalation.
- The RMF has been enhanced to drive improvement of operational risk management assurance activity e.g. RCSA, controls testing programme, risk event management and key risk indicators.
- An Operational Resilience programme is established and on track for regulatory deadlines and continues to test against important business services impacting scenarios.
- A fully implemented supplier management model is in place with a supporting third-party risk management framework being embedded throughout 2024.

Links to strategic themes

1 2 3 4

P9 Technology and information security

The risk arising from compromised or inadequate technology, security and data that could affect the confidentiality, integrity or availability of the Group's data or systems.

Key considerations

The Group continues to operate on legacy IT architecture, which is being addressed by a strategic IT transformation programme. The Group is also progressing its delivery of key security improvement initiatives against the overall cyber security strategy, with a budgeted plan to continually improve its overall security posture.

Mitigating actions

- Technology and change operating model has been revised into a leaner state to reflect the Group's reprioritisation of strategic initiatives, which will utilise the Gateway single technology platform and address key areas of technical debt.
- Technology and information security risk is overseen by the Technology and Change Management Committee, which also monitors and addresses the IT services provision and performance for continuous improvement.
- A Zero Trust/E5 Programme has been initiated, which is designed to deploy protection and defence against our endpoints, mobile devices and servers, whilst generating a consistent security logging and event alerts for analysis and response.
- Cyber initiatives are currently focused on improving areas identified from the voluntary Red Test exercise carried out in H2 2023. Conducting a threat intelligence-led Red Team Test is a recommended action that the Bank of England and the PRA have within the CBEST supervisory tool kit to assess the cyber resilience of firms' important business services.
- IT control effectiveness and risk maturity have been significantly improved following the completion of the IT First Line Control Review and the transition of risk and control ownership into business as usual activity via the use of the Group's risk management system.

Links to strategic themes

1 4

Risk management and principal risks continued

Principal risks continued

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

Principal risk

P10 People

There is a risk that we have insufficient operational capacity and colleagues with the right skills in meeting our financial, customer and regulatory responsibilities.

Links to strategic themes

1 2 3 5

Key considerations

The Group has undergone a significant centralisation programme and extension of our offshore capability, which has led to a reduction in overall headcount as we seek to become leaner, more efficient and effective in serving our customers. It is essential we have effective leadership to manage colleague resources, effective talent and succession management and promote colleague engagement and wellbeing.

A colleague survey was conducted on our behalf by Great Place to Work in December 2023. We scored 56% for our overall colleague engagement score, which is reflective of the extent of change in Q4 2023. Further details can be found on page 16.

Mitigating actions

- 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 have partnered with Great Place to Work to support our colleague engagement and culture agenda.
- We have and maintain management responsibilities maps and succession plans, which are in place for executive management and senior colleagues.
- Consistent frameworks have been embedded for Group reward, performance management and talent management.

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

Principal risk

P11 Strategic performance

The risk of making and/or executing poor strategic decisions related to acquisitions, products, distribution etc. as a result of ineffective governance arrangements, processes and controls.

Links to strategic themes

1 3

Key considerations

The Group is initiating a strategic redirection, which seeks to strengthen and grow the business in an effective and sustainable manner, meeting the needs of all our stakeholders. Effective risk management is critical to both the delivery of strategy and maintaining our existing commitments in a safe and controlled way.

Mitigating actions

- 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.
- Strategic and emerging risks are reported to the Risk Committee and Board. Throughout the year, the CRO has highlighted a significantly high level of change across the Group to both its strategic objectives and operating model, and the broader plans in place to stabilise the business, which has increased strategic performance risk and thus remained a key focus.
- The Risk function has had an active role providing oversight, challenge and support to the range of strategic initiatives that have been implemented during the year, which encompass the offshoring of aspects of customer services, the reduction in the Group's TCR, the delivery of Gateway across the Group and, more recently, the strategy development.
- The Group continues to quantify the actual and potential impacts of climate-related risks and opportunities on our business, strategy and financial planning. ICAAP activity takes account of material climate-related financial impacts, meeting PRA requirements. Further detail of the governance and management of the climate-related risks and opportunities and our TCFD disclosure can be found in the sustainability section from page 19.

P12 Model

The risk of financial losses where models fail to perform as expected due to poor governance (including design and operation).

Links to strategic themes

2 3

Key considerations

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

Mitigating actions

- A model risk management framework, policies and standards are in place and align with the PRA's Model Risk Management Principles.
- A Model Risk Committee has been established to provide model risk oversight with supporting technical forums created to review model developments and model performance monitoring across the Group.
- A model inventory is in place and reviewed on a regular basis.
- Material models are independently validated and corresponding validation findings and actions are regularly tracked.
- Planned enhancements to existing IFRS 9 models and the model monitoring framework have been completed.

Viability statement

In accordance with the 2018 FRC Corporate Governance Code, the directors confirm that they have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the next three years to 31 December 2026 (the Viability Period). The Viability Period represents the period over which the Board has a reasonable degree of confidence over anticipated events, including prospects for the macroeconomy, and also provides an appropriate outlook over the medium to long term.

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

- the Group's corporate plan, updated in 1Q24 to capture latest outer year projections, which sets out financial, capital, liquidity and funding projections, together with an overview of relevant risks;
- the principal and emerging risks which could impact the performance of the Group;
- a severe but plausible stress testing scenario, which is designed to assess the potential impact of certain underlying risks on the Group's capital and funding resources, together with the availability and effectiveness of mitigating actions; and
- reverse stress testing analysis, which is designed to assess the point at which the Group is no longer a viable concern.

The Group's corporate plan was approved by the Board in March 2024. In doing so, the Board has reviewed detailed forecasts for the three-year period to December 2026 and also considered less detailed forecasts for 2027 and 2028. These higher-level, outer year forecasts do not contain any information which would cause different conclusions to be reached over the longer-term viability of the Group.

The Group's annual planning process takes into account the Group's strategic objectives and business model. The business model focuses on relatively short-term lending to consumers and operates conservative underwriting. The plan makes certain assumptions about the regulatory environment, future economic conditions and anticipated changes within the markets in which the Group operates and also makes an assessment of the Group's ability to fund new business growth.

The Board obtains independent assurance from Group Risk over the alignment of the corporate plan with the Group's strategy and the Board's risk appetite. Specific focus is placed on capital risk as well as liquidity and funding risk. The assessment also considers the key risks which may impact delivery of the Group's operating plan. The Group's principal risks are included on pages 46 to 50.

The corporate plan is based on a macroeconomic scenario which was in line with market consensus estimates and which assumes that the UK economy would remain weak, with expectations of relatively flat GDP through 2024 driven by a sustained elevated UK Bank Rate and a higher tax burden. Inflation is expected to remain at ~4% in early 2024 before subsequently falling through the second half of 2024 and beyond. The plan assumes that the UK unemployment rate rises in 2024 and 2025, peaking above 5% in 2026.

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

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

The corporate plan has been stress tested using a severe macroeconomic scenario which is broadly consistent with the "rates-up" scenario published by the PRA on 14 October 2022. The stress test scenario envisages that the UK economy enters a period of stagflation in 2023 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 could include but are not restricted to restricting variable pay, reducing lending growth, and/or changing the dividend payout. The corporate plan has also been reverse stress tested to the point of non-viability after reflecting available mitigating actions. The viability assessment concluded that the Group's viability only comes into question under an unprecedented macroeconomic scenario.

The directors also considered it appropriate to prepare the financial statements on the going concern basis, as set out on page 92 and page 129.

Chairman's introduction to governance

> "It has been a year of change and challenge. As I commence my tenure as Chair, I am encouraged by the focus on strategic clarity and operational discipline, supported by our governance and culture, which aims to deliver sustainable success for the benefit of all stakeholders."
>
> **Sir Peter Estlin**
> Chairman

This report explains the main aspects of the Company's governance structure to give a greater understanding of how the Company has applied the principles and complied with the provisions of the Code. The Corporate Governance Statement also explains compliance with the FCA's Disclosure Guidance and Transparency Sourcebook. The UK Corporate Governance Code is published by the Financial Reporting Council (FRC) and is available on its website, www.frc.org.uk. The Board considers that for the year ended 31 December 2023 the Company complied in full with the provisions of the 2018 UK Corporate Governance Code (the Code). Further information on the Company's corporate governance arrangements and compliance with the Code can be found as follows:

Dear Shareholder

I am pleased to introduce the Corporate Governance Report for 2023 on behalf of the Board, my first as Chairman, having joined the Board as a non-executive director in April 2023 and taking over as Chairman in September 2023. I am delighted to have joined Vanquis Banking Group and look forward to working with, and supporting Ian, the executive team and our colleagues to deliver on our Purpose.

I have spent time getting to know people across the business, and have been greatly impressed by the calibre of our employees and the collegiate culture as we set out to achieve our refreshed strategic ambitions. You can read in detail about our story and our strategy in our Strategic Report on pages 1 to 31. 2023 has been a challenging year for the Board and executive team. Externally with economic uncertainty, including a steep rise in interest rates, we were, and remain, mindful of the challenges these factors pose for our customers. The rise, particularly in the fourth quarter of 2023, of speculative complaints from CMCs has created additional headwinds. Nevertheless, we remain focused on supporting our customers well and providing products and services that deliver good customer outcomes. Alongside this, we have sought to re-instil an appropriate operating discipline. We are not a social enterprise, but a commercial organisation with the 'S' in ESG at the core of our business.

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

Our Purpose and culture

At the heart of everything we do is our Purpose, to deliver caring banking so our customers can make the most of life's opportunities. In late 2023 we announced we were conducting a strategy review and would inform stakeholders of the outcome of the review as part of our results process in March 2024. The strategy review looked at our Purpose, and it has been refreshed to reflect the changes we have made, and will now be embedded in the Group, and its culture, as we start to implement our strategy in 2024.

I am pleased to report that we delivered our Consumer Duty Programme including the Governance workstream which delivered enhancements to our reporting to ensure that the customer and customer outcomes are ever present in our decision making. The Group has been working towards better integrating its businesses for some time and this year we took a major step toward this with the appointment of a Chief Customer Officer. Jill Armstrong joined the Group in this role in early 2024 to support the development of a clear and consistent customer proposition across all our products. You can read more about how we support our customers on pages 9 to 11 and 29 to 31 of our Strategic Report.

Our inclusion and diversity ambition remains to build and sustain an inclusive culture and diverse workforce which will help us to respond to the needs of our diverse customer base and support our Purpose. I have been impressed by the Group's now well-established inclusion and diversity framework; the high levels of colleague engagement with the Affinity Groups encourage open conversations and sharing of ideas.

You can read more about the Board's role in shaping and overseeing our culture during 2023 on pages 61 and 62 and in our CCE Committee Report on page 78. You can also read about the Board's activities in relation to the oversight of inclusion and diversity in our leadership team and wider workforce in our Nomination Committee Report on pages 73 to 77.

Board composition, succession and effectiveness

There were a number of Board changes in 2023 in addition to my appointment. In August 2023, Ian McLaughlin joined the Board as Chief Executive Officer and member of the Board. Ian is a highly experienced banking CEO and has a strong track record of delivering growth through improving customer service and enhancing distribution throughout his extensive financial services career in consumer finance. Dave Watts joined as Chief Financial Officer in November 2023 and is an experienced CFO with extensive banking knowledge. Michele Greene joined as non-executive director in March 2023 and is a member of the Nomination and Risk Committees. You can read more about Ian's and my appointments and the Nomination Committee's work on pages 73 to 77.

Andrea Blance, our Senior Independent Director (SID), stepped down at the end of January 2024 after seven years of service and Angela Knight, a valued member of the Board and Chair of the Risk Committee, has taken on the role of SID. I would like to thank Andrea for her dedicated service to the Group since her appointment and for leading the recent Chair succession and appointment process. A number of our non-executive directors are approaching the end of their second three-year terms in 2024 and as such the Nomination Committee has been taking actions to ensure proactive and robust plans are in place for succession. At its meeting held on 26 March 2024, the Board noted that Elizabeth Chambers and Margot James had decided to step down from the Board with effect from 15 May 2024 and would accordingly not submit themselves for re-election at the 2024 AGM. I wish to thank them for their valued contribution to the Board during their tenures. At their 26 March 2024 meetings, the Nomination Committee and Board approved the appointments of Karen Briggs, Oliver Laird and Jackie Noakes as non-executive directors with effect from 27 March 2024. Karen, Oliver and Jackie will submit themselves for election at the 2024 AGM. You can read their biographies on our website and in the 2024 AGM Notice when published, and we will report on their appointment processes in next year's report. Diversity and inclusion also continues to be a focus area for our Nomination Committee when reviewing our Board composition, talent and succession plans. You can read more about both these activities in the Nomination Committee Report.

This year the Board undertook an internally facilitated performance review, the results of which are discussed on pages 71 and 72 alongside progress that we have made to address our 2022 review actions. Several strengths were noted in the report, including that of the Board committees, which continue to remain fit for purpose. The Board is keen to ensure that a simple, purposeful and efficient governance structure is maintained and agreed to reduce the size of the Board to nine members over time, whilst ensuring the Board has the appropriate balance of skills, experience and diversity. Following the positive progress made by the Customer Culture and Ethics (CEE) Committee, oversight of the areas within the CCE Committee's remit have been moved to the Board and other Board committee agendas. Our new NEDs bring strong technology, operations, risk and audit skills as identified in our Board Skills Matrix.

Effective risk management and governance

The Board, through its Risk Committee, has paid particularly close attention to strategic performance risk as a result of significant changes taking place in the Group during the year. The Risk Committee received enhanced risk reports throughout the year and will continue to be mindful of the financial challenges facing our customers. With strategic performance risk top of mind, the Risk Committee has requested specific second and third line assurance over prominent projects.

Our principal risks were updated during 2023 recognising the evolution of the breadth and types of risks the Group is exposed to and its operating environment. A description of the Group's principal risks and mitigating actions can be found on pages 44 to 50.

The Group's Risk Harmonisation programme concluded in December 2023 and is delivering on its objective to provide an integrated and stable approach to risk management across the Group. You can read more about risk management and our principal and emerging risks and mitigations, on pages 44 to 50. The report from our Risk Committee can be found on pages 84 to 86.

Growth and sustainability

The Board continues to provide oversight and challenge to the executive team to ensure the Group's strategy is truly purpose driven, achievable and ultimately delivered. You can read more about how we have overseen strategy on pages 57 to 58 and about our principal decision on the acquisition of Snoop on page 41.

Stakeholders and section 172 of the Companies Act 2006

Effective engagement with our stakeholders, employees and wider stakeholders is key to sustainable success. Under section 172 of the Companies Act 2006, directors must act in a way they consider in good faith, would be likely to promote the success of the Company for the benefit of its shareholders as a whole. In its decision making, the Board also considers wider stakeholder interests. Our Section 172 Statement, which explains how the directors have discharged their responsibilities during the year under review, can be found on pages 40 and 41.

For further information on environmental, social and governance (ESG) matters, please see our Sustainability Report and Task Force on Climate-related Financial Disclosures (TCFD) on pages 14 to 28.

Annual General Meeting

Our AGM will be held at 3.30pm on 15 May 2024 at the offices of Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London, E14 5JJ. I look forward to meeting shareholders at the AGM, together with my fellow directors.

Sir Peter Estlin
Chairman
26 March 2024

Board of Directors

Our Board

Sir Peter Estlin
Chairman

N

Appointed as Chairman: 15 September 2023

Joined the Board: 19 April 2023

Tenure: Less than 1 year

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

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

- A strong leader with significant finance and accounting experience gained in professional services and banking, further complemented by expertise across systems management, financial reporting and accounting, investor relations, treasury management, and mergers and acquisitions.
- Extensive governance experience having served on the boards of commercial companies, government bodies and numerous charitable foundations.
- Wealth of knowledge of the financial markets and experience implementing strategy, including significant corporate transaction work and execution of transformation projects.
- Experienced non-executive director and chair.

Current external appointments:
- Non-Executive Director of Rothschild & Co, NM Rothschild and WAM Co Rothschild.
- Chair of FutureDotNow.
- Non-Executive Director of the Institute for Apprenticeships and Technical Education (IfATE).
- Trustee at Ironmongers Trust Company.
- Chair of Association of Apprentices.
- Alderman for City of London Corporation.

Ian McLaughlin
Chief Executive Officer

D

Appointed: 1 August 2023

Tenure: Less than 1 year

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

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

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

Current external appointments:
- None.

Dave Watts
Chief Financial Officer

D

Appointed: 1 November 2023

Tenure: Less than 1 year

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

Dave's contribution to the Board, key strengths, skills and reasons for election:
Dave has over 35 years of financial services experience. He has a proven track record executing strategy while supporting both the business and support functions, delivering on significant challenging multi-year transformations and projects while enhancing engagement with all stakeholders.

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

Current external appointments:
- Non-Executive Director of CAF Bank.

Committee key:

A Audit Committee
C* Customer, Culture and Ethics Committee
D Disclosure Committee
N Nomination Committee
Re Remuneration Committee
Ri Risk Committee
Committee Chair

Elizabeth Chambers
Independent Non-Executive Director

C* N Ri

Appointed: 31 July 2018 (to stand down on 15 May 2024)

Tenure: 5 years

Career and experience:
Elizabeth is an experienced board director, senior financial services executive, strategist and marketing leader in the UK and globally. Her previous board experience includes being a Non-Executive Director at Hastings Group plc, Dollar Financial Group, Hibu plc (formerly Yell Group) and The Home and Savings Bank. Elizabeth served on the board of Western Union International Bank as Chief Strategy, Product and Marketing Officer and boards relating to consumer finance joint ventures between Barclaycard and other brands, such as Argos and Thomas Cook. She has extensive executive experience through roles including Chief Marketing Officer at Barclays and Barclaycard, Enterprise Marketing Executive at Bank of America and Partner at McKinsey & Company.

Elizabeth's contribution to the Board, key strengths, skills:
Elizabeth brings more than 30 years of experience in strategy, marketing and product development across a range of financial services. As an executive, she has a long track record of driving revenue growth and solving complex business challenges at major global financial institutions. In various roles she has led businesses through brand and reputation transformations, strengthened customer acquisition and engagement, built innovative digital businesses, and led major business turnarounds.

- C-suite marketing and communications executive, board director and strategist.
- Proven people leader.
- Broad and deep knowledge of financial services, including credit cards and payments products, a wide range of customer loan segments and marketing in a regulated environment.
- Substantial expertise in turnarounds, as well as M&A and cultural change.
- Wide exposure to international operations and the unique challenges of leading them.

Current external appointments:
- Non-Executive Director of Wise Plc.
- Non-Executive Director of TSB Bank Plc.
- Non-Executive Director at Evelyn Partners and its subsidiaries.
- Non-Executive Director at Currensea Limited.
- Operating Partner for Searchlight Capital and its portfolio companies.
- Non-Executive Director of University of Colorado Health Authority (non-profit).

Paul Hewitt
Independent Non-Executive Director

A N Ri

Appointed: 31 July 2018

Tenure: 5 years

Career and experience:
Paul is an experienced chief financial officer, chairman, non-executive director and audit committee chair who operates in a number of different sectors. Paul's past non-executive director roles include chairing the audit committees of Tokio Marine, Kiln, NEST Corporation, Tesco Bank, Collins Stewart Hawkpoint and Charles Taylor Plc. He began his executive career in finance, working for over 20 years as a finance director of various companies, culminating in becoming Deputy Group Chief Executive and CFO of the Co-operative Group between 2003 and 2007.

Paul's contribution to the Board, key strengths, skills and reasons for re-election:
Paul's varied and wide-ranging career is built on a successful career in finance. He has a track record of creating and realising value for shareholders and has worked across a number of sectors including financial services, technology, healthcare, retail and business services. Through his non-executive roles he has helped several management teams adapt their business models to respond to, and anticipate, changes in their competitive and regulatory environments. In both his executive and non-executive career he has had extensive experience of transactions and ensuring that businesses have an appropriate financial structure.

- Experienced non-executive director, chairman and chief financial officer.
- Broad experience of the financial services industry and the regulatory environment.
- Strong track record in delivering good returns for shareholders.
- Extensive experience of transactions.
- Broad experience as both an executive and a non-executive of developing and challenging business strategies.
- Has helped several management teams adapt business models in anticipation of changes in their environments and markets.

Current external appointments:
- Non-Executive Director of Trust Alliance Group Limited.
- Non-Executive Director of ICNH Limited (trading as DrDoctor).
- Non-Executive Director of Optalitix Limited.
- Non-Executive Director of Previsico Limited.

Angela Knight
Senior Independent Non-Executive Director

A N Ri

Appointed: 31 July 2018

Tenure: 5 years

Career and experience:
Angela has extensive experience in both the public and private sectors. Prior to joining the Board, Angela was CEO at Energy UK, the British Bankers Association (BBA, now UK Finance) and APCIMS (now Personal Investment Management and Financial Advice Association). She was previously a Member of Parliament and Treasury Minister between 1992 and 1997 and was the Chairman of the Office of Tax Simplification from December 2015 to March 2019. Previously Angela was also a Non-Executive Director at Taylor Wimpey plc and Senior Independent Director at TP ICAP plc.

Angela's contribution to the Board, key strengths, skills and reasons for re-election:
Her experience in the public sector means Angela has a strong understanding of the expectations of regulators and other public stakeholders. This combination means she is a skilled director who knows how to manage organisations and how to challenge management to deliver. Angela's thought leadership, and technical and policy skills, as well as a deep understanding of the financial sector, are demonstrated through her leadership of the repositioning of Energy UK in the energy sector and of the BBA through the banking crisis.

- Experienced Government Minister, CEO, chair and non-executive director.
- Wealth of knowledge of the financial services sector.
- Deep knowledge of regulated industries.
- Adept at solving difficult problems with effective solutions.
- Understanding of public presentation, in particular as a proficient public speaker.

Current external appointments:
- Non-Executive Director at Arbuthnot Latham & Co.
- Non-Executive Director at Encore Capital Group, Inc.
- Chair at Pool Reinsurance Company Limited.

* Biographies show Committee membership at the point the Committee was stood down at the end of 2023.

Board of Directors continued

Graham Lindsay

Independent
Non-Executive Director

C* N Re

Appointed: 1 April 2019

Tenure: 4 years

Career and experience:
Graham has held a number of senior executive roles, including responsibility for the Lloyds branch network and as Corporate Responsibility Director. Graham joined the Wonga UK board in 2016 as part of the new leadership team engaged to improve the business and deliver change. Graham sat on the board of the Institute of Banking & Financial Services and on the Professional Standards Board. He is Senior Independent Director at One Family, a mutual life assurance business.

Graham's contribution to the Board, key strengths, skills and reasons for re-election:
Graham brings to the Board extensive experience in commercial and retail banking following a 40-year career at Lloyds Banking Group and a deep understanding across all distribution channels. Graham has had demonstrable success in focusing organisations on their customers, ensuring they are at the heart of decision making and product design. Graham also has a strong appreciation of the Group's regulatory environment.

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

Current external appointments:
- Senior Independent Director at OneFamily.
- Chair of the Remuneration Committee and the Pension Trustee Board.
- Emeritus Trustee of The Brain Tumour Charity.

Margot James

Independent
Non-Executive Director

C* N Re

Appointed: 27 July 2020 (to stand down on 15 May 2024)

Tenure: 3 years

Career and experience:
Margot served as a Member of Parliament between 2010 and 2019 and has held a number of ministerial offices, latterly as Minister of State for the Department of Digital, Culture, Media & Sport, where she championed the interests of both industry and consumers in the digital world. In her role as Parliamentary Under-Secretary of State at the Department for Business, Energy & Industrial Strategy, Margot had responsibility for small businesses, consumers and corporate governance, including labour markets and the retail sector.

Margot's contribution to the Board, key strengths, skills:
Margot has a wide-ranging successful career in both the public and private sectors. Her public sector experience provides Margot with a strong understanding of the expectations of regulators and other public stakeholders, as well as strong knowledge of corporate governance, labour markets and the UK's technology and retail sectors. She has a track record of driving value for shareholders and has a demonstrable record as a successful entrepreneur and CEO.

- Experienced Government Minister and Member of Parliament.
- Results-focused entrepreneurial business owner.
- Strong track record as a CEO and business leader.
- Non-executive director and chair experience.
- Deep governance knowledge.
- Strong relationships with wider stakeholders in a variety of sectors.

Current external appointments:
- Executive Chair WMG at the University of Warwick.
- Emeritus Governor of the London School of Economics.
- Non-Executive Chair at Taso Advisory.

Michele Greene

Independent
Non-Executive Director

C* N Ri

Appointed: 9 March 2023

Tenure: 1 year

Career and experience:
Michele is a highly experienced finance professional at executive and board level. She has held senior roles at Virgin Money and MBNA Europe Bank and, prior to that, she worked across various finance functions at Goldman Sachs, Credit Lyonnais and KPMG Dublin. At Virgin Money, Michele was Director of Strategic Development, where she was responsible for establishing a credit card business on a newly built IT platform and was subsequently appointed as the Managing Director of the Virgin Money Digital Bank. Prior to that she was the Chief Financial Officer of MBNA Europe Bank between 2005 and 2013. In 2018 Michele co-founded Mololo Limited, a boutique advisory company specialising in helping companies in the payments and unsecured lending space.

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

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

Current external appointments:
- Executive Director and co-founder of Mololo Limited.
- Non-Executive Director of Bank of Ireland Group plc.
- Non-Executive Director with J&E Davy Unlimited.
- Non-Executive Director of East End Fair Finance Limited.

Setting our strategy

The Board is the principal decision-making body of the Group and is committed to promoting the long-term success for the Group whilst maintaining a high standard of corporate governance.

1. **Customer centricity**
2. **Insightful risk management**
3. **Efficient organisation**
4. **Digital, tech, data and analytics**
5. **People and culture**

In October 2023 the Group announced the initiation of a full review of its strategy and its strategic ambition to become the outstanding customer champion in our target market segment. Following review and approval by the Board, the Group's strategy and strategic drivers were reset, as detailed on pages 9, 57 and 58. The Board reviewed and discussed the Group's strategic refresh across a number of meetings, including the outcome of a bottom-up assessment of the Group's customer and customer segmentation strategy, and approved the strategy in March 2024. The Board will continue to work closely with the Executive team to provide guidance, support and oversight as the strategy is implemented. On pages 59 and 60 you can see a review of the Boards activities during the year and how these link to the Group's strategy and on pages 41, 58, 60, 65 and 74, we report on some of the key strategic decisions made by the Board during the year, including the strategy refresh as set out below. The Group recognises the importance of fostering an inclusive culture to execute our strategy in a sustainable manner. Reflecting this, management sought to make the strategy setting as inclusive as possible, with colleague representatives from across the Group attending delivery committee meetings and over 160 colleague volunteers contributing to the workshops. Further details on the alignment of our culture with our strategy are on pages 9 to 11.

As part of the strategic refresh, it is important to ensure our Purpose continues to clearly align with the changes to our strategy, in order to guide our decision-making. To support this, a review of our Purpose was undertaken alongside the review of our strategy, which you can read more about on page 58.

Effective governance supporting delivery of strategic aims

The Board is responsible for approving the Group's strategy, as detailed in the Matters Reserved for the Board, and for reviewing its implementation.

In carrying out their roles, the Board has established committees who each have their own roles to support the delivery of our strategy. The role, remit and activities of each of the committees of the Board are summarised in the committee reports on pages 73 to 86.

With this in mind and responding to the Board's own effectiveness evaluation and with a view to heightening the Board's focus and attention on our customers, the Board has decided to cease the CCE Committee in 2024 and embed most of its Customer-related responsibilities into the Board thus , enabling the Board to directly oversee all customer aspects of the implementation of the strategy. In support of good governance we have a Group Delegated Authorities Manual which clearly indicates which forum key strategic decisions can be made and is available to all colleagues on our intranet. We have formally documented the division of responsibilities between our Chairman and CEO supporting both to execute their responsibilities regarding the design, execution and oversight of the strategy.

Examining performance and implementation

Strategic KPIs are regularly reported to the Board, through management reports, to monitor the implementation of our strategy. The Group CEO and CFO each report to the Board on the Groups operational and financial performance against budget and strategy. The Committee Chairs report to the Board at each meeting on the work of their committee and escalate any concerns or risks for the Board's attention. The CEO and Executive Committee are responsible for developing, proposing and implementing the Board approved strategy in line with the Culture, Purpose and Values of the Group. In doing so, it is responsible for managing the Group's risks alongside the Risk Committee where these risks are overseen in greater detail.

A transformation programme has been established to deliver the new strategic direction and our customer-centric strategy will be implemented over the next coming years and will be delivered by a dedicated central transformation office.

The components of our strategy are supported by our strategic objectives. To deliver our Purpose, we will serve our customers with differentiated solutions that meet their needs, current, emerging and future, across lending, Snoop (money management insights) and savings; supported by insightful risk management; operational efficiency and effectiveness through our exiting platforms supported by technology enhancements; and people and culture.

Setting our strategy continued

Principal decision: H2 2023 performance reset plan and strategy review

The Board approved the performance reset programme and oversaw the Group's strategic review, which sought to establish a customer-centric strategy for the Group to deliver sustainable returns.

Decision making process

In September 2023 the Board considered a recommendation to change the Group's short-term strategy. The Board supported a performance reset plan (the Reset) which articulated the swift management actions required to return the Group to a path of sustainable, profitable growth. The Board also supported a proposal to initiate a wider strategic review that would seek to redefine the Group's medium and long-term strategy and which has been titled 'North Star'.

To remain agile in the execution of the Reset proposals and considering the relevant expertise of its members, the Board established a sub-committee of the Board to oversee and support its implementation. The Board and sub-committee received detailed reports from the second line and third line providing assurance over the significant change and possible risks arising from the simplification of the operating model and resulting redundancy programme.

In its consideration of the medium and long-term strategy in December 2023 and January 2024 the Board received updates on the strategic review, including progress made in relation to our customer strategy and regarding the 14 other workstreams subject to the review. The Board discussed the developing customer strategy and the competitive environment, noting the review sought to refocus and orientate the Group's strategy on its customers, as opposed to being based on its products, in order to deliver a compelling customer proposition and deliver attractive, sustainable returns for shareholders. The Board considered how the Group would focus on making customer journeys as intuitive and accessible as possible and on the Group's distribution strategy. The Board also received an update on how insightful risk management and empowered colleagues would enable delivery of our customer-focused strategy. Management progressed to refresh the Purpose and further develop the strategy during the first quarter of 2024 which was approved by the Board on 26 March 2024. You can read details of the strategy on page 9.

Long-term consequences

Whilst naturally having a short timeframe for execution, the Reset plan was considered by the Board as fundamental and critical to the long-term stability of the Group, contributing to its overall efficiency and sustainable value creation. The Board oversaw that the redundancy programme undertaken in 2023 had been completed sympathetically and compliantly. The work of the Colleague Forums, at some of which the Designated Non-Executive Colleague Champion had been present, had been instrumental in delivering this outcome and a number of colleagues' counter-proposals had been accepted. The Board recognised that structuring as a customer-centric organisation allowed future flexibility from a product and services perspective and drove efficiency and alignment across the organisation. The wider strategy review had the longer-term interests of the Group at its heart, with the purpose of the review being to build and drive a sustainable, customer obsessed business. The review of the Group's Purpose, which has been operated in parallel with the strategy review, underlined the long-term approach taken.

Balancing stakeholder interests

The Board oversaw management developing the strategy having sought suitable professional and independent advice and in collaboration with its stakeholders, corporate brokers, colleagues and customers. The Board had encouraged the collaboration with colleagues and was heartened by the participation of more than 160 colleagues in the workshops and roadshows throughout the organisation to help define the strategy and refresh the Group's Purpose, demonstrating the colleagues' passion for its customers and the business. Senior leaders were also significantly involved in the review of our Purpose. Qualitative and quantitative customer research had been completed and presented to the Board to identify the Group's target customer segments. Delivering sustainable returns for shareholders is at the heart of the strategic planning process. The Board noted that management had maintained proactive dialogue with its regulators and considered carefully how colleagues were impacted by its Reset plan and the proposed strategy, and how people and culture were enablers of the delivery of the new strategy.

Challenges

The Board recognised that there had been a large amount of change in the Group and that the Reset and customer-centric strategy required collaboration and support from all stakeholders, particularly colleagues and shareholders. The Board noted the actions taken by the refreshed executive management team to unify and inspire colleagues through an engaging, open and accountable communication style. The Board also recognised the efforts to connect with shareholders and that a comprehensive Strategy Seminar had been arranged for 27 March 2024.

Links to stakeholders

Links to strategic themes 1 2 3 4 5

Links to risks P1 P2 P4 P5 P8 P10 P11

Links to s.172

Links to stakeholders	Strategic themes	Links to risks	Links to s.172
Customers	1 Customer Centricity	P Find our key risks on page 44 to 50	The likely consequences of any decision in the long term
Shareholders	2 Insightful Risk Management		The interests of the Company's employees
Colleagues	3 Efficient Organisation		The need to foster the Company's business relationships with suppliers, customers and others
Communities	4 Digital, Tech, Data and Analytics		The impact of the Company's operations on the community and the environment
Regulators and Government	5 A great people proposition		The desirability of the Company maintaining a reputation for high standards of business conduct
Suppliers			The need to act fairly as between members of the Company

Promoting long-term sustainable success: Board focus areas during 2023

Board meetings follow a carefully considered agenda that is agreed by the Chairman, in conjunction with the CEO and General Counsel and Company Secretary. Board meetings comprise the matters required to ensure effective performance and governance of the Group, including operational and financial performance, governance matters and chosen deep dives into areas of strategic importance. The following pages provide examples of key Board activities during the year.

Strategy 1 2 3 4 5	Links to s.172	Links to stakeholders
The Board oversaw the review of our strategy and approved the updated strategy in March 2024. See page 58.		
Approved the acquisition of Snoop. See page 41.		
Reviewed progress of the Group's second charge mortgage business and its future strategy, providing approval to implement the necessary next steps to develop the business. The Board discussed the risk control environment and processes implemented for the second charge mortgage business.		
Reviewed how the Group was perceived externally and the approach to further developing the Group's reputation following its repositioning as a specialist banking group. The Board discussed its engagement approach with key external stakeholders.		

Budget, financing and performance 1 3	Links to s.172	Links to stakeholders
Approved the 2024 Budget.		
Approved a final ordinary dividend for recommendation to shareholders and the payment of an interim dividend.		
Reviewed and approved changes to the Group's intra-group funding arrangements in order to support effective implementation of the Group's funding strategy.		

IT, cyber and resilience 1 2 3 4 5	Links to s.172	Links to stakeholders
Reviewed the progress of the development and implementation of the Group's technology strategy, including benefit realisation, alignment with the Group's strategy and customer goals, risk management, areas for enhancement and the associated people strategy.		
Received updates on our technology and change teams and portfolios and how they supported delivery of the Group's strategic priorities and objectives. The Board was updated on the impact of IT system outages, information security and data strategy.		
Reviewed the Group's operational resilience self-assessment and reviewed the implementation of the action plan to enhance operational resilience. Reviewed the Group's business continuity management arrangements and preparedness.		

Governance and risk 2 3 4	Links to s.172	Links to stakeholders
Approved a retail shareholder engagement programme and a programme to trace gone-away shareholders and reunite them with their shares and unclaimed dividends.		
Received an investor update, including feedback on investor views and priorities, and discussed the Group's investor engagement strategy.		
Regularly reviewed the Group's principal risks and considered the annual assessment of the effectiveness of our risk and internal control framework.		

People and culture 1 2 3 5	Links to s.172	Links to stakeholders
Oversight of the outsourcing of activities, including consideration of the benefits case, customer needs and any impact of outsourcing on them and on colleagues.		
Reviewed the results of the Colleague Survey and Culture Survey. The Board considered the themes and insights from the results and discussed the action planning approach in relation to opportunity areas, including in relation to culture and values.		
Received a whistleblowing update, considering whistleblowing activity and proposed enhancements to the whistleblowing process for 2023 and provided approval of changes to the Whistleblowing Policy.		

Promoting long-term sustainable success: Board focus areas during 2023 continued

Customer and regulatory 1 2 4 5	Links to s.172	Links to stakeholders
Received an update on customer complaint performance and resolution, including progress on root cause analysis and how this was being used to improve the customer journey.		
Reviewed progress on the Group's response to the implementation of the FCA's Consumer Duty. The Board was updated on what changes had been made to align with the Consumer Duty and how oversight would be in place to ensure continued alignment.		
As part of its oversight of the review of the Group's strategy, the Board considered the Group's customer strategy. See page 58.		
Reviewed progress following the launch of a new vehicle finance personal contract hire product, including project product performance, key risks and mitigations and customer outcomes and feedback.		

Looking forward to 2024, focus areas are expected to include:

- overseeing the implementation of our strategy, including the development of compelling propositions for all target customer cohorts;
- enhancing shareholder engagement; and
- considering longer-term industry issues, such as knowing our customers in a digital world.

Principal decision: launch of new savings products

The Board approved the broadening of the range of savings products the Group offered customers to include 90 and 120-day notice accounts to complement its existing range of one to five-year fixed rate accounts and improve customer choice.

Product governance

As part of our Product Management Framework (PMF), Board approval is required to approve the launch of new products. The PMF enables a consistent approach to managing existing products and developing new products, including design, delivery and ongoing monitoring.

Decision making process

The Board considered the risks and benefits to both the Group and to its customers of VBL introducing notice accounts. It was noted that Notice Accounts support the diversification of the Group's product offering, diversifying the Group away from the competitive environment and concentration risk of fixed-term deposits. The Board also considered how Notice Accounts supported the Group's funding strategy and formed part of its retail banking strategy, noting that the Group's stable and contractual funding mix created some capacity for behavioural-based deposits while also reducing some of the refinancing risks of fixed-term deposits. The risks and benefits case for the Notice Accounts also considered the impact of introducing the products on the Group's liquidity.

The Board reviewed the benefit to customers of Notice Account products in the context of the customer saving needs identified by the FCA in its research, which would provide customers with more choice and enable the Group to attract and meet the saving needs of more customers, so increasing the pool of available funds to the Group, but that required prudent management for the risk of unexpected outflows. The Notice Account proposal presented to the Board set out how the product was aligned with the Consumer Duty and included a fair value assessment. The Board considered how the product would be operated in conjunction with an external service provider and discussed and challenged management on the required capabilities of that supplier to ensure customers could be provided with the necessary service levels. The Board also noted the capabilities and process changes required for colleagues to introduce the new product.

The Board was provided an assessment of the risks associated with the launch of the Notice Account products, including funding, liquidity, market, legal and operational risk. Risk parameters were agreed as appropriate to the product.

Approval

Following due consideration, the Board approved the introduction of a 90-day and 120-day Notice Account into the VBL savings product portfolio.

Links to stakeholders **Links to strategic themes** 1 2

Links to risks P1 P2 P4 P5 P11 **Links to s.172**

The Board: our culture

Refreshing our business values to underpin the culture we want to create – The Vanquis Way

We know that culture is an important strategic differentiator and fundamental to our success to deliver our Purpose, mission and strategic priorities.

As reported on page 9, our strategy review has led us to review and re-articulate our Group Purpose: 'to deliver caring banking so our customers can make the most of life's opportunities.' The Board has overseen the review of our strategy and reviewed and agreed the re-articulation of the Group's Purpose.

During the year we also launched The Vanquis Way, recognising that a big part of coming together as Vanquis Banking Group and evolving the way we do things was the need to establish collective cultural standards and agree expectations for this new phase of our journey. The Vanquis Way articulates how we come together to achieve long-term success and make our business a great place to work and you can read more about this on pages 61 and 62. As reported on page 62, during the year a Culture Survey was undertaken to help us understand where we were getting it right with fostering our desired culture and where we need to do better. As the Board committee is responsible for overseeing our culture, the CCE Committee reviewed the results of this survey, as set out on pages 61 and 62.

1 Leading by example

The Board and its members play a key role in supporting the embedding of the desired culture through leading by example. Our governance framework reflects the key role the Board plays in culture, with the Board and its committees each having responsibility for areas where culture can be monitored, as described further below. This is underpinned by an appropriate flow of information, enabling the Board and its committees to oversee management and challenge performance, culture and strategy. Our Board understands that a strong culture, supported by good governance, enables long-term growth and generates sustainable value for our stakeholders. You can also read about how the Board has had regard to the interests of our stakeholders and their s.172 responsibilities to deliver long-term growth on pages 40 and 41.

We have a Designated Non-Executive Colleague Champion, who is also the Consumer Duty Champion. This is a key role in facilitating the Board's oversight of our customer-focused culture. The Board recognises the importance of colleague feedback to embedding our culture and taking action when needed. Our Designated Non-Executive Colleague Champion attends Colleague Forum meetings and undertakes other colleague engagement, feeding back colleague views in order to shape Board discussion and consideration. You can read more about this on page 67. Feedback is collated through various other mechanisms such as the Colleague and Pulse Surveys, Colleague Forums, policies and whistleblowing tools, the output of which is reported through various Board committees. This year we have seen a shift in the role that the Colleague Forum Chairperson plays, taking a more active role in leading the agenda and driving the actions. We have also seen more guest speakers including Board directors invited to the sessions to enhance exposure of the Colleague Forum.

Feedback taken from last year has ensured that this year there has been earlier engagement with the Colleague Forum to utilise its views and feedback as we continue to focus on building our culture. We saw this come to life through the development of The Vanquis Way and the launch earlier this year where the Colleague Forum representatives played an important role together with other members of the Executive Committee to shape The Vanquis Way.

Our inclusion and diversity ambition remains to build and sustain an inclusive culture and diverse workforce which will help us to respond to the needs of our diverse customer base and support our Purpose, to deliver caring banking so our customers can make the most of life's opportunities. During the year, we improved our ability to benchmark our I&D performance, and we have become members of LGBT Great and Investing in Ethnicity. Our Nomination Committee oversees our performance in relation to diversity and inclusion, and further details can be found on pages 73 to 75. Our non-executive directors play an important role in supporting our diversity ambitions, including attending key internal events as set out below.

2 Embedding our culture

Since joining the Group, Sir Peter Estlin has visited all Vanquis office locations, and has met informally with many of our colleagues. Michele Greene joined Peter for his visit to Petersfield in July where they met the senior leadership team. Peter visited both Bradford and Chatham offices in August, where he and the Chief Operations Officer hosted a town hall at which colleagues were encouraged to share key priorities within their functions. Peter plans to make regular visits to Petersfield and Chatham in the future.

Margot James also attended several of our inclusion and wellbeing calls and events, playing an active part to support our inclusion and diversity agenda. On International Women's Day, Margot was part of a panel of speakers who shared their own experiences to celebrate all the different types of women we have in VBG, and to highlight the theme of 2023, Embrace Equity. More recently, Margot attended a call on financial wellbeing and during Black History Month, a time to talk session, where the CEO and Founder of Investing in Ethnicity joined us to share her experiences with colleagues.

As noted above, Graham Lindsay, our Designated Non-Executive Colleague Champion, has continued to attend regular Colleague Forum sessions during this year. Paul Hewitt, Chair of the Audit Committee, and Margot James, have also attended Colleague Forum meetings to receive direct colleague feedback and engagement. At each event, time has been given on the agenda for our Board members to introduce themselves and also for there to be a good two-way conversation and sharing of views on different colleague matters. This has been well received by colleagues.

The Board: our culture continued

Refreshing our business values to underpin the culture we want to create – The Vanquis Way continued

3 Assessing and monitoring our culture

In addition to the colleague engagement reported above, the Board and its committees monitor the alignment of the Group's culture with our Purpose, values and strategy, through a variety of mechanisms, cultural indicators and reporting lines including those summarised below:

- feedback via the Colleague Forum and Designated Non-Executive Colleague and Customer Champion;
- feedback on our colleague and cultural surveys;
- monitoring our Conduct Dashboard;
- monitoring whistleblowing cases;
- risk adjustment assessment of remuneration outcomes;
- monitoring of our control environment, including internal and external audit actions;
- our risk framework and risk culture are overseen by the Risk Committee; and
- gender pay gap disclosures.

You can read more about our colleague engagement initiatives on page 63 and find the results of our surveys on page 16. Actions are identified based on the lowest scored questions and tracked by the Board in order to improve engagement and make the Group a healthier place to work. You can also read more about the work undertaken by our Nomination Committee around I&D activities on pages 75 to 77.

The results of the culture survey carried in May 2023, the first carried out by the Group, showed that 67% of colleagues agreed "We cared about people"; 66% felt "We pull together as a team" and 63% felt "We get the right things done. 180 colleagues across the business met with Executive Committee members at our four offices to explore insights from the culture survey and discuss how we can collectively live The Vanquis Way. The roadshows proved highly valuable as they allowed Executive Committee members to demonstrate their commitment to The Vanquis Way and engage directly with colleagues at all levels. A full colleague survey was carried out in December 2023, the results of which reflected the extent of changes in the Group in the fourth quarter, which you can read about on pages 12 and 16. Roadshow feedback and insights from local team culture sessions will inform our ongoing culture campaign.

4 Aligning culture and incentives

Our Reward Framework and incentives play a key role in driving the desired behaviours and culture. We invest in our colleagues through recognition, reward, development and wellbeing. Colleagues are recognised through our 'Better Everyday' recognition platform and our 'Perks at Work' scheme, which offers colleagues in-store and online rewards and discounts, online training courses and mental wellbeing courses. In May, we launched 'Way to Go!' which is our new and refreshed Group-wide recognition approach that will help us celebrate and thank colleagues who are living and demonstrating our new values. This has landed very positively, and we had more than 250 recognition awards sent in the first two weeks. In July 2023 we introduced our new performance management behaviours which are aligned to The Vanquis Way. The Remuneration Committee reviews workforce remuneration policies and practices and assesses their alignment with the culture and strategy of the Company. Gender pay gap disclosures are also considered annually to ensure practices are consistent with the Company's values. Further work of the Remuneration Committee can be found on pages 93 to 95.

During the year, our Designated Non-Executive Colleague Champion, together with our Reward team, engaged the Colleague Forum on our Reward Framework and how executive director remuneration aligns with the wider colleague population. The conclusion of this engagement was that executive remuneration aligns with the wider Company pay policy and there were no anomalies specific to the executive directors.

5 Colleague wellbeing

We recognise the importance of promoting a positive culture of mental health and wellbeing, where all colleagues, regardless of their backgrounds and experiences, feel respected and supported. We believe that everyone can contribute to their own mental health and wellbeing, as well as support others in taking care of their wellbeing. To achieve this, all colleagues and their families have access to a confidential Employee Assistance Programme (EAP) provided by Health Assured. This 24/7 service offers compassionate support to our colleagues, helping them navigate any challenges they may face at home or at work.

Additionally, we collaborate with the Bank Workers Charity to deliver a series of webinars throughout the year that explore wellbeing and inclusion topics. These webinars aim to raise awareness and empathy, providing guidance and advice, and signposting for further support. We encourage colleagues to utilise the Wellbeing Risk Assessments and Wellness Action Plans to proactively manage their wellbeing. We also encourage them to work with their managers to ensure they have the necessary support and adjustments in the workplace. Furthermore, colleagues have access to Mental Health First Aiders. We are proud members of Hospice UK's Compassionate Employers programme which aims to provide support to colleagues during times of grief, dying and caregiving. For more information, please see our ESG Report on pages 14 to 31.

We understand that the process of leaving the business due to redundancy can be challenging and stressful. To support colleagues during this transition when colleagues left the business during 2023, we provided access to a professional outplacement service with support from a personal career coach. Internal workshops were arranged to support with essential skills such as CV writing and interviewing techniques. Additionally, we offered wellbeing support to help colleagues build resilience and navigate uncertainty.

Stakeholder engagement and decision making

Effective stakeholder communication

Meaningful and effective stakeholder communication is critical to ensure the long-term success of the Group.

We have a stakeholder engagement strategy that underpins effective stakeholder communication and supports the Board to ensure the methods and mechanisms of engagement are appropriate and generate balanced decisions. Each year we review and re-confirm who our stakeholders are and we prioritise our stakeholder engagement objectives accordingly.

Our S.172 Statement, which describes the impact of stakeholder engagement on the Board's decision making, can be found on pages 40 and 41 and has been incorporated throughout our Strategic and Governance Reports. You can read more about our Purpose, and the evolution of our mission and strategy in the Strategic Report.

Customers

Our customers are central to our Purpose. For more information about who our customers are and the products we provide, please refer to pages 10 and 11.

What are their interests and our areas of focus?

- Access to suitable and affordable financial products that meet their needs.
- Reliable and high-quality service.
- Financial education, budgeting tools and value for money.
- Building trusted financial relationships to help them manage through significant life events and mental or physical health challenges.

Board and Company engagement

- Board has overseen the development of the Group's strategy which has been based on direct and indirect customer research providing both qualitative and quantitative insights.
- Board Risk Committee and CCE Committee have overseen the implementation of the FCA's Consumer Duty regulations including management's plans to ensure good customer outcomes.
- CCE Committee has monitored customer KPIs (see pages 12 and 13) and has listened to customer calls to review the quality and outcome of customer service.
- Board has received enhanced management reports to understand the impact of the cost-of-living crisis on our customers.
- Customer discovery research conducted in August 2023 has been used to receive feedback from customers including testing prototype blueprint customer journeys.

Outcomes and impact on decision making

- Acquisition of Snoop to provide pathway towards digital integration of deal finding features for customers.
- Zest partnership launched to provide access to electric vehicles for Moneybarn customers.
- Continued development of digital features including the launch of Apple Pay and View PIN.
- Regular customer obsession webinars held for all colleagues to deepen customer knowledge throughout the business.
- Customer Hub for colleagues on the intranet.
- Consumer Duty review of all customer communications and terms and conditions and a Customer Outcomes Dashboard created.

Links to strategic themes 1 2 3 4 5

Links to s.172

Colleagues

We greatly value our colleagues who are essential to the success of our business. Please see page 16 for more information.

What are their interests and our areas of focus?

- Career development, remuneration and benefits.
- Company culture, wellbeing, inclusion and diversity, work-life balance.
- Tools and resources and supporting our customers.

Board and Company engagement

- CEO records and publishes a weekly video blog (vlog) focused on answering colleague questions.
- Chairman and CEO recorded a vlog for colleagues shortly after the Chairman joined the business and have visited all office locations in person to meet directly with colleagues.
- Monthly live 'Stay Connected' webinars have been well attended by colleagues with business performance updates and real time question and answer sessions with the CEO and broader ExCo. Recordings and transcripts of these events are made available for those colleagues unable to attend.
- All colleagues were invited to attend sessions regarding The Vanquis Way with more than 180 colleagues attending.
- All colleagues were invited to attend sessions regarding the strategy with more than 160 colleagues participating.
- Graham Lindsay, the Designated Non-Executive Colleague Champion, has visited offices and attended regular Colleague Forums and reported verbally to the Board.
- Colleague Forums meet regularly to discuss key topics and feed back to senior management and the Board.
- Two colleague surveys have been issued during the year: a culture survey and a Great Place to Work survey to gather valuable colleague insights (see page 16).

Outcomes and impact on decision making

- Colleague survey results fed back to the Board, action plans developed and focus sessions held (see page 79).
- Colleague insights and voice have been factored into the Group's strategy.
- Colleague feedback from The Vanquis Way culture sessions was built into the management and colleague guides available on the Group's intranet.
- Colleague Forum was active during the collective consultation on the Group's restructure and a number of colleagues' counter-proposals were accepted.
- Colleague development centre launched on the intranet with tools for career planning, skill development, apprenticeships and mentoring.

Links to strategic themes 3 4 5

Links to s.172

Stakeholder engagement and decision making continued

Investing and rewarding our workforce

This year we launched The Vanquis Way, our cultural change plan that we believe will help us best support our colleagues to serve our customers and achieve our strategic objectives. The Vanquis Way is defined by four clear values that our colleagues can connect with and incorporate into their work every day. We have updated our performance management framework to support colleagues' set objectives that align to The Vanquis Way values and assess 'what' and 'how' they have achieved them. Our colleagues have access our comprehensive Development Centre which has free access to tools and resources to help them with career planning, skills development, apprenticeships, work experience and our management programmes. You can read more about the ways in which we invest in and reward our workforce on page 90.

Environment

We are committed to managing our impact on the environment and understanding and assessing the risks associated with climate change. Our climate risk disclosures are consistent with the recommended disclosures of the Task Force on Climate-related Financial Disclosures (TCFD) and meet the requirements of the Climate-related Financial Disclosure Regulations 2022. Please see pages 19 to 28 for more information.

What are their interests and our areas of focus?

- Sustainable business practices, supporting initiatives to manage climate change risks and opportunities and climate-related targets.

Board and Company engagement

- Board and Audit Committee approved the Group's TCFD content in the Annual Report and Accounts.
- Setting of climate risk key risk indicators and performance against them is overseen by the Risk Committee.
- E-learning module was rolled out to all colleagues on the Group's climate risk.
- Climate risk content and performance information included in the Group's ICAAP.
- CCE approved the submission of the science-based targets to the Science Based Targets initiative (SBTi).

Outcomes and impact on decision making

- Continued certification of the Group's environmental management system to ISO 14001.
- Climate risk management and reporting that are consistent with UK regulatory requirements.
- The continued development of the Group's carbon approach moving from carbon offsetting to carbon capture.
- Named by the Financial Times in its 2023 Europe Climate Leaders index.
- Submitted two science-based targets to the SBTi which were approved on 30 January 2024.

Links to strategic themes 2 3 4 5

Links to s.172

Regulators and Government

We want to do the best we can for our customers and stakeholders. Our strategy, Purpose and values promote a conduct focused risk culture and we are committed to maintaining an open and honest relationship with our regulators. Please see page 47 for more information.

What are their interests and our areas of focus?

- Conduct, compliance and fair treatment of stakeholders.

Board and Company engagement

- Regulatory engagement to introduce the CEO, CFO and Chairman who all joined during the year.
- Ongoing regular engagement meetings have been held with the CRO, CFO and CEO and the Group's regulators, including about capital management.
- Key regulatory interactions, insights and areas of regulatory focus are reported to the Board via the Chief Risk Officer Report.
- Risk Committee has scrutinised and recommended to the Board the 2023 ILAAP and ICAAP for approval (see page 84).
- Membership of the UK Finance and Leasing Association and National Numeracy Leadership Council.

Outcomes and impact on decision making

- Regulatory approval granted for the Group's Chairman, CEO and CFO.
- In March, following the PRA's Capital Supervisory Review and Evaluation Process (C-SREP) the Group's Total Capital Requirement was reduced.

Links to strategic themes 2 3 5

Links to s.172

Communities

Communities

We are committed to aiding financial inclusion and support social mobility in the communities we serve. To read more about our Foundation please see www.vanquisbankinggroup.com/our-foundation.

What are their interests and our areas of focus?

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

Board and Company engagement

- Board received updates on the investment made in the Group's community initiatives (see page 79).
- CCE received updates on community engagement objectives.
- Colleague paid volunteering time is supported for one day per year and a range of opportunities to volunteer are provided for colleagues.

Links to strategic themes 1 4 5

Links to s.172

Outcomes and impact on decision making

- Partnered with Plain Numbers during the year in addition to continued partnership with National Numeracy.
- School Uniform Project to provide uniforms to those in need via School-Home Support and the Dixons Academies Trust.
- £1.4m has been invested in our community support programmes.
- Official delivery partner for Bradford UK City of Culture 2025.
- Introduced team community challenges to our London and Petersfield offices which saw 64 colleagues supporting three community organisations with much-needed resource.
- Team community challenges across the business have increased with 256 colleagues giving 1,696 hours of paid volunteering time.

Principal decision: Outsourcing operations to deliver efficient and effective services for our customers

The Board approved the transition of part of the Group's operations to two outsourced partners based in South Africa.

Decision making process

A review of the efficiency and effectiveness of the Group's operations was undertaken by the Group's Chief Operating Officer (COO). The COO recommended that the Group expand its operations with two of its existing strategic outsourced partners to deliver a cost saving of over £3m per annum whilst maintaining high levels of customer care and regulatory compliance. The Board considered the initial proposal to transfer approximately 360 colleagues by TUPE, upon which it provided feedback and direction to management, followed by a full and final proposal and associated supplier contracts which it approved in May 2023. The Board, its Risk Committee and its CCE Committee have received subsequent updates on the progress of the execution of the outsourcing programme following its approval, including the impact on colleagues and quality and continuity of service for customers.

Strategy and Purpose

The Board considered that the proposal, which delivered cost savings, also provided an opportunity to restructure the UK Operations teams to further enhance the service delivered to customers. By filtering low complexity queries and collections to outsourced partners the Group had the opportunity to create highly skilled roles in the UK that supported vulnerable and sensitive customers and their complex needs and provided development opportunities to colleagues in Operations in the UK.

The Board noted that, where comparison was available, the outsourced providers' customer satisfaction scores were consistent with the UK and operations were to be run parallel for a set period of time to provide continuity and an opportunity to develop skill levels. Furthermore, the Group's values would be embedded into training plans by the outsourced providers in order to maintain the Group's customer-centric focus.

Challenges

The Board recognised the people risk for those impacted colleagues in Operations and more widely the impact on morale of uncertainty for all colleagues across the Group. There was potential for reputation risk which was addressed through development of a clear communications plan and by ensuring fair treatment of colleagues.

The Board noted that management had developed a sophisticated communications plan for colleagues and had engaged the Colleague Forum to ensure colleague voices and concerns were being heard and escalated appropriately. The Board oversaw that management had provided support to colleagues which was easily accessible through the Company's intranet and included the Employee Assistance Programme. The Group had also engaged with local employers which had active vacancies on behalf of those colleagues at risk.

In response to there being a risk of disruption to customer service quality and responsiveness the Board received assurance from management that plans were in place for an orderly transition including running services in parallel for a set period to help maintain customer service quality. Enhanced monitoring of customer satisfaction and service KPIs was performed.

The Board noted that both outsourced partners had regulatory approval and were already classified as material outsourcing partners for the Group under SYSC 8. Furthermore, the outsourced partners had undergone comprehensive due diligence that had covered the requirements of the Modern Slavery Act. The Board oversaw that remuneration for those employed by the outsourced partners was above the Real Living Wage and both the CEO and COO visited the office locations in South Africa to meet with senior management and employees who would be working for the Group.

Balancing stakeholder interests

The Board acknowledged the decision as complex from a stakeholder perspective. In giving consideration to the long-term success of the business the Board recognised as positive for stakeholders as a whole the careful and proportionate management of the cost of the Group's operations. The Board carefully considered the impact on colleagues arising from the decision. Redundancies, whilst regrettable, were balanced by the improvements in efficiency and effectiveness and the creation of highly skilled roles in Operations in the UK.

The Board appreciated that to manage risks to customers appropriately management had structured its recommendation accordingly with customers' needs in mind and had made suitable arrangements to support them.

The Board noted the open and considerate style of engagement with its regulators, which had been informed of the proposal and recognised that customer data would remain hosted in the UK under the UK GDPR regulation.

Links to strategic themes 1 2 3 5 **Links to s.172**

Stakeholder engagement and decision making continued

Suppliers

Suppliers support us to deliver quality services to our stakeholders. We are committed to developing strong relationships with our suppliers that are supported by robust procurement policies.

What are their interests and our areas of focus?

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

Board and Company engagement

- CEO and COO visited two of the Group's outsourced providers in South Africa. Please see the principal decision on page 65 for more information.
- Board approved the broadening and extension of contracts with the two major outsourced partners.
- Board reviewed and approved the Group's corporate procurement policy and the 2023 Modern Slavery Statement.
- Procurement created a Third-Party Risk Management Policy and Framework.
- CCE Committee noted feedback from the 80 suppliers which had responded to a questionnaire issued to 320 suppliers.

Outcomes and impact on decision making

- Suppliers responding to the questionnaire indicated that the Group was performing well in the majority of areas.
- Consistent engagement delivered through application of the Group's Supplier Relationship Management Framework.
- Our standard payment terms align to the Prompt Payment Code (30 days).
- Increased director-level direct engagement with our most critical suppliers.

Links to strategic themes 3 4 5

Links to s.172

Shareholders

Our shareholders provide capital that enables growth and for the Group to deliver our Purpose and invest for future success. Please see page 67 for more information.

What are their interests and our areas of focus?

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

Board and Company engagement

- Our AGM was held on 25 May 2023 at which investors were invited to be present and free to ask questions directly, in addition to casting votes on the resolutions.
- Chairman, CEO, CFO and Interim Head of Investor Relations have written to and met with investors and analysts and reported back to the Board.
- Trading updates were provided via the London Stock Exchange on the Group's performance and strategy and followed by roadshows with investors.
- Feedback from our corporate brokers was distributed to the Board and senior management after updates were made to the market.

Outcomes and impact on decision making

- The Q3 trading update on 17 October 2023 updated the market on financial performance and key initiatives, and included a profit forecast for FY23 to align market expectations with ours.
- A strategy seminar day was announced for 27 March 2024.
- We received votes representing approximately 84% of our issued share capital at our 2023 AGM.

Links to strategic themes 1 2 3 4 5

Links to s.172

Listen
Executive Committee held roadshows regarding the Group's culture and values.

Learn
Colleague feedback identified eight key areas for the Group to focus on to make the ideal culture a reality.

Respond
The Vanquis Way launched in April 2023 accompanied by the Way to Go recognition mechanism. New performance management behaviours were introduced in July 2023 aligned to The Vanquis Way.

Listen
Direct customer research undertaken as part of the strategy review.

Learn
Customer priorities and their focus were tested in four key areas: on-boarding, everyday interactions, support and account closure/future life goals.

Respond
Copy changes were made to customer SMS, emails, and FAQs and IVR instructions were made clearer. An introduction to financial management tools was provided through the Snoop app.

Listen
The CEO engaged with investors directly following the negative market reaction to the Group's first half results on 28 July 2023.

Learn
Investor feedback showed that analyst earnings estimates had differed substantially from the Group's results and investors were confused about the Group's strategy and prospects.

Respond
The Group's Q3 trading statement on 17 October 2023 provided the market with additional information including a full-year profit forecast for 2023 and trend information to model 2024. The Group also announced a strategy seminar day for 27 March 2024.

Graham Lindsay, Designated Non-Executive Colleague Champion

What and who? The role of Designated Non-Executive Colleague Champion is responsible for engaging with our colleagues on behalf of the Board and representing their voice in the Board's decision making. I am a member of the Group Board, Chair of the Remuneration Committee and passionate about people, colleagues and customers.

When and where? I regularly visit our offices and attend the Colleague Forum both in person and remotely where I listen and talk to colleagues.

Why and how? I discuss with colleagues the work of the Board in areas of common interest. I report to the Board verbally on my colleague engagement work and use the unique colleague insights I have when providing my input to Board decisions. Directly engaging with our colleagues promotes transparency and openness and fosters trusted relationships between colleagues and the Group's senior leadership team.

2023 highlights

I am continually impressed by how our colleagues work together to support each other through difficult times and the Colleague Forum was exceptional this year in supporting colleagues impacted as part of the reorganisation with a number of colleague counter-proposals being accepted and very comprehensive communications and support services being put in place.

I am encouraged by the high numbers of colleagues who have volunteered and participated in the Group's strategy work and the important cultural conversations that established The Vanquis Way values. The enthusiasm that our colleagues have for our customers and for each other is profound.

This has been the second year I have discussed with colleagues the alignment of executive remuneration with wider colleague remuneration, which has been well received. An open conversation was had about all elements of executive reward and I intend to hold another session, supported by the Head of Reward, at the mid-year point.

Priorities for 2024

I look forward to seeing the input of so many of our colleagues come to life in the strategy – a true collaborative effort. I am heartened that the efforts of the Customer, Culture and Ethics Committee have paid off and we are now in a positive position to combine its duties and responsibilities back into the Board, and Remuneration, Nomination and Risk Committees. I will keep a keen eye out for the reports from our Chief People Officer regarding the Group's culture and colleague survey.

I shall continue to meet regularly with our colleagues through the Colleague Forum and through regular site visits as I believe this direct engagement is essential to perform the role of Designated Non-Executive Colleague Champion.

Effective engagement with shareholders and stakeholders: investor relations

Investor relations

This has been a difficult year for the Group's relationships with its shareholders. The publication of the Group's interim results on 28 July 2023 caused a 29% on the day fall in the Company's share price. Furthermore, personnel in key roles with responsibility for regular shareholder engagement – the Chairman, Chief Executive, Chief Financial Officer and Head of Investor Relations – have all changed.

Starting immediately after the interim results, the new Chief Executive met with key shareholders to understand their positions. Channels of communication remained open with ad hoc meetings, introductory letters from the new Chairman and a formal round of meetings after the Q3 trading update. Shareholder reaction to the Q3 update characterised it as a first step towards greater strategic clarity and better business performance.

Since appointment, the new Chairman and CEO have met with investors responsible for over two-thirds of our share capital. Engagement has become more systematic with the seven sell-side analysts who publish regular research, specifically the collation of consensus estimates. The Company's financial advisor and corporate brokers presented a new shareholder engagement strategy to the Board in November 2023, which was reviewed and supported by the Board.

This Annual Report providing our full-year results and our strategy seminar day to be held on 27 March 2024 will mark the formal reset of shareholder relations and will be followed by comprehensive roadshows to meet investors in London, Edinburgh and New York.

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

The Annual Report

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

The Annual General Meeting (AGM)

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

The Group website and shareholder correspondence

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

Division of responsibilities

Our governance framework facilitates effective decision making and is formally documented in the Group's Delegated Authorities Manual, Board Governance Manual, Board and Committee terms of reference, and matters reserved for the Board.

The governance framework is reviewed annually by the Board to ensure it remains effective and fit for purpose. Following feedback from the 2023 Board effectiveness review (see page 71), the Board decided to dissolve the CCE Committee and embed its responsibilities under the Board and its other committees.

Governance framework

The Board

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

- Our strategy see page 9
- Board composition see page 70
- Managing risks see page 44
- Section 172(1) Statement see page 40
- Board activities see page 59

The Board delegates certain matters to its committees

Audit Committee
See page 80 for the Committee's role and responsibilities

Risk Committee
See page 84 for the Committee's role and responsibilities

CCE Committee
See page 78 for the Committee's role and responsibilities

Remuneration Committee
See page 93 for the Committee's role and responsibilities

Nomination Committee
See page 73 for the Committee's role and responsibilities

Disclosure Committee

Executive directors

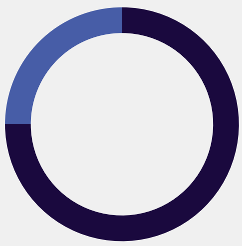
The Board delegates the execution of the Company's strategy and the day-to-day management of the business to the executive directors, assisted by other members of the Executive Committee.

Shareholder and other stakeholders

Independence of the NEDs and conflicts of interest

The Board and Nomination Committee review the independence and time commitment of NEDs on appointment and thereafter annually, taking into consideration the factors in the Code which might impair independence and any other relevant circumstances when considering independence, including their length of service as well as those directors who were also directors of Vanquis Bank Limited. Time commitment is also reviewed where an additional external appointment for a director is proposed. During the year the Board reviewed and approved the appointment of Elizabeth Chambers to Wise plc, agreeing that there was no conflict of interest and that Elizabeth would continue to have sufficient time to carry out her role on the Board. This year the Nomination Committee determined that all NEDs continued to demonstrate independence and all continued to have sufficient time to undertake their roles effectively. The Board concurred with this conclusion and recommends all directors for election or re-election by shareholders at the 2024 AGM, except Elizabeth Chambers and Margot James as reported on page 53. All directors are required to disclose to the Board any outside interests which may pose a conflict with their duty to act in the best interests of the Group. Further details on conflicts of interest can be found in the Directors' Report on page 88.

Independence of the Board (excluding the Chair) (as at 26 March 2024)



75%
of our Board (excluding the Chair) are independent non-executive directors

Independent	75%
Executive	25%

Clearly defined roles and responsibilities

There is clear division between executive and non-executive responsibilities to ensure accountability and oversight.

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

Chair, Sir Peter Estlin
- Leads the Board to deliver strategic objectives and increase shareholder value.
- Promotes effective decision making, critical discussion and constructive challenge.
- Safeguards corporate governance.
- Engages with stakeholders to inform Board decision.

Chief Executive Officer, Ian McLaughlin
- Recommends the Group's strategy and long-term objectives.
- Leads and manages executive management.
- Manages the day-to-day management of the Group.
- Promotes a healthy culture of accountability and transparency.
- Ensures that risk management and internal controls are in place.

Senior Independent Non-Executive Director, Angela Knight
- Acts as sounding board for the Chair.
- Intermediary for other NEDs to express their views.
- Leads the performance review of the Chairman.
- Available to shareholders outside the normal communication channels.

Chief Financial Officer, Dave Watts
- Leads the Group Finance function.
- Manages capital management and effective financial reporting, processes and controls.
- Liaises with investors alongside the CEO.
- Supports the CEO to develop and deliver the Group's strategy.

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

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

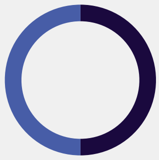
General Counsel and Company Secretary, Melanie Barnett
- Provides legal and governance support to the Board and executive management.
- Ensures that Board-level information is fit for purpose.
- Facilitates effective discussion between management and the Board.
- Communicates with shareholders on governance matters.

Executive leadership team
- Supports the CEO in developing and implementing strategy.
- Together with the CEO and CFO, form the Executive Committee.
- Oversees the day-to-day activities and performance of the Group.
- Manages the workforce and promotes a healthy culture.
- Implements policies and procedures set by the Board.

Composition, succession and evaluation

Board composition (as at 31 December 2023)

Board gender diversity

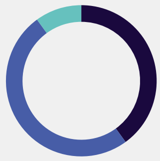


- Male 5
- Female 5

Board ethnic diversity

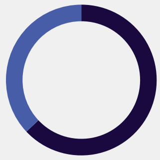
- White 100%

Board tenure



- 0-2 years 4
- 2-5 years 5
- 5-9 years 1

Executive Committee and direct reports



- Male 63%
- Female 37%

Member attendance at Board and committee meetings in 2023

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

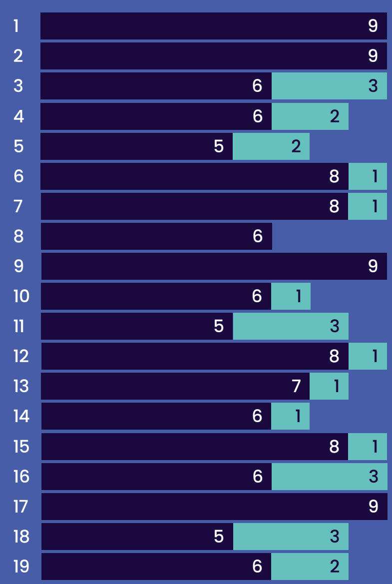
Board member	Board	Ad hoc	Audit Committee	Ad hoc	Nomination Committee	Ad hoc	Remuneration Committee	Ad hoc	Risk Committee	Ad hoc	Customer, Culture and Ethics Committee	Ad hoc
Total number of meetings	9	1	6	1	4	4	4	6	5	1	3	–
Sir Peter Estlin[1]	6/6	–	2/2	1/1	3/3	2/3*	1/1	3/3	–	–	–	–
Ian McLaughlin[2]	3/3	–	–	–	–	–	–	–	–	–	–	–
Dave Watts[3]	2/2	–	–	–	–	–	–	–	–	–	–	–
Andrea Blance	8/9	1/1	6/6	1/1	4/4	3/4	4/4	6/6	–	–	–	–
Graham Lindsay	9/9	1/1	–	–	4/4	4/4	4/4	6/6	–	–	3/3	–
Paul Hewitt	9/9	1/1	6/6	1/1	4/4	4/4	–	–	5/5	1/1	–	–
Elizabeth Chambers	9/9	1/1	–	–	4/4	4/4	–	–	5/5	0/1	3/3	–
Angela Knight	9/9	1/1	6/6	1/1	4/4	4/4	–	–	5/5	1/1	–	–
Margot James	9/9	1/1	–	–	4/4	3/4	4/4	6/6	–	–	3/3	–
Michele Greene[4]	5/7	–	–	–	2/3	3/3	–	–	3/4	1/1	2/2	–

1 Sir Peter Estlin was appointed on 19 April 2023, *recused due to being in nomination.
2 Ian McLaughlin was appointed on 1 August 2023.
3 Dave Watts was appointed on 1 November 2023.
4 Michele Greene was appointed on 9 March 2023.
5. Malcolm Le May (stepped down on 01.08.2023) attended 6/6 Board meetings and 1/1 ad hoc Board meetings during 2023. Neeraj Kapur (stepped down on 07.08.2023) attended 6/6 Board meetings and 1/1 ad hoc Board meetings during 2023."

Board Skills Matrix

This Board Skills Matrix represents the number of directors with core or supplemental capability in areas that are relevant to the Group's business model and strategy. A core capability is one of the strongest areas of a director's skill and expertise, where they bring significant value to Board discussions. A supplemental capability is an area where the director has enough knowledge and experience to carry out their role. This Board Skills Matrix, together with the biographies on pages 54 to 56, shows the combined strength of our Board in areas central to delivering the Group's strategy.

● Core capability ● Supplemental capability



Category

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

Director induction and training

Director induction process

In 2023 four new directors joined the business, the Chairman, a non-executive director, the Chief Executive Officer and the Chief Financial Officer; each director went through a comprehensive and tailored induction plan which was developed to suit the requirements of their roles. Our induction programme is designed to give directors an in-depth understanding of the business, Purpose, culture and values. The programme includes meetings with members of the Group Executive Committee and other key stakeholders, which may include the Group auditor, external advisors, our brokers, and representatives from the FCA and PRA.

In November 2023, Dave Watts was appointed as our new Chief Financial Officer. As part of his induction, Dave was provided with an induction schedule, which included key reading materials and a webinar on directors' duties. Dave was also appointed as a director to some of the Group's operating subsidiaries and he received business-specific induction for these.

All new directors are provided with full access to our secure electronic reading room within our Board meeting software, which provides induction materials such as Group policies, structure charts, terms of reference, Delegated Authorities Manual, broker notes, and past Board and committee meeting papers and minutes.

Director training schedule 2024

Examples of the training expected to form part of the 2024 training programme include:

- Snoop Deep Dive; and,
- Vanquis Assist - Forbearance Overview.

Ongoing director training

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

Directors undertake training both as a Board as a whole and based on individual requirements to assist them in carrying out their duties and responsibilities.

At least annually, the Chairman discusses with each director his or her contribution to the work of the Board and personal development needs.

During 2023, the directors were provided with deep dives, teach-ins, briefings and presentations on a range of key subjects, including the following:

- Market Abuse Regulation training;
- Consumer Duty;
- RemCo NED refresher training; and
- Group reward structure and mechanisms.

Members of the Board also visited our Chatham, Petersfield and Bradford offices.

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

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

In July, Sir Peter Estlin and Michele Greene visited the Moneybarn office in Petersfield and received an overview of the vehicle finance business, which included updates on financial models and budget. They also met with the Chief Risk Officer and Chief Credit Officer and topics of discussion included business priorities, credit risk trends and a strategic projects update.

Peter then visited Bradford in August and had some informal discussions with colleagues. Peter also made a further visit to the Chatham office in August and met with management; a broader Q&A session took place where colleagues took the opportunity to ask questions.

Assessing Board performance – annual Board review

Continuous improvement of the Board's effectiveness

2021	2022	2023
Internal evaluation facilitated by Chair and Company Secretary	External evaluation facilitated by Independent Audit	Internal evaluation facilitated by Chair and Company Secretary

The Board seeks to continually improve its performance by undergoing a formal annual review and reviewing the focus areas and actions arising from this formal review during the year to ensure their effectiveness is subject to ongoing review rather than a point in time exercise. In accordance with best practice and the UK Corporate Governance Code, the Board's formal annual effectiveness review is conducted by an external facilitator every three years as part of a three-year review cycle.

2023 review process	Stakeholders input
Scope, objectives and design: The Chair and Company Secretary agreed the scope of the review, its objectives and design. The approach took into consideration the short tenure of the Chair. Detailed questionnaires were designed, agreed and issued in respect of the following areas: Board and committee effectiveness, Chair effectiveness, individual director effectiveness and management feedback on Board effectiveness. **Data collation and analysis:** Responses to the questionnaires were collated and analysed by Company Secretariat and anonymised reports were prepared summarising the effectiveness of the Board and its committees, the Chair and the individual directors.	– Chair – Board – Company Secretary – Management
Review of results: The draft report on Board and committee effectiveness was reviewed by the Chair and a final report shared with the wider Board. The Committee Chairs received a committee effectiveness report which was discussed by the committees. The Senior Independent Director received the Chair's effectiveness report. The individual directors' effectiveness reports were shared with the Chair to inform individual performance reviews. **Board discussions, actions and ongoing monitoring:** The Nomination Committee and Board discussed the results of the Board and committee effectiveness report. Focus areas and actions arising from the review were agreed and owners assigned for each action. Led by the Senior Independent Director, the Board members (excluding the Chair) met to appraise the Chair's performance. The Board will consider the progress made against the focus areas and actions arising from the 2023 review during 2024.	– Board – Committees – SID – Group CPO

Outcome of the 2023 Board and committee effectiveness review

Board and committee effectiveness review

The Board was regarded as being highly skilled and experienced with regards to the financial services industry and the effective collaboration, challenge and relations between members made the Board an effective team with good diversity of thought. It was identified that the Board's skillset in technology and experience in retail banking and its ethnic diversity could be improved and these requirements would be prioritised in future succession planning and Board appointments. The size and composition of the Board required ongoing assessment by the Nomination Committee to ensure it continued to reflect the needs of the business. While the committees continued to operate effectively, it was felt that it should be considered whether the responsibilities of the CCE Committee would now be better placed through embedding them in the responsibilities of the Board and/or other committees. Management feedback indicated a positive working relationship between the Board and Management overall.

Individual director effectiveness review

Individual director performance was assessed with individual performance discussions held with the Chair. The Nomination Committee conducted its annual review of the Board and committee composition. Having considered the skills, experience and time commitment of each director, and the independence of the NEDs, the Nomination Committee concluded that all directors should stand for re-election at the 2024 AGM except Elizabeth Chambers and Margot James who will not stand for re-election as set out on page 53.

Chair effectiveness review

Whilst the Chair had only been in this role since September, the initial impressions and performance of the Chair were positive. The Chair was recognised as having effective communication skills, and being candid, supportive and an attentive listener. Directors felt that in 2024 the Chair should focus on maintaining the Board's effective team dynamic, ensuring sufficient time for debate is given to strategic discussions in meetings, and providing clear feedback on investor expectations.

Strengths identified from the 2023 review	Agreed actions/focus areas for 2024
– Highly skilled and experienced Board with good gender diversity and diversity of thought. The Board was considered an effective team with strong collaboration.	– Review the approach and oversight of NED and senior management succession planning.
– Feedback from management indicated a good working relationship between the Board and senior management.	– Keep under review the appropriate size, composition, skills and experience and diversity on the Board as part of succession planning and Board appointment processes. To include a focus on technology skills as part of proactive succession planning.
– Committees effectively carry out their oversight role and responsibilities and Committee Chairs regularly update the Board on its committees' activities.	– Consider whether the CCE Committee's work would be better placed under the Board and/or other committees to enhance oversight.
– Strong relationship and engagement with the Group's regulators and a good understanding of the macropolitical environment.	– More site visits and focus on engagement with the Executive Committee and wider management and workforce.
– Improved oversight and reporting of risk to the Board following feedback from previous Board effectiveness reviews.	– Review the Board meeting agendas and management reporting to improve the Board's oversight and discussions on areas of strategic importance.

Focus areas identified from the 2022 evaluation

Focus area	Progress update
Review the Board's approach to monitoring strategy delivery, including strategic milestones and KPIs.	A new CEO Dashboard which tracks KPIs aligned to the Group's strategic pillars was developed and implemented and was reported to the Executive Committee and Board.
Review the Board's approach of overseeing the Group's technology strategy and its implementation.	The Board reviewed its oversight of the Group's technology change programme and agreed an approach that provided both internal and external updates and validation to the Board of the Group's technology strategy. The Group CIO also provides regular updates to the Board on IT, digital and change.
Keep under review the key priorities for the skills required in new non-executive directors as part of succession planning and Board appointment processes.	The Nomination Committee reviewed the results of the 2022 Board review relating to the composition of the Board as well as the results of the 2023 Board Skills Matrix to identify skills and experience gaps to inform our proactive succession planning process. The Nomination Committee added two new skills criteria to the Board Skills Matrix to reflect the skills and experience required on the Board to deliver the Group's strategic objectives.
Review the regularity of Board updates from Product Managing Directors and wider Executive Committee team.	The Board and committees' Agenda Planners were reviewed and updated to give the Product Managing Directors and wider Executive Committee team sufficient exposure to the Board. All Product Directors and Executive Committee members presented to the Board and/or committees during 2023.
Review Board committee meeting attendees to ensure the Board committees continue to have access to the information and expertise needed to undertake their responsibilities.	The Company Secretariat facilitated a review of committee attendees with senior management, the CEO and Committee Chairs. The attendees that were required to attend each meeting and the attendees that would be invited to present certain business items were agreed for each committee.

Nomination Committee Report

Ensuring effective leadership now and in the future

Sir Peter Estlin
Nomination Committee Chair

> "The Committee has taken the leading role in evolving the Board's composition as it looks to champion Vanquis' long-term success through its focus on our leadership and talent."
>
> **Sir Peter Estlin**
> Nomination Committee Chair

Role of the Committee

The Nomination Committee is responsible for overseeing:

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

Allocation of time

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

Dear Shareholder

I am pleased to present the important work undertaken by the Nomination Committee during 2023 in my first Nomination Committee Report as Chair. The Committee continues to be comprised of all the non-executive directors: their biographies are on pages 54 to 56 and meeting attendance on page 70. Following Ian McLaughlin's appointment as CEO, reported in last year's report, the Group's strategy and leadership are evolving to meet our customers' needs and to deliver the best results for our stakeholders. As part of succession planning and in alignment with our evolving strategy, the Committee has focused on succession planning for the Board and senior management and on Board composition. During the year, in addition to the appointment of Ian McLaughlin and Michele Greene, which we reported on in last year's report, the Committee recommended to the Board my appointment first as non-executive director and then as Chair and the appointment of Dave Watts as CFO, with more details below.

The annual formal Board effectiveness review and Board Skills Matrix are valuable tools that have been used by the Committee during 2023. The Committee considered the results of the 2022 Board effectiveness review as it related to areas within the Committee's remit. The Committee also considered the results of the 2023 Board effectiveness review, including impact on composition, and recommended to the Board the focus areas and actions for 2024. You can read more about our formal Board review on page 71. Furthermore, the Committee updated the Board Skills Matrix to reflect the skills and experience required on the Board to support delivery of the Group's strategy. The Board members completed the updated Board Skills Matrix which helped inform the Committee's discussions around succession planning and Board effectiveness. Membership of each Board committee has been considered as part of the 2023 Board effectiveness review and the succession planning overseen by the Committee, in addition to our annual review of Board and committee composition. This led to Graham Lindsay being appointed as Chair of the Remuneration Committee and consideration given to whether the responsibilities of the CCE Committee would be better placed through embedding them in the responsibilities of the Board and/or other committees in order to heighten our focus and attention on our customers.

Overseeing the Group's diversity targets to ensure a diverse leadership and workforce was another focus area of the Committee during the year. This will continue to be a focus area in 2024 to monitor progress made against our diversity targets. Succession planning for senior management and for non-executive directors will also continue to be focus areas for the Committee in 2024.

Nomination Committee Report continued

Principal decision: Appointment of Chair

The Board approved the re-naming of the Company to Vanquis Banking Group plc.

As announced on 30 June 2023, the Board approved the appointment of Sir Peter Estlin as Chair of the Board following a thorough search process overseen by the Nomination Committee, and supported by Russell Reynolds Associates (RRA), which led the Committee to recommend to the Board that Sir Peter be selected for the role. This was an internal appointment as Sir Peter joined the Board as a non-executive director in April 2023 following an extensive, rigorous and transparent search process supported by Korn Ferry which led the Nomination Committee to recommend his appointment to the Board after consideration was given to his skills, experience, leadership style, alignment with the Group's social Purpose, time commitments and independence. In relation to Sir Peter's appointment as a non-executive director, a role specification was agreed which sought to identify candidates with skill and experience areas which would enhance the Board's effectiveness as it sought to deliver its banking strategy. As part of his appointment as non-executive director, Sir Peter was interviewed by the Board members. A key aspect of our non-executive candidate requirements was cultural fit and a natural affinity and empathy with the Group's Purpose and our customers. The candidate specification was prepared to clearly recognise the value of diversity and inclusion and to reflect that diversity in its broadest sense was a key priority for our search.

Chair's succession planning

Following the announcement on 19 May 2023 of Patrick Snowball's intention to step down as Chair from the Board, the Nomination Committee, chaired by Andrea Blance, Senior Independent Director (SID), met to determine the process for the search for a successor and to engage Russell Reynolds Associates to support the process. The Nomination Committee, led by the SID supported by the Chief People Officer and General Counsel and Company Secretary, worked with Russell Reynolds Associates to develop a person specification for the Chair's role and agree on the skills and criteria for the role, which included the following: experience and competence as a PLC Chair; sectorial experience in retail banking; track record of building strong stakeholder engagement; excellent business acumen and experience; leadership style and alignment to the culture and values of the Group; and skills in mentorship and people development. Throughout the succession planning process, the SID kept the Board and investors updated on the succession process.

The search process

Sir Peter Estlin had been identified as an internal candidate fitting the criteria in the role specification. An external search was conducted by RRA to identify a long list of external candidates before a benchmarking exercise was completed, using the firm's market knowledge gained from other Chair searches to benchmark Sir Peter Estlin against the external candidates. This external long-list comprised nine candidates, with 44% female representation. Given the importance of the CEO and Chair's working relationship, the incoming CEO (Ian McLaughlin) was engaged to provide his view on the longlist of candidates. The Group's regulators were kept updated throughout the succession process by the Chief Risk Officer and Sir Peter Estlin met with the FCA before his appointment was recommended to the Board.

Selection of the new Chair

The Board, led by the SID, established a sub-committee to oversee, finalise and agree the terms of the Chair's succession based on the recommendations of the Nomination Committee, and to facilitate the Chair's appointment and announcement to the market. The Nomination Committee, having carefully considered the findings of RRA, identified Sir Peter Estlin as the strongest candidate and recommended his appointment as Chair to the Board, which was subsequently approved by the Board's sub-committee, chaired by the SID. The following factors were some of those key in the decision made to appoint Sir Peter: his outstanding sectorial experience in retail banking and his financial and strategic capabilities; his strong cultural fit and alignment with the Group's customer-focused Purpose; his stakeholder engagement experience and his credibility with regulators; his position as champion of digital innovation and skills; and the incoming CEO's positive reception to the proposition of working with Sir Peter Estlin.

Our Board Diversity Policy supports the engagement of executive search firms which have signed up to the Voluntary Code of Conduct for Executive Search Firms on gender diversity and best practice. Other than for recruitment and related talent advisory services, RRA and Korn Ferry have no other connection to the Company or individual directors. RRA and Korn Ferry are signatories of the Enhanced Voluntary Code of Conduct for Executive Search Firms, which specifically acknowledges those firms with a strong track record in and promotion of gender diversity in FTSE 350 companies against the scope of the Davies Review.

Links to stakeholders **Links to strategic themes** 1 5 **Links to risks** P1 P10 P11

Links to s.172

Chief Financial Officer (CFO) appointment

Following the announcement on 7 August 2023 that Neeraj Kapur was stepping down as Chief Finance Officer (CFO), RRA was engaged to commence a rigorous search to identify potential successors. As part of the Group's talent management and proactive succession planning approach, succession to the CFO role had been considered and planned for, which included the Group remaining informed of internal and external talent. This proactive succession planning approach enabled the Group to promptly effect a thorough search and appointment process, overseen by the Nomination Committee, to identify suitable internal and external candidates for the Nomination Committee to consider and recommend an appointment to the Board.

A job specification and desirable skills and experience for candidates were agreed for the role. The search process for candidates used objective criteria covering experience and skills, personal qualities including alignment with the Group's social Purpose and culture, and took into account the benefits of diversity in its widest sense to provide a longlist of internal and external candidates. From an initial potential candidate list of 16 candidates (with 31% female representation), the Committee reviewed an external shortlist of five candidates (with 40% female representation). The shortlisted candidate underwent rigorous evaluation and assessment by RRA and three external shortlisted candidates progressed to be interviewed by Board members. The Nomination Committee, after considering the results of the assessment and interview and the impact on Board composition, including gender ethnic diversity, identified Dave Watts as the strongest candidate and recommended his appointment as CFO which the Board approved. Dave Watts is a highly experienced banking CFO who is a proven strategic partner and has worked across complex regulatory regimes and entity structures. You can read more about Dave Watts in his biography on page 54.

Talent management and succession

The updated Group-wide talent management framework rolled out last year has improved the visibility of talent which supported the Committee's role in talent identification and succession planning for senior management during the year. Leadership changes were made in the second half of 2023 under the new CEO to align with the Group's evolving strategy and ensure that the right roles and capabilities were in place to deliver this strategy. We successfully used our internal talent pipeline to fill vacancies at Executive Committee level, including the role of Chief Technology Officer and interim positions of Chief Financial Officer, Chief Customer Officer and Chief Digital, Data and Analytics Officer. We also attracted high-quality external hires such as Jillian Anderson as Chief Customer Officer and Abigail Whittaker as Chief of Staff, who both joined the Group in 2024. Gender balance and broader diversity continues to be a key priority on the talent agenda and in all search processes.

As part of its review of talent and succession planning, the Committee considered the impact of operating model changes on the retention of talent, the succession of key roles, individual development plans, and the diversity of senior management. Succession plans for key Executive Committee roles, including the executive directors, were discussed, including the diversity of our talent pipeline, and the development and aspirations of senior management. The Committee was updated on the actions in place to improve the diversity of the talent pipeline. The Committee considered retention risk and our colleague training and development proposition as part of its talent management review. Following review and feedback by the Committee, during 2024 the Group CPO and Executive Committee will continue to work together to enhance succession and development plans for senior management and the layers below to support internal succession, reduce retention risk and further build a pipeline of diverse talent.

The Committee has continued to oversee non-executive director succession plans to ensure that the Board membership is appropriately refreshed, reflecting director tenure. During 2023 it remained key to take a proactive approach in order to stagger succession in the future, thus retaining the balance of skills, experience and diversity the Board needs to enable delivery of its responsibilities and the Group's strategy. The Committee considered what skills and experience were required on the Board now and into the future, the progress made during 2023 in identifying non-executive talent for future Board appointments and how our recruitment process would enable us to identify the best candidates with varied transferable skills to support achievement of Board diversity objectives including skills, gender, age and ethnicity. Non-executive director succession remains a priority area for the Committee during 2024 as the tenure of the Board members lengthens.

At its meeting in January 2024, the Committee reviewed and confirmed its support for a proposal to recruit a Board Observer. This programme seeks to support the wider development of the talent pool of experienced executives who, although interested in non-executive roles, do not have experience in such roles. This programme will also support our Board's skills and experience in technology and also our priority of ensuring broad diversity around the Board table. We appointed Kate Rosenshine, a serving executive at Microsoft, as a Board Observer from March 2024 for one year. Kate brings a wide range of experience in technology, AI and native digital partnerships.

Inclusion and diversity

You can read about our approach to diversity and inclusion on pages 14 to 16. Our Inclusion and Diversity (I&D) Policy, which includes our Board Diversity Policy, is designed to promote equality, diversity and inclusion across all parts of the Group and aims to ensure that we have an inclusive and positive working culture that supports equality, inclusion and diversity and to create an environment where everyone feels included and valued. Our I&D Policy covers a range of protected characteristics including age, gender, ethnicity, sexual orientation, disability or educational, professional and socio-economic backgrounds. The policy seeks to enable all colleagues to reach their full potential and contribute fully to the success of the business. By delivering our I&D and Board Diversity Policies' key aims, we believe that we can support the delivery of our strategy through leveraging the benefit of a wider range of perspectives and ideas, contributing to a high-performing and effective leadership team which brings greater diversity of thought to better respond to our diverse customer base and stakeholder views. By having a diverse Board, and Board committees, we believe the Board is better placed to challenge management, consider stakeholder views, make better decisions and deliver the Group's strategic aims.

Our Board Diversity Policy ensures that the selection process for Board appointments is based on merit and requires the Board's standing sub-committees to be appropriately composed in order to undertake their duties effectively, including appropriate balance of diversity, whilst also ensuring diverse shortlists for Board roles. When reviewing Board appointments during the year, the Board considered the impact of such appointments on the diversity of the Board standing sub-committees. Our policy, which was reviewed by the Committee during the year, confirms our commitment to measurable objectives and you can read about the objectives of our Board Diversity Policy, and our progress against these, below.

The Committee has received updates on progress made against the Group's diversity and inclusion strategy, including improving our diversity data and supporting initiatives, such as the Group's Inclusion Community and Affinity Groups, to help create a diverse and inclusive pipeline of talent. During the year, the Committee reviewed our progress against our diversity objectives and our compliance with the diversity requirements set out in Listing Rule 9.8.6. The Group is a signatory to the Women in Finance Charter and is committed to achieve 40% female representation in senior management by 31 December 2026.

This year we decided to extend our target date from 2024 to 2026 following the Group's operating model restructure and business transformation that took place at the end of this year, which included senior management changes being made to align leadership with the capabilities required to deliver the Group's strategy. For the purposes of this target we have identified roles at our Level 14 and above as the relevant population and female representation in this population was 34% as at 31 December 2023. Female representation in our Executive Committee and direct reports population was 37% as at 31 December 2023, demonstrating positive progress on the position reported in last year's report.

Nomination Committee Report continued

Inclusion and diversity continued

Board diversity objectives	Progress and implementation
To maintain a minimum of 40% women (including those self-identifying as women) on the Board.	During the year the Nomination Committee agreed to amend this objective to increase the targeted female representation on the Board from one-third to 40%. As at 31 December 2023, 50% of the individuals on the Board of Directors were women, with 44% female representation as at the date of this report. As reported above, diversity remains a key focus for Board appointment processes.
To maintain for at least one of the senior Board positions (Chair, CEO, SID or CFO) to be a woman (including those self-identifying as a woman).	As reported below, we meet this objective.
To maintain a minimum of one Board director from an ethnically diverse background in support of the Parker Review target.	Whilst the Group is not currently captured by the targets set by the Parker Review, we remain focused on ensuring we meet this target. Although during the year this target was met, following Board membership changes, as at 31 December 2023 and as at the date of the report we no longer meet this target. However, following the Board changes that will take effect on 27 March 2024, as reported in the Chair's Governance statement on page 53, the Company will again meet this target with effect from that date. Diversity, including ethnic diversity, remains a key focus of our Board appointment process as described above. We continue to work with our external recruitment partners to drive diverse candidate shortlists. One of our focus areas is to formally establish our Race at Work Charter action plan and to work within the scope of the Parker Review requirements to define and set a percentage target for ethnically diverse leaders in job positions at Level 14 and above.
The Board will support and monitor Group activities undertaken to meet its diversity objectives and to increase the percentage of senior management roles held by women and other underrepresented groups across the Group.	Continued review of the Group's inclusion and diversity strategy and initiatives. When reviewing talent management and succession, the Committee has reviewed the diversity of our talent pipeline.
To ensure Board appointment 'long-lists' reflect the Board's diversity commitments.	Our Board Diversity Policy confirms our commitment that all shortlists for our Board and senior management positions are balanced from a gender perspective. This remained a key focus for the Chairman and Nomination Committee as part of recruitment process during 2023.
To ensure a rounded and diverse Board and Executive Committee, appointments will be made on merit, taking into account different backgrounds, diverse experience, perspectives, personalities, skills and knowledge, and alignment with the Group's culture.	As required by our I&D Policy, including the Board Diversity Policy, appointments are made on merit, taking into account diversity and alignment with the Group's culture. Diversity forms a key consideration of Board appointment and succession planning processes. You can read more about our Board appointment processes on page 74.

Explanation against LR 9.8.6(9) and data under LR 9.8.6(10)

As at the Company's chosen reference date, 31 December 2023, and in line with FCA Listing Rule 9.8.6(9), the Group confirms it has met the targets for at least 40% female representation on the Board and one of the senior positions of Chair, SID, Chief Executive or Finance Director to be held by a woman, with Andrea Blance appointed as SID. The Company has not met the target as at the reference date for one director to be from an ethnic minority background. The Company did meet this target during the year until 7 August 2023; however as a result of Board changes during the year we no longer meet this objective as at 31 December 2023. However, following the Board changes that will take effect on 27 March 2024, as reported in the Chair's Governance statement on page 53, the Company will again become compliant with each of the Board diversity targets set out in LR 9.8.6(9) with effect from that date. Diversity, including ethnic diversity, remains a key focus for future Board appointments and our succession planning, as described throughout this report, and meeting this target remains one of our Board diversity objectives. Our approach to collecting gender and ethnic diversity data was consistent and carefully implemented. Using a survey issued by a secure platform to collect the data and working closely with our Data Protection team, ensuring that we met all data protection regulations. Prior to the survey being issued, we provided a briefing to assist in everyone understanding the purpose and importance of collecting this information. The survey included questions related to sex at birth, gender identity (whether it remained the same as at birth), and ethnicity. To deliver a comprehensive understanding of the diversity within our Board and senior management, while also respecting individuals' privacy, we provided the option for Board members to choose 'prefer not to say' for any of these questions. Since the reference date, Andrea Blance has stepped down as SID. With the appointment of Angela Knight as SID we remain in compliance with the requirement that one of the senior positions of Chair, SID, Chief Executive or Finance Director should be held by a woman. Following this change, as at the date of the report we also remain in compliance with the requirement for at least 40% female representation on the Board.

Gender representation as at 31 December 2023

	Board			Executive Committee	
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
Men	5	50%	3	7	70%
Women	5	50%	1	3	30%
Prefer not to say/other/unspecified	–	–	–	–	–

Ethnic representation as at 31 December 2023

	Board			Executive Committee	
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-White groups)	10	100%	4	10	100%
Mixed/multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Sir Peter Estlin
Nomination Committee Chair
26 March 2024

Customer, Culture and Ethics Committee Report

Overseeing our people and culture

Elizabeth Chambers
Customer, Culture and Ethics Committee Chair

"In 2023 the CCE Committee actively supported the development and launch of The Vanquis Way, which embodies the core values that guide how we serve and support customers in every product and channel. Colleagues embraced these enthusiastically and felt they were directly supportive of both our Purpose, and our Consumer Duty obligations."

Elizabeth Chambers
Customer, Culture and Ethics Committee Chair

Role of the Committee

The Committee is responsible for:

- reviewing the design and performance of the Group's products and specifically testing for their market fit, suitability for our target customers, and good customer outcomes;
- overseeing the development, embedding and monitoring by management of the Group's Purpose, values, customer objectives, culture and ethics;
- overseeing the Group's efforts to ensure that its policies, business practices, procedures, systems and behaviours are consistent with improving the customer experience;
- reviewing and providing guidance for external communications and the Group's public posture on key reputational issues, e.g., financial inclusion, diversity and sustainability (ESG agenda: environment, social, governance);
- ensuring that appropriate arrangements are in place to support compliance with the 2018 UK Corporate Governance Code; and
- ensuring that appropriate stakeholder and employee engagement mechanisms in relation to the Group's Purpose, culture and ethics, are in place.

Allocation of time

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

Dear Shareholder

I am pleased to present an overview of the Committee's work during 2023.

This year, the Committee focused on regular review of our Customer Conduct Dashboard. We also undertook a review of the new loans product and its suitability for our target customer audience. Other priorities included a review of the Group's move of its operational processes and resources to outsourced partners based in South Africa, through the lens of our continuing commitment to customer-centric service and support. We provided input to and oversight of the launch of the Group's refreshed values, The Vanquis Way. These values set out how we work together with each other, our customers and our communities. They reflect the things we believe are most important in delivering our Purpose, and they underline the way we come together to make our business a great place to work. You can find our values alongside our Purpose on the inside front cover.

The Committee had four independent non-executive directors during 2023 following Michele Greene's appointment. The biographies of the members, Graham Lindsay, Michele Greene, Margot James and me, are available on pages 55 to 56.

Our customers

The Committee continued to embed a KPI and evidence-based approach to its work, and supported management's efforts in this regard. During 2023 the Committee received regular updates on the Conduct Risk Dashboard and discussed improving trends, as well as any areas of concern identified in its metrics. The Dashboard enables the Committee to monitor the metrics in each of the product lines. As an example, the Committee noted that the 'dormant accounts' metric on the Cards Dashboard had become outside tolerance and members explored the reasons for the decline. We supported the expansion of a dormancy programme which included more proactive strategies to engage and retain or eventually close accounts for dormant customers if re-engagement didn't happen. These efforts target an improvement in the related metrics to 'Green' by the end of the first quarter of 2024.

The Committee received ongoing updates on the Consumer Duty programme and was comfortable that the programme was on track for delivery and critically that our management information and the above referenced Dashboards would support sustained delivery of our obligations under the Duty.

During April 2023, the Committee reviewed and fully supported vehicle finance's new product proposition, lending to customers who choose a personal contract hire. The vehicle finance business has now entered into a Master Services Agreement with Zest Leasing Limited to offer non-prime customers access to new cars by way of a contract hire leasing agreement.

In 2021 the Group exited the high-cost credit market and closed its home credit division, which meant the Group's name and brand were linked to a market it no longer served and a business that no longer existed within the Group. We therefore decided to rename and rebrand, as the old name and brand no longer accurately represented what the Group had become, a digital bank offering credit cards, vehicle finance and loans. The Group therefore became Vanquis Banking Group, linking our corporate entity to its biggest consumer brand, Vanquis. The corporate rebrand and name change was completed successfully in the first quarter of 2023, with the change being well received by shareholders, colleagues and customers.

At the November meeting the Committee reviewed the loans product range, and specifically the loans customer journeys. It was clear from research that most of the new loans customers borrowed money for the purpose of debt consolidation and home improvements, which aligns with our goal of responsible lending and helping people improve their financial lives.

The Committee regularly listened to a selection of customer calls. At each meeting the Committee discussed the calls and agreed that, generally, the quality of service provided by the customer facing colleagues was of a high standard. Listening to these calls offers insight for the Board into the day-to-day operations and our customers. The Committee noted that the areas of improvement that had been identified had been taken forward by management. The Committee also had full oversight of the whistleblowing activity during the year.

Values – The Vanquis Way

We believe that our culture is shaped and changed through our everyday actions - actions that apply to all of us, no matter where we are in the business. In April 2023 we officially launched our new values. The values are easy to both remember and build into our daily lives as they are all about how we get the best job done. Our values are designed to guide decision making and the way we work together with customers, communities and each other. Fully embedding The Vanquis Way will take time and effort from all. We'll need to focus on our daily habits, recognising and highlighting colleagues who get it right, and challenging any behaviours that are not in keeping with The Vanquis Way.

The Committee reviewed the results of the latest Colleague Survey and also an additional Culture Survey which was undertaken during the year. We considered how insights from the Culture Survey would be used to guide colleague engagement by executive leadership and also supported team culture sessions, where management explored results and gathered further insights from colleagues.

Vanquis Banking Group Foundation

The Vanquis Banking Group Foundation supports our customers and communities across the UK. During the year we launched our new Vanquis Banking Group Foundation programme. Our Foundation aids financial inclusion and social mobility, supporting children and young people in the communities we've served since 1880. It's aligned with our Purpose, to deliver caring banking so our customers can make the most of life's opportunities.

The Foundation has an annual budget of £2.5m and builds on our sustainability programmes to further support social and financial inclusion for children and young people.This includes the Vanquis free school uniform fund which will be doubled, helping hundreds more pupils, and continued partnerships with community foundations from Bradford to London. The Foundation is another way in which we can support people to become more financially and socially included in society.

Our work helps those people we are able to reach achieve their full potential at school and access better employment opportunities and reduces inequalities. All of this is closely tied to our Purpose.

Environmental considerations

During the year, the Committee received updates on how the climate risk agenda was being governed and managed across the Group. This included an update on the Group's environmental and climate change strategy and the science-based targets. The Committee supported the Group in its contribution to the movement towards a low carbon economy and in setting our targets. The progress being made by management in setting carbon reduction targets which align with current climate science-based targets can be found in the Group's TCFD/Climate Report on pages 19 to 28. Throughout the year, we have engaged with colleagues via the intranet site on a range of issues such as why we measure and report our carbon footprint. For more information see our ESG Report on pages 14 to 31.

Following this year's Board effectiveness evaluation and recent changes in Board and executive leadership, we agreed that the time is now right to ensure that oversight of the matters within the Committee's remit would receive even more focus by embedding them within the main Board agenda, with some of the responsibility areas also being assigned to other committees. Accordingly, this will be our final Committee report and each of the Committee members look forward to further strengthening the Board's essential role in overseeing our duties to customers, colleagues, our culture and the communities we serve.

Elizabeth Chambers
Customer, Culture and Ethics Committee Chair
26 March 2024

Audit Committee Report

Audit, assurance and internal control

Paul Hewitt
Audit Committee Chair

> "During the year, the Committee continued to focus its oversight on the enhancement of internal controls and assurance and financial reporting which we continue to evolve and strengthen."
>
> **Paul Hewitt**
> Audit Committee Chair

Role of the Committee

The Committee assists the Board and is responsible for overseeing the following:

Financial reporting

- monitoring the integrity of the financial statements, and any other published financial information, and reviewing the significant financial reporting judgements therein;
- advising the Board on the Annual Report and Accounts, including whether it is fair, balanced and understandable;
- assisting the Board in assessing the Company's going concern status and ongoing viability;

External audit

- conducting the tender process and recommending to the Board the appointment, remuneration and terms of engagement of the external auditor;
- reviewing and monitoring the independence and objectivity of the external auditor;
- assessing the effectiveness of the external auditor;
- implementing and monitoring the Group's policy on non-audit services;

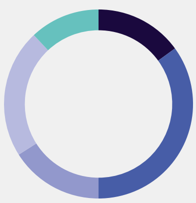
Internal audit

- assessing and monitoring the effectiveness of the Group's Internal Audit function, including approving the annual Internal Audit Plan; and

Internal controls and processes

- reviewing and monitoring the effectiveness of the Group's system of internal financial and operational controls.

Allocation of time



Governance	13%
Financial reporting	36%
External audit	15%
Internal audit	22%
Management reporting	14%

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

Dear Shareholder

On behalf of the Committee, I am pleased to present the Audit Committee Report for the year ended 31 December 2023.

The report details how the Committee has discharged its role and duties during the year, and provides you with an overview of the Committee's key activities and areas of focus for 2023. The report also confirms compliance with the Competition and Markets Authority Statutory Audit Services Order.

The Committee's membership remained unchanged as at 31 December 2023, comprised of non-executive directors with me as Chair, Andrea Blance and Angela Knight, who is also Chair of the Risk Committee. Andrea Blance stepped down from the Committee on 1 February 2024. Members' meeting attendance and number of meetings held can be viewed on page 70 and details of their qualifications, skills and experience set out in the 'Our Board' section on pages 54 to 56 of the Governance Report. As a whole, the Committee is experienced and has competence and relevant financial services sector experience, meeting the experience and expertise criteria set out in the 2018 UK Corporate Governance Code and the FCA Disclosure Guidance and Transparency Rules (DTRs).

The Committee undertakes a review of its effectiveness annually as part of the Board evaluation. More information can be found in the Composition, succession and evaluation section on page 70.

The Committee continued to monitor the output of the Department for Business and Trade (DBT) review of audit and corporate governance reform. In late January 2024 the Financial Reporting Council (FRC) published the updated the UK Corporate Governance Code. There are a number of principal changes relating to internal controls and the new Principle O which asks boards to make a declaration in relation to the effectiveness of their material internal controls. A number of provisions related to audit committees have been removed and are now captured within the Audit Committees and the External Audit: Minimum Standard. In parallel, the implementation of the Integrated Assurance Framework remained on track.

I look forward to reporting directly to shareholders at the Annual General Meeting on 15 May 2024.

Key Committee activities in 2023	Committee priorities in 2024
– Reviewed and recommended for approval the half-year and full-year financial statements. – Reviewed and approved the non-audit fees Policy; external auditor interim review; external audit fees; external auditor interim review; and external auditor proposed 2023 plan. – Reviewed and approved the Internal Audit Charter; statement of independence and objectivity and effectiveness; self-assessment; and 2024 Internal Audit Plan. – Continue to oversee and challenge the IFRS 9 model rebuild and resulting financial impact. – Reviewed and approved the internal statement of governance, risk management and internal control, including Group's risk assessment processes and preventative measures to prevent tax evasion. – Confirmed sufficient distributable reserves and recommended payment of the 2022 final dividend (paid July 2023) and the 2023 interim dividend (paid September 2023) to the Board. – Oversaw transformation of the Group Finance function. – Oversaw implementation of the Integrated Assurance Framework. – Board committee effectiveness evaluation outcomes; reviewed and approved the Committee's terms of reference, 2024 forward agenda planner and adherence with its terms of reference during 2023. – Discussions with Head of Internal Audit or external auditor following each Committee meeting.	– Continued embedding of the Integrated Assurance Framework across the three lines of defence. – Continued monitoring of the legislative and regulatory landscape in relation to audit reform and controls enhancements. – Continued focus on enhancing the control environment across the Group. – Oversee transition of the IFRS 9 models. The Committee will continue to independently oversee IFRS9 model development, monitoring and calibration, and will monitor progress against all internal and external audit findings raised. Please see page 82. – Further development of data analytics in the Internal Audit function. – Oversight of the new global internal audit standards implementation.

Fair, balanced and understandable

In support of the Board, having regard to Provision 25 of the Code, the Committee considered whether the 2023 Annual Report and Financial Statements, when taken as a whole, was fair, balanced and understandable. The Committee adopted the same robust process as in prior years to justify the statement. This included:

- reviews to provide input, and feedback incorporated into subsequent drafts;
- oversight of the process, evaluation and verification by Group senior management;
- external evaluations of the Remuneration and Governance Reports respectively; and
- private sessions with the external auditor.

As part of the year-end processes, the Committee considered management's areas of significant judgements, estimation, and uncertainty and emerging issues as set out in the financial statements on pages 116 to 192, and with the external auditor, scrutinised and challenged the going concern assumptions.

In assessing compliance with the Code, the Committee considered the following criteria:

Is the Report fair?

- Is it a full reflection of events throughout the year and consistent with messages communicated throughout the year?

Is the Report balanced?

- Is the narrative reporting consistent with the financial reporting?
- Are the statutory and adjusted measures appropriately balanced?

Is the Report understandable?

- Is it presented in a logical order and using clear language?
- Are important messages clearly highlighted as such?
- Is information shown in tabular or graphic form where this would assist the reader?

Conclusion: The Committee concluded that, in its opinion, the 2023 Annual Report and Financial Statements, when taken as a whole, was fair, balanced, and understandable and recommended this assessment to the Board.

Audit Committee Report continued

Financial reporting process, internal control and risk management systems

Internal Audit and the Group Risk functions provide regular reports to the Committee in respect of the effectiveness of risk management systems and internal controls. Where recommendations for improvement are made, these are agreed with management and progress is monitored by the Committee at each meeting. The Group has been working on two long-term improvement programmes, with progress as described below.

Area for improvement previously identified	Progress to date
Implementation of a Group-wide integrated risk system	The Integrated Assurance Framework is now embedded and supported by the Group-wide risk system, Riskonnect, which facilitates a view of risks and issues across the Group from all assurance activities. The system enhances the data available to the Committee to monitor the effectiveness of the Groups internal controls. You can read more about our risk harmonisation activity on pages 44 to 50.
The IT platform modernisation	A transformation programme is being executed which, over the next two years, will see all products on a unified, modern cloud-based technology platform. The transformation activity continues at pace and control issues within the legacy IT estates will be fixed strategically through the transformation. The platform modernisation will also support the automation of many controls. Control will be built into the platform by design, continuing to enhance the overall system of internal controls.

In March 2024, Internal Audit confirmed that the Group's control environment has remained stable during 2023. The known control issues within the legacy IT estates, including access management, remain unchanged and will be fixed strategically through the IT platform modernisation referenced above. The Enterprise Risk Management Framework has continued to embed throughout 2023. Finance controls are documented in the Group-wide risk system, Riskonnect. These are reviewed at regular intervals by control owners and/or delegates to evaluate the efficacy and confirm that these remain appropriate and effective.

The IFRS9 models have undergone significant development in 2023. Assurance from across the three lines of defence, and External Audit has identified that further control improvements are needed in the development, implementation and oversight of the IFRS9 models. This is being prioritised in 2024. The Committee will continue to independently oversee IFRS9 model development, monitoring and calibration, and will monitor progress against all internal and external audit findings raised.

Annually, Deloitte LLP provided a management letter which identifies significant internal controls matters and the management response.

Internal Audit

The Group operates an in-house Group Internal Audit (GIA) function, managed by the Group Chief Internal Auditor who reports to the Committee at each meeting. Specialist services are provided by third-party consultants where necessary and are subject to the Group policy for non-audit work. During the year, the Group Internal Audit function executed the approved annual audit plan. The plan is developed through a risk assessment against each of the Group's principal risks (pages 45 to 50) and the methodology for its development continues to be refined to ensure optimal risk coverage. The audit conclusions for 2023 demonstrated a stable control environment on the prior year. The Committee is satisfied that the Group Internal Audit function is both independent and effective, as detailed below.

Independence As required under the Institute of Internal Auditors Code of Practice, the Group Chief Internal Auditor has no responsibilities outside of oversight of the Internal Audit function, and reports directly to the Chair of the Committee, with an administrative reporting line to the Group Chief Executive.

The Committee holds regular private sessions with the Group Chief Internal Auditor and the Chair also meets with the Group Chief Internal Auditor at least quarterly or upon request.

Independence of the Internal Audit function is confirmed by the Group Chief Internal Auditor through an annual attestation.

Effectiveness The Internal Audit Charter is approved annually and the Committee regularly monitors progress against the plan. Confirmation is also provided that the function is appropriately resourced and has sufficient expertise to carry out its mandate.

External Audit

Appointment and tenure

In accordance with Group policy, a formal tender process for the position of external auditor was conducted in 2020 and Deloitte LLP was selected for a further period of 10 years.

The Committee has the authority to commission a formal tender process at any time it is deemed in the Group's best interest.

The Committee concluded that Deloitte LLP continued to perform in line with expectations and remained independent of the Group, and will recommend to shareholders reappointment at the 2024 AGM.

Effectiveness The Committee continues to hold private sessions with the external auditor, in the absence of executive directors or management. Four sessions were held during the year. The sessions facilitate open and forthright discussions, and for Deloitte to raise any concerns. In addition to this, the Chair meets with the audit partner at least quarterly or upon request.

During the year, the Committee carefully considered the risks associated with the Group control framework. Work undertaken by GIA during the year, as part of the annual audit cycle, has satisfied the Committee that the overall control framework remains stable. Work undertaken by Deloitte IT specialists identified some deficiencies in respect of user access reviews; the Committee will ensure that the robust remediation plan is implemented to address this during 2024.

Throughout the year, the external auditor challenged management and demonstrated professional scepticism, notably, debating with management the appropriateness of the IFRS 9 and expected credit loss model rebuilds, controls and governance processes.

The external auditor and audit quality is assessed annually using scores and feedback from the Committee and Group and Divisional Heads of Finance. Feedback and scores were shared with the external auditor as part of the commencement of the half-year review, and an action plan developed for remediation requirements allowing improvements to be incorporated.

The main remediation need identified in relation to the 2022 audit was for improving project management of audit requests. The overall conclusion was that Deloitte LLP remained effective.

Independence and objectivity

The Committee ensures adequate safeguards are in place to ensure the independence and objectivity of external audit.

These include:

- a policy that restricts the recruitment of individuals employed by the external auditor into positions that provide financial reporting oversight or exercise influence over financial and regulatory statements;
- non-audit work is subject to the policy detailed below and the non-audit team does not prepare anything which would be relied upon in the Group audit;
- work performed is subject to an independent professional standards review and Engagement Quality Control Review process;
- the Committee considers the reappointment of the external auditor, including the rotation of the audit partner, annually. The review considers both independence and effectiveness, primarily using a scorecard system. The lead Audit Partner, Kieren Cooper, has been in place since May 2022 following a smooth transition period; and
- the external auditor attests its independence and objectivity to the Committee on an annual basis.

Non-audit work

A formal policy on the use of the external auditor for non-audit work, is in place and reviewed annually and adheres to the EU Audit Directive and Regulations. The policy stipulates that non-audit work should only be awarded to the external auditor when there is clear reason to prefer it over alternative suppliers, following a rigorous procurement process. All awards of non-audit work to the external auditor are monitored to ensure that their independence, and perceived independence, are not compromised. The Chair of the Audit Committee must approve in advance, any single award of non-audit work which has a value in excess of £50,000 per annum, or a programme of non-audit work with an aggregated value in excess of £50,000 per annum. Where the value is in excess of £250,000, the approval by a quorum of the Audit Committee is required in addition to the Chair's approval. Approvals are also be subject to the cap on non-audit services as outlined in the policy. Deloitte LLP's fees for non-audit work during the year was £0.3m (2022: £0.7m) The ratio of audit to non-audit fees was 6.7:1.

Significant issues and areas of judgement

The critical accounting assumptions and key sources of estimation uncertainty considered by the Committee in relation to the Annual Report and Financial Statements 2023 are outlined on pages 134 and 135. In addition to the matters set out below, the Committee also considered the going concern statement set out on page 129. The Committee discussed these with the external auditor during the year and, where appropriate, these have been addressed as areas of audit focus as outlined in the Independent Auditor's Report on pages 116 to 123.

Issue	Judgement	Actions
Impairment of amounts receivable from customers Receivables are impaired on recognition in accordance with IFRS 9. The impairment allowance is initially dependent on the probability of default (PD), the loss given default (LGD) and the exposure at default (EAD) within 12 months, discounted at the original effective interest rate (EIR). Lifetime losses are recognised following a significant increase in credit risk. The assessment of credit risk and therefore impairment allowance should be probability weighted, and should utilise all information available, including past events, current conditions and supportable forecasts of economic conditions at the reporting date. An assessment of macroeconomic factors, including the latest economic forecasts, is also required to estimate expected losses.	Judgement is applied to the impairment allowance required. This includes whether past performance provides a reasonable estimate of future losses implicit within the PD, LGD and EAD. In 2023, adjustments made in relation to the cost-of-living crisis, affordability, persistent debt and Standard European Consumer Credit Information (SECCI) have been fully unwound as the Group considers these impairment provisions to be no longer required. In addition, the Group refined and recalibrated the provisioning models for cards, vehicle finance and personal loans, to better reflect the evolving receivables mix; this led to a release of £57.7m of provision as a post-model adjustment.	The Audit Committee reviews and challenges the key judgements applied throughout the year. This includes adjustments to determining significant increases in credit risk and default. Post-model adjustments are reviewed and challenged when impacting PD, LGD or EAD. The process of creating future estimates is considered with peer analysis performed. The design, implementation and testing of new models and any associated model enhancements are reviewed and challenged. The embedding of the refined and recalibrated IFRS 9 models, along with the updated model monitoring capabilities will be overseen by the Committee, and the required ongoing monitoring of these models together with associated controls will be reviewed and challenged. Information becoming available following the period end is assessed to determine if this would have been available at the period end and included within the assessments. The work performed by Deloitte LLP on validating the management assumptions is considered. Findings are presented in Deloitte LLP's report to the Audit Committee which is challenged with knowledge of the latest circumstances. The work performed by Group Internal Audit is considered, in particular, on technology and operational controls.
Retirement benefit asset The valuation of the retirement benefit asset is dependent upon a series of actuarial assumptions. The key assumptions are in respect of the discount rate, inflation rates and mortality rates used to calculate the present value of future liabilities.	Judgement is applied in formulating each of the assumptions used in calculating the retirement benefit asset. This considers any adjustments made to the key judgements to ensure they remain appropriate for the Group's defined benefit pension scheme.	The Company's external actuary, Willis Towers Watson, proposes the appropriate assumptions and calculates the value of the retirement benefit asset. The Committee considers the adjustments made by management to the core assumptions proposed by the actuary. The Committee also considers the audit work performed by Deloitte LLP on the assumptions and to what extent the assumptions are within the suitable ranges of assumptions based on audit experience.

Compliance statement

The Group has fully complied with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 throughout the 2023 financial year.

Paul Hewitt
Audit Committee Chairman
26 March 2024

Risk Committee Report

Balanced risk management to support strategic progress

Angela Knight
Risk Committee Chair

"In a year of change for the Group the Committee has kept a close watch on the Group's overall risk profile to ensure that the Group's strategic and emerging risks are understood and well managed."

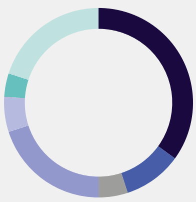
Angela Knight
Risk Committee Chair

Role of the Committee

The Committee's role is to ensure that there is an appropriate Risk Management Framework that operates across the Group to facilitate effective oversight of the Group's principal risks and its aggregated risk position; and to provide advice to the Board in relation to the Group's current and potential future risk strategies and exposures. The Committee's principal areas of responsibility are as follows:

- understanding the Board's strategy, desired culture and direction and identifying the key strategic and emerging risks which might prevent delivery;
- endorsing an overall risk appetite and recommending it to the Board for approval at least annually;
- carrying out an assessment of the principal risks facing the Group;
- monitoring the overall effectiveness of risk management across the Group as overseen by the CRO;
- in conjunction with the Audit Committee, reviewing the Group's capability to identify and manage new risk types, and keeping under review the effectiveness of the Group's internal control and risk management systems;
- reviewing the Group's management of current and forward-looking risk exposures;
- notifying the Board of any changes in the status and control of material risks;
- reviewing the Group's management of anti-money laundering, data protection and operational resilience; and
- reviewing and approving the Group's ICAAP, ILAAP and Group liquidity assessment, including the stress testing and capital allocation approach.

Allocation of time chart



Top of mind, principal and emerging risks	35%
Credit risk focus	10%
Risk appetite, framework, policy and harmonisation	5%
Regulatory and prudential risk reporting	20%
Risk management effectiveness	6%
Governance and external reporting	4%
Compliance and conduct	20%

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

Dear Shareholder,

Welcome to the Risk Committee Report for the year ended 31 December 2023. The Committee held six meetings in the year, one of which was specifically focused on the ICAAP and ILAAP. The Committee performs an annual effectiveness and adherence review and has covered all the duties set out in its Terms of Reference.

The Committee membership was expanded during the year with Michele Greene joining us as a member from May 2023. I have remained as Chair and the other non-executive director members are Elizabeth Chambers and Paul Hewitt, who is also Chair of the Audit Committee. The biographies of all our members, which also contain information about their qualifications, are available on pages 54 to 56 and our committee attendance is on page 70. I am also a member of the Audit Committee and work with Paul Hewitt to coordinate the work of both committees. The Group's CEO, Board Chair, CFO, Chief Internal Auditor and General Counsel also regularly attend Risk Committee meetings.

With the exception of the ICAAP and ILAAP focused meeting, at each regular meeting the Committee has:

- reviewed and assessed the overall risk management status of the Group;
- reviewed and assessed the Group's top of mind risks, both current and emerging, and key risk priorities;
- reviewed and assessed the Group's principal risks;
- reviewed and confirmed the risk appetite status across the Group; and
- reviewed the minutes and actions from previous meetings.

Our Committee reporting is structured consistently to facilitate effective use of time within meetings. The Committee regularly considers the Chief Risk Officer's (CRO's) report which provides information regarding the top of mind risks (top-down strategic and emerging risks), the principal risks (bottom-up all-encompassing risks), a summary of risk events and a functional update, and reports the Group's position against its risk appetite. The CRO Report also informs the Committee of the second line of defence's oversight and challenge of first line operations and the CRO provides an annual assessment of the effectiveness of risk management.

The Committee receives a report from the Chief Conduct and Compliance Officer which facilitates oversight of regulatory matters including regulatory engagement, horizon scanning, compliance monitoring outcomes and financial crime.

Key areas of focus

Strategic performance risk

The Committee has overseen the risk-related impact of the strategic review actions taken by management in October 2023 to return the Group to a path to sustainable, profitable growth which has included product price increases, a simplified operating model, increased outsourcing and modifications to the IT investment plan. In response to the associated increase in the principal risk of strategic performance the Committee enhanced its oversight of this area. The Committee commissioned project-specific risk assessments that documented the Group's risk position and what actions were being taken by management to manage risks, including overseeing the establishment of a project-specific risk forum, a project risk register and bolstered monitoring of key colleague and customer metrics.

Technology and information security risk

The Committee has overseen the delivery of the risk-related aspects of the Group's IT infrastructure transformation including overseeing the adaptations of plans following the strategic review initiated in October 2023.

The Committee has played a key role in challenging management to ensure it has identified, considered and addressed the risks presented by the IT change programme. Given the continued importance of the IT programme to the Group's overall risk profile the Committee has received a report regarding the IT strategy, transformation and associated risk management activity at each regular meeting. The Committee provides guidance and approval to management regarding risk management and IT security on legacy systems. You can read more about the Group's strategy and digital, tech, data and analytics objectives and focus for 2024 on page 9.

Capital, funding and liquidity risk

Detailed methodological reviews were completed on our regulatory documents during 2021 (ICAAP) and 2022 (ILAAP). Building on these solid foundations, the documents have been further refined this year.

The ICAAP has been revised to reflect our continuous development of capabilities and to incorporate feedback received from the PRA as part of its Capital Supervisory Review and Evaluation Process (C-SREP).

The ILAAP document reflects the consolidated Group's liquidity risk drivers and stress testing and the behaviours of the Group's products through 2023.

Both documents were approved by the Committee, for onward recommendation to the Board, in December 2023.

You can read more about liquidity, funding and capital in the Financial Review on page 34.

People and operational risk

The Committee recognised the people and operational risks arising from the Group's review of operations and subsequent decision to outsource part of its operations to South Africa. The Committee oversaw the activity through its receipt of regular updates regarding the risk impacts and any associated action plans documented via the CRO Report. You can read more about the Group's outsourcing project in our principal decision on page 65.

Credit risk

In response to the continued uncertainty in the macroeconomic environment the Committee has continued with its enhanced approach to monitoring the impact of rising interest rates and financial pressures on our customers during the year. The Committee has received frequent and detailed credit risk reports from the Chief Credit Officer regarding portfolio performance, stability and customer behaviours.

Consumer Duty

The Committee has received regular updates from management enabling it to oversee the execution of the Consumer Duty implementation plan. The Committee completed a deep dive review of fair value and has overseen the actions arising such as the review of fees and charges and terms and conditions. The Committee will continue to monitor the impact of changes on customer outcomes.

Risk and control maturity

The Committee has overseen the Risk Harmonisation programme and also the First Line Control Review (FLCR) Programme. I am pleased to report both completed in December 2023. The programmes have delivered tangible improvements to our risk and control maturity including a single Enterprise Risk Management Framework and risk management system allowing for consistent and consolidated risk reporting by our centralised Risk function. The completion of both programmes has resulted in a more accurate view of the Group's operational risk profile and the Committee has benefited from simplified, aggregated reporting and insight capability. The Committee commissioned an independent external quality assessment to support the Committee's responsibility to oversee the effectiveness of the Group's risk management strategy, governance arrangements and operating model in managing risk. The assessment concluded that the Group's Risk Management Framework and processes are fully embedded and value adding.

The Committee recognises that the Risk Harmonisation programme has also supported the first line of defence ownership of risks through Risk and Control Self-Assessment (RCSA); however, this is an iterative process and more risk education for first line colleagues is planned for 2024.

Risk appetite

The Committee has overseen the Group's Risk Appetite Framework and receives comprehensive risk appetite data with detailed plans regarding any route-to-green activity for metrics that are not within appetite.

Principal and emerging risks

The Committee is responsible for supporting the Board in its robust assessment of the principal and emerging risks to the Group. The CRO reports to each regular meeting on the top of mind principal and emerging risks. The Committee considers the top of mind and any other risks that may impact the Group's strategy and operations and assesses its aggregated risk profile. Alongside the CRO Report being provided to the Board, I also provide the Board with a verbal update of matters considered by the Risk Committee at each following Board meeting.

In July 2023 the Committee approved the Group's Risk Management Framework, including the Emerging Risks Methodology, which defines the approach to identify, assess and measure the principal and emerging risks. The risk classification was reviewed and approved by the Committee in November 2023.

You can read more about the Group's approach to risk management in our Strategic Report on pages 44 to 46. A description of our principal risks and how they are being managed can be found on pages 46 to 50.

Risk Committee Report continued

Committee review of internal risk management and controls

In accordance with the 2018 UK Corporate Governance Code Principle O, the Board has a responsibility to establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the Company is willing to take in order to achieve its long-term strategic objectives. Provision 29 requires the Board to monitor the Company's risk management and internal control systems.

Following a detailed review by the Committee, the directors can confirm that the Group's key risks have been robustly assessed and are effectively controlled. In reaching this conclusion, the Risk Committee assessed the following criteria:

- a comparison between the Group's net risk profile and positioning on both 1 January 2023 and 2024;
- management of top of mind risks including credit risk related to the cost-of-living crisis, strategic performance risk, technology and change;
- performance of the Risk function against its objectives as agreed and assessed by the Remuneration Committee;
- the effectiveness of the Risk Management Framework to ensure consistent management of risks;
- key strategic decisions taken and executed in 2023 which alter the risk profile of the Group, including the change in structure and leadership of the Group and the strategy;
- an assessment of our relationships with our regulators; and
- other key indicators such as the reduction in open and overdue audit actions, engagement with risk awareness activities and risk awareness within first line management.

Opportunities

Looking forward, our refreshed strategy determines that we will continue to monitor closely strategic performance risk and credit risk and the stability of our overall risk profile throughout 2024.

The Committee appreciates that the embedding of a risk-aware culture is a continual and iterative process. With this in mind, the Committee priorities to preserve and enhance the Group's control environment during 2024 are set out in the table below.

Angela Knight
Risk Committee Chair
26 March 2024

Key Committee activities in 2023	Committee priorities in 2024
– Closely monitored the Group's 'top of mind' risks and received regular Group CRO reports outlining the Group's strategic and emerging risks. – Oversaw the completion of the Risk Harmonisation programme, including embedding of the Group-wide risk system, Riskonnect, and the completion of the Group's First Line Control Review programme and requested and received an External Quality Assessment of Risk Management Maturity by an independent consultant. – Performed enhanced monitoring of credit risk in light of changes to the macroeconomic environment and the strategic review. – Confirmed the effectiveness of the Group Risk Management Framework following an internal review by management. – Oversaw the execution of the Group's Consumer Duty of Care implementation plan. – Oversaw the IT strategic transformation as it pertained to risk management and the delivery of controls in the IT infrastructure and monitored IT resilience Including the performance of information security testing and resulting action plans from the Group's Chief Information Security Officer (CISO). – Monitored execution risk associated with the strategic and operational change activity, particularly the cost reduction programme, strategic review and organisational design. – Received the Group MLRO Report detailing divisional performance, money laundering systems and controls, key financial crime risks and issues, control gaps and associated action plans. – Received regular reports from the Chief Conduct and Compliance Officer covering compliance and data protection. – Approved the Group's ILAAP, ICAAP and Pillar 3 Disclosures. – Approved the Committee's revised terms of reference (ToR) and forward agenda planner and the Committee's effectiveness review.	– Strategy and impact on principal and emerging risks. – Review of the risk appetite framework. – Overseeing the risk assessment of any new products. – Model development and model validation results. – Credit risk management capability.

Directors' Report

Our responsibilities as a listed business

In accordance with section 414C(11) of the Companies Act 2006, the directors present their report for the year ended 31 December 2023. Information relevant to the Directors' Report that has been covered in the Strategic Report has been listed below alongside its location. Both the Strategic Report and the Directors' Report have been prepared and presented in accordance with, and in reliance upon, applicable company law. The liabilities of the directors in connection with both the Directors' Report and the Strategic Report shall be subject to the limitations and restrictions provided by company law.

Other statutory information (including that required by Listing Rule 9.8.4R)

Agreements with controlling shareholders	Not applicable
Contracts of significance	185
Details of long-term incentive schemes	104 to 105
Directors' indemnities	88
Dividends	89
Engagement with employees	63
How we had regard to suppliers, customers and others in a business relationship with the Group	62 to 66
Events post-balance sheet	187
Risk management including principal risks	44 to 50
Future business developments	6 to 13
Going concern and viability statement	51 and 129
Greenhouse gas emissions, energy consumption and efficiency	27
Interest capitalised	Not applicable
Non-pre-emptive issues of equity for cash in relation to major subsidiary undertakings	Not applicable
Non-pre-emptive issues of equity for cash	Not applicable
No political donations	91
Parent participation in a placing by a listed subsidiary	Not applicable
Provision of services by a controlling shareholder	Not applicable
Publication of unaudited financial information	4
Purchase of own shares	Not applicable
Research and development	91 and 163
Share capital – structure, voting and other rights	88
Share capital – employee share plan voting rights	88
Shareholder waivers of dividends	89
Shareholder waivers of future dividends	89
Waiver of emoluments by a director	104
Waiver of future emoluments by a director	104

Articles of association

The directors' powers are conferred on them by UK legislation and by the articles of association. Changes to the articles of association must be approved by shareholders passing a special resolution and must comply with the provisions of the Companies Act and the FCA's Disclosure Guidance and Transparency Rules.

Corporate governance statement

The Board considers that the Company was fully compliant with all the provisions of the 2018 UK Corporate Governance Code (the Code) throughout 2023.

The Group's Corporate Governance Report is set out on pages 52 to 92.

In relation to the 2024 financial year to-date, following the stepping down of Andrea Blance from the Board on 1 February 2024, the Audit Committee and Remuneration Committee membership became non-compliant with Provisions 24 and 32 of the Code, with only two members in place for each committee. On considering Andrea's decision to step down, the Nomination Committee and Board considered the membership of both committees and the prospective non-compliance with the Code and agreed that this temporary non-compliance was appropriate for the Company in view of the following circumstances: (a) the non-compliance with the Code was expected to be for a short time due to progress being made in relation to non-executive director appointments, and would only impact a very limited number of meetings of each of the committees, and (b) given that both committees continued to have sufficient skills and experience to undertake their roles effectively. Additionally, at the time of the non-compliance, and since September 2023, the Company has been outside of the FTSE 350. The Code notes that the Audit and Remuneration Committees of a smaller company, being one that is below the FTSE 350 throughout the year immediately prior to the reporting year, can be comprised of two members. On 26 March 2024, the Board approved the appointments of three new non-executive directors with effect from 27 March 2024, with the Audit and Remuneration Committees comprising of four and three members respectively from that point. The Group will therefore only be non-compliant with Provisions 24 and 32 between 1 February 2024 and 27 March 2024, during which time there was only one Remuneration Committee meeting and two Audit Committee meetings. We will provide an explanation regarding compliance with the Code during 2024 in our 2024 Annual Report to be published in 2025.

Directors

The membership of the Board and biographical details of the directors at the year end are given on pages 54 to 56 and are incorporated into this report by reference. Commentary about the Board's composition and Board tenure can be found on page 70.

All directors were present throughout 2023 and up to the date of signing the Annual Report and Financial Statements 2023, other than:

- Michele Greene who joined the Board on 9 March 2023;
- Sir Peter Estlin who joined the Board on 19 April 2023;
- Ian McLaughlin who joined the Board on 1 August 2023;
- Dave Watts who joined the Board on 1 November 2023; and
- Malcolm Le May, Neeraj Kapur, Patrick Snowball and Andrea Blance who stepped down from the Board on 1 August 2023, 7 August 2023, 15 September 2023 and 1 February 2024 respectively.

Directors' Report continued

Appointment and replacement of directors

Rules about the appointment and replacement of directors are set out in the Company's articles of association. In accordance with the recommendations of the Code, all directors with the exception of Elizabeth Chambers and Margot James will offer themselves for appointment or reappointment, as appropriate, at the 2024 AGM.

Directors' indemnities

The articles of association permit the Company to indemnify directors of the Company (or of any associated company) in accordance with section 234 of the Companies Act.

The Company may fund expenditure incurred by directors in defending proceedings against them. If such funding is by means of a loan, the director must repay the loan to the Company, if they are convicted in any criminal proceedings or judgment is given against them in any civil proceedings. The Company may indemnify any director of the Company or of any associated company against any liability.

However, the Company may not provide an indemnity against:

1. any liability incurred by the director to the Company or to any associated company;
2. any liability incurred by the director to pay a criminal or regulatory penalty;
3. any liability incurred by the director in defending criminal proceedings in which they are convicted;
4. any liability incurred by the director in defending any civil proceedings brought by the Company (or an associated company) in which judgment is given against them; or
5. in connection with certain court applications under the Companies Act, no indemnity was provided and no payments pursuant to these provisions were made in 2023 or at any time up to the date of this report.

There were no other qualifying indemnities in place during this period. The Company maintains both a deed of indemnity in favour of the directors and directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors.

Directors' powers

Subject to the articles of association, UK legislation and any directions given by special resolution, the business of the Company is managed by the Board. The directors currently have powers in relation to the issuing and buying back of the Company's shares, which were granted by shareholders at the 2023 AGM. The Board is seeking renewal of these powers at the 2024 AGM.

Conflicts of interest

The Companies Act and the articles of association require the Board to consider any potential conflicts of interest of its members. The Board has a formal policy and operates formal procedures regarding conflicts of interest in order to identify and manage conflicts and to maintain independent judgement. All members of the Board have completed conflict of interest forms which are reviewed annually. All directors have an ongoing duty to notify the Company of any changes and to ensure that appropriate authorisation is sought where required and are required to renew and confirm their external interests annually. The Board (excluding the director concerned) considers and, if appropriate, authorises each director's reported actual and potential conflict of interest, taking into consideration what is in the best interests of the Company and whether the director's ability to act in accordance with his or her duties is affected. The Board will refer to the Conflict of Interest Policy for the most appropriate mitigating control. Records and Board minutes of all authorisations granted by the Board and the scope of any approvals given are held and maintained by the Company Secretary.

Share capital

The Company's issued ordinary share capital comprises a single class of ordinary shares. The rights attached to the ordinary shares are set out in the articles of association. Each share carries the right to one vote at general meetings of the Company. No new shares were issued to satisfy awards made under the Long Term Incentive Scheme 2015 (LTIS), the Restricted Share Plan (RSP) or Deferred Bonus Plan (DBP). 54,638 shares were issued during the year to satisfy exercises of options under the Vanquis Banking Group Savings-Related Share Option Scheme 2013. 2,588,253 shares were issued during 2023 pursuant to the acquisition of Usnoop Ltd.

Rights of ordinary shares

All of the Company's issued ordinary shares are fully paid up and rank equally in all respects and there are no special rights with regard to control of the Company. The rights attached to them, in addition to those conferred on their holders by law, are set out in the articles of association. There are no restrictions on the transfer of ordinary shares or on the exercise of voting rights attached to them, except:

1. where the Company has exercised its right to suspend its voting rights or to prohibit their transfer following the omission by their holder or any person interested in them to provide the Company with information requested by it in accordance with Part 22 of the Companies Act; or
2. where their holder is precluded from exercising voting rights by the FCA's Listing Rules or the City Code on Takeovers and Mergers.

Directors' interests in shares

The below interests include those held by connected persons and interests in shares through the Company's share schemes.

	Number of shares	
	31 December 2023	31 December 2022
Ian McLaughlin[1]	**1,028,939**	–
Dave Watts[2]	**40,000**	–
Sir Peter Estlin[3]	**100,000**	–
Andrea Blance[4]	**–**	–
Elizabeth Chambers	**12,000**	12,000
Paul Hewitt	**34,205**	34,205
Margot James	**–**	–
Angela Knight	**–**	–
Graham Lindsay	**26,464**	9,771
Michele Greene[5]	**–**	–

1 Ian McLaughlin joined the Board on 1 August 2023.
2 Dave Watts joined the Board on 1 November 2023.
3 Sir Peter Estlin joined the Board on 19 April 2023. Shareholding includes 50,000 shares held by a connected person.
4 Andrea Blance stepped down from the Board on 1 February 2024.
5 Michele Greene joined the Board on 9 March 2023.

Between 31 December 2023 and 14 March 2024, being the latest practicable date prior to publication, there have been no changes to the directors' interests.

Dividend waiver

Information on dividend waivers currently in place can be found on page 89.

Substantial shareholdings

In accordance with the Disclosure Guidance and Transparency Rules (DTR 5), the Company had been notified that the following persons hold directly or indirectly 3% or more of the voting rights of the Company:

Interests as at 31 December 2023 Holders (descending %)		Interests as at 14 March 2024 (being the latest practicable date before publication of the report) Holders (descending %)	
Schroder Investment Management	13.89%	Schroder Investment Management	13.84%
Redwood Capital Management	12.81%	Redwood Capital Management	12.59%
Davidson Kempner Capital Management	9.71%	Davidson Kempner Capital Management	9.70%
BlackRock	6.87%	BlackRock	6.97%
Artemis Investment Management	6.27%	Artemis Investment Management	6.83%
Premier Miton Investors	4.59%	Goldman Sachs	5.17%
Janus Henderson Investors	4.35%	Premier Miton Investors	4.59%
Vanguard Group	4.04%	Vanguard Group	4.15%
Jupiter Asset Management	3.88%	Janus Henderson Investors	4.02%
abrdn	3.87%	abrdn	3.87%
Marathon Asset Management	3.05%		

All interests disclosed to the Company in accordance with DTR 5 that have occurred since 14 March 2024 can be found on the Group's website: www.vanquisbankinggroup.com.

Profit and dividends

The continuing operations profit before taxation, amortisation of acquisition intangibles and exceptional items amounts to £24.9m (2022: profit of £126.6m). As at the date of this report, the directors have declared dividends as follows:

Ordinary shares (p per share)	
Interim dividend	
2023 (paid on 21 September 2023)	5p
2022 (paid on 22 September 2022)	5p
Proposed final dividend	
2023 (proposed to be paid on 30 May 2024)	1p
2022 (paid on 7 June 2023)	10.3p
Total ordinary dividend	
2023	6p
2022	15.3p

All-employee share schemes

The current schemes for employees resident in the UK are the Vanquis Banking Group Savings-Related Share Option Scheme 2022 (SAYE) and the Vanquis Banking Group Share Incentive Plan 2022 (SIP). Share schemes are a long-established and successful part of the total reward package offered by the Company, encouraging and supporting employee share ownership. The Company's schemes aim to encourage employees' involvement and interest in the financial performance and success of the Group through share ownership. The Company's SIP offers employees the opportunity to further invest in the Company and to benefit from the Company's offer to match that investment on the basis of one matching share for every four partnership shares purchased.

Scheme title	Total participants as at 31 December 2023	Total participants as at 31 December 2022
SAYE	**439**	528
SIP	**106**	147

Executive share incentive schemes

Awards are also outstanding under the RSP, LTIS and DBP. DBP awards were granted during the year on 11 April 2023. RSP and CSOP options were granted under the RSP on 11 April 2023 and 8 September 2023. LTIS awards were granted during the year on 8 September 2023. Further information is set out on page 104.

Vanquis Banking Group 2007 Employee Benefit Trust (EBT)

The EBT, a discretionary trust for the benefit of executive directors and employees, was established in 2007. The trustee, SG Kleinwort Hambros Trust (CI) Limited, is not a subsidiary of the Company. The EBT operates in conjunction with the LTIS, RSP, RBA and DBP and either purchases shares in the market or subscribes for the issue of new shares. The EBT is funded by loans from the Company which are then used to acquire, either via market purchase or subscription, ordinary shares to satisfy awards granted under the LTIS, RSP and DBP. Funds are used to acquire shares by way of market purchase for the RBA.

For the purpose of the financial statements, the EBT is consolidated into the Company and Group. As a consequence, the loans are eliminated and the cost of the shares acquired is deducted from equity as set out in note 31 on page 181 of the financial statements. In 2023, the EBT agreed to satisfy awards granted during the year under the RSP and CSOP options under the RSP in relation to 4,593,575 shares in the Company. During the year the EBT also agreed to satisfy awards granted during the year under the LTIS in relation to 2,821,336 shares and granted during the year under the DBP in relation to 315,661 shares. In 2023, the EBT also agreed to satisfy awards under the RBA of 38,053 shares in the Company by way of market purchase in relation to 2023.

As at 31 December 2023, the EBT held the non-beneficial interest in 1,869,980 shares in the Company (2022: 2,946,015). The EBT may exercise or refrain from exercising any voting rights in its absolute discretion and is not obliged to exercise such voting rights in a manner requested by the beneficiaries. The EBT waives its right to dividends in relation to shares held in the trust.

Provident Financial Employee Benefit Trust (the PF Trust)

The PF Trust, a discretionary trust for the benefit of executive directors and employees, was established in 2003 and operated in conjunction with the PSP. The trustee, Provident Financial Trustees (Performance Share Plan) Limited, is a subsidiary of the Company. The PF Trust has not been operated with the Performance Share Plan since 2012, when the previous PSP expired. As at 31 December 2023, the PF Trust had no interest in any shares in the Company (2022: nil).

Directors' Report continued

Vanquis Banking Group BAYE Trust (the BAYE Trust)

The BAYE Trust is a discretionary trust which was established in 2013 to operate in conjunction with the SIP. Equiniti Share Plan Trustee is trustee of the BAYE Trust. It is not a subsidiary of the Company. The BAYE Trust is funded by loans from the Company which are then used to acquire ordinary shares via market purchase to satisfy the Matching Awards for participants of the SIP.

For the purposes of the financial statements, the BAYE Trust is consolidated into the Company and Group. Participants in the SIP can direct the trustee on how to exercise its voting rights in respect of the shares it holds on behalf of the participant. As at 31 December 2023, the BAYE Trust held the non-beneficial interest in 240,294 shares (2022: 196,535 shares).

Colleague engagement and investing in our workforce

We invest in our colleagues through recognition, reward, development, wellbeing, the working environment and culture. Colleagues are recognised through our 'Way to Go' recognition platform and our 'Perks at Work' scheme, where you can recognise colleagues for outstanding work, providing support and generally exhibiting behaviours that show they are living The Vanquis Way, the Group's Values. You can also use the site to learn new hobbies and skills through the Perks Community Online Academy and save money on a wide range of expenses.

We have a Learning and Development hub which provides colleagues with an online portal to enhance their skills, performance and career.

We have a Group Reward Framework that enables clear career progression and movement around the Group. We have established mechanisms for colleague engagement including having a Designated Non-Executive Colleague Champion.

Information relevant to how we invest in our colleagues and where it can be found:

Information	Location
Reward and recognition	94 and 110
Learning and development – management programmes, apprenticeships, mandatory e-learning and mentoring	14, 16, 63 and 90
Culture – equal opportunities, gender diversity, other diversity and inclusion and Colleague Survey results	Inside front cover, 12, 16, 61 and 62
Health and wellbeing – support and initiatives	62
Engagement – internal communication, Colleague Survey, Workforce Panels and Designated Non-Executive Colleague Champion	16, 62, 63, 66, 67 and 90

Equal opportunities and diversity

The Group is committed to employment policies which follow best practice, based on equal opportunities for all colleagues irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment, religion or belief. The Group gives full and fair consideration to applications for employment from disabled persons, having regard to their aptitudes and abilities.

We have signed up to the Government's Disability Confident Scheme for employers, our first of three steps on our Disability Confident journey, which will help us to recruit, retain and develop disabled colleagues.

Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Group including making reasonable adjustments where required. If a member of staff becomes disabled, every effort is made by the Group to ensure their continued employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Pensions

The Group operates two pension schemes in the UK. Employee involvement in the Group defined benefit pension scheme is achieved by the appointment of member-nominated trustees and by regular newsletters and communications from the trustees to members. In addition, there is a website dedicated to pension matters. The trustees manage the assets of the defined benefit pension scheme which are held under trust separately from the assets of the Group. Each trustee is encouraged to undertake training and regular training sessions on current issues are carried out at meetings of the trustees by the trustees' advisors. The trustees have a business plan and, at the start of each year, review performance against the plan and objectives from the previous year. In addition, they agree objectives and a budget for the current year. The trustees have a risk register and an associated action plan and a Conflicts of Interest Policy, both of which are reviewed at least annually. The trustees have implemented a de-risking investment strategy which has been agreed with the Company and is kept under close review. The objective of the strategy is to reduce the risk that the assets would be insufficient in the future to meet the liabilities of the scheme. The Company has put Pension Trustee Indemnity Insurance in place to cover all the Group's pension schemes where individuals act as trustees. The trustees are also protected by an indemnity within each scheme's rules and this insurance effectively protects the Group against the cost of potential claims impacting on the solvency of the pension schemes. The Group operates a Group Personal Pension Plan for employees who joined the Group from 1 January 2003 and a Group Personal Pension Plan for employees of Moneybarn who joined the Group from 1 January 2003. Employees in both these plans have access to websites which provide information about their funds and general information about the plans.

Compliance

The Risk and Audit Committees oversee compliance and work together to review the systems and controls for the prevention of bribery.

Health and safety

The Group is committed to having a positive health and safety culture and an integrated, embedded, and effective health and safety management system. During 2023, the development of Group-wide health and safety policies was finalised, with a new approach to performance monitoring and evaluation introduced, to review the effectiveness of the management system. H&S toolkit training was developed to better equip management with critical knowledge and resources, to ensure health and safety is embedded in what they do. Focusing on continual improvement has been an essential component of the health and safety strategy. Accident and reporting statistics remain a key performance indicator and area of focus. During the year there were no RIDDOR reportable events.

Anti-bribery and corruption

The Group has a policy on anti-bribery and corruption which reflects the requirements of the Bribery Act 2010.

The Policy sets out the Group's zero-tolerance approach to bribery and corruption and its commitment to acting professionally, fairly and with integrity in all its business dealings and relationships, wherever it operates, and implementing and enforcing effective systems and controls to counter bribery and corruption. The Policy applies to all employees, contractors and directors in relation to the business activities undertaken by, or on behalf of, the Group. It also applies to any third party which is undertaking business for or on behalf of the Group, which must comply with the Policy or maintain equivalent standards and safeguards to prevent bribery and corruption. Under the Policy, all employees, contractors, directors and relevant third parties of the Group and its divisions must comply with the following minimum requirements:

- they must not directly or indirectly engage in bribery or corruption in any form; and
- they also must not accept, solicit, agree to receive, promise, offer or give a bribe, or facilitate payment, kickback or other improper payment.

The Policy also states that if an employee, contractor, director or relevant third party of the Group or its divisions becomes aware of a breach of the above minimum requirements they must immediately comply with applicable reporting protocols and procedures. The Group MLRO is the responsible person within the Group for receiving reports, and, as soon as is reasonably practicable, reports the incident to the Deputy Company Secretary. The Group provides anti-bribery and corruption training to all colleagues.

Related policies

Gifts and Corporate Hospitality Policy

The Group has a Corporate Hospitality Policy which sets out the Group's requirements for the review, approval and documentation of any gifts or corporate hospitality which are accepted, offered or provided. The Risk Committee oversees the Gifts and Corporate Hospitality Policy.

Whistleblowing Policy

The Group has a Whistleblowing Policy which is overseen by the Board. The Group is committed to fostering a culture of openness, honesty and accountability and requires the highest possible standards of professional and ethical conduct. Should any Group colleagues have any reportable concerns, these can be raised anonymously either internally or through the Group's external third-party helpline facility as detailed in the Group Whistleblowing Policy. The Group has appointed a Whistleblowing Champion, being a non-executive director with responsibility for ensuring and overseeing the integrity of the Group's arrangements on whistleblowing, including policies and procedures. A Group Whistleblowing Forum is in place which reviews management information on whistleblowing disclosures and grievances and agrees on escalations to the Board. It also considers any concerns regarding persistent trends and shares best practice. The Group provides whistleblowing training to all colleagues, including executive directors.

Overseas branches

The Group has no overseas branches.

Political donations

The Group made no political donations nor incurred any political expenditure during the year.

Research and development

The Group's research and development activities have predominantly related to systems and applications for the credit cards and personal loans businesses as set out in Note 20 on page 163 of the financial statements.

Environment and greenhouse gas emissions

The Group's greenhouse gas (GHG) and energy use reporting is undertaken in accordance with our obligations under both The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 and the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy that has been implemented through the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018. These emissions are reported in accordance with WRI/WBCSD GHG Protocol. For more information, please refer to pages 19 to 28.

The Group's total GHG emissions, in tonnes of CO_2 equivalent (CO_2e), along with details of our energy use and an intensity ratio, are reported in the table on page 27. SLR Consulting Limited has provided limited level ISAE 3000 (Revised) assurance in respect of this data. Its full, independent assurance statement is available online at: www.vanquisbankinggroup.com/sustainability. Where challenges have occurred in obtaining data, estimates have been used and assured by SLR Consulting.

The Group's Climate Risk Committee, which is chaired by Gareth Cronin, the Group Chief Risk Officer, and includes senior representatives from functions such as Finance, Risk, Operations and Sustainability, continues to support the business to assess, manage and report material climate-related risks and opportunities, and ensure that we continue to meet the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). Details on the progress the Group has made during 2023 in meeting the TCFD recommendations are set out on pages 19 to 28. As at 31 December 2023, the Group's Carbon Disclosure Project (CDP) rating was B- (2022: B-) for our climate change risk management efforts throughout the year. To help us to manage and reduce our wider impacts on the environment the Group continues to have in place an environmental management system (EMS). Our EMS helps us to identify, assess and reduce key environmental risks and impacts; set and deliver against environmental targets; and ensure our legal compliance. This EMS is independently audited each year against the requirements of the international management standard ISO 14001:2015. Following the environmental audits carried out in 2023, all the Group's business premises in Bradford, London, Chatham in Kent and Petersfield in Hampshire were re-certified to comply with the international standard ISO 14001:2015.

Important events since the end of the financial year (31 December 2023)

See Note 36 on page 187.

Financial instruments

Details of the financial risk management objectives and policies of the Group and the exposure of the Group to credit risk, liquidity risk and market risk are included on pages 136 to 140 of the financial statements.

Significant agreements

There are no agreements between any Group company and any of its employees or any director of any Group company which provide for compensation to be paid to an employee or a director on termination of employment or for loss of office as a consequence of a takeover of the Company.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The directors have also chosen to prepare the parent company financial statements under United Kingdom adopted International Accounting Standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

Directors' Report continued

Directors' responsibilities continued

In preparing these financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

The directors are also required by the FCA's Disclosure Guidance and Transparency Rules (DTR) to include a management report containing a fair review of the business of the Group and the Company and a description of the principal risks, emerging risks and uncertainties facing the Group and Company.

The Directors' Report and the Strategic Report constitute the management report for the purposes of DTR 4.1.5R and DTR 4.1.8R. The directors are responsible for keeping proper accounting records that are sufficient to:

- show and explain the Company's transactions;
- disclose with reasonable accuracy at any time the financial position of the Company and Group; and
- enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Act and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Annual Report and Financial Statements 2023 will be published on the Group's website in addition to the normal paper version.

The directors are responsible for the maintenance and integrity of the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility statement

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the Group financial statements in accordance with relevant IFRS, IFRIC interpretations and the Companies Act 2006.

The directors who held office during the financial year and to the date of this report were as follows:

Sir Peter Estlin	Chair
Ian McLaughlin	Chief Executive Officer
Dave Watts	Chief Financial Officer
Angela Knight	Senior Independent Director
Elizabeth Chambers	Independent non-executive director
Margot James	Independent non-executive director
Paul Hewitt	Independent non-executive director
Graham Lindsay	Independent non-executive director
Michele Greene	Independent non-executive director

Disclosure of information to auditor

In accordance with section 418 of the Act, each person who is a director as at the date of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the Company's external auditor is unaware; and
- they have taken all steps that ought to have been taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's external auditor is aware of that information.

Auditor

Deloitte LLP, the external auditor for the Company, was first appointed in 2012 and, following a tender process in 2020, a resolution proposing its reappointment was passed at the 2023 AGM. The reappointment of Deloitte LLP as the Company's external auditor is proposed at the 2024 AGM.

2024 AGM

The 2024 AGM will be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London, E14 5JJ on 15 May 2024 at 3.30pm. The Notice of AGM, together with an explanation of the items of business, will be contained in the circular to shareholders dated 27 March 2024 and will be available on our website, www.vanquisbankinggroup.com.

Approved by the Board on 26 March 2024 and signed by order of the Board.

Melanie Barnett
General Counsel and Company Secretary
26 March 2024

Directors' Remuneration Report

Annual Statement by the Chair of the Remuneration Committee

Graham Lindsay
Remuneration Committee Chair

> "In 2023 the Committee has focused on setting executive remuneration within the context of the overall Company performance."
>
> **Graham Lindsay**
> Remuneration Committee Chair

Committee members (attendance)

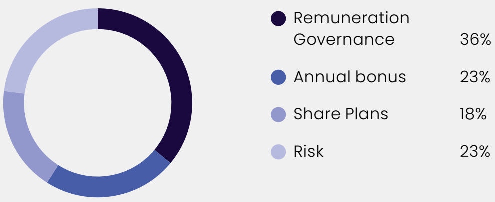
Graham Lindsay (Chair from 1 September 2023)	(4/4 plus 6/6 ad hoc)
Andrea Blance (Chair until 1 September 2023) (Stepped down 1 February 2024)	(4/4 plus 6/6 ad hoc)
Margot James	(4/4 plus 6/6 ad hoc)
Sir Peter Estlin (19 April 2023 to 15 September 2023)	(1/1 plus 3/3 ad hoc)

Role of the Committee

The Chairman, the Group Chief Executive Officer (CEO), the Chief People Officer (CPO), the Group Head of Reward and the Committee's independent advisor (PwC) attend Committee meetings by invitation. No person is in attendance when their own remuneration is being discussed.

The report complies with the provisions of the Companies Act, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and the Listing Rules of the FCA. The Company also follows the requirements of the UK Corporate Governance Code (the Code) updated in July 2018.

Allocation of time



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

Dear Shareholder

On behalf of the Remuneration Committee (the Committee), I am delighted to present my first Directors' Remuneration Report for the year ended 31 December 2023, having succeeded Andrea Blance in September 2023. I would like to extend my sincere thanks to Andrea for her considerable contribution to remuneration policies and practices at Vanquis Banking Group. Andrea guided the Committee with skill and determination through a period of significant transformation for the Group. I have been a member of the Committee since April 2019, having previously been the Chair of the Customer, Culture and Ethics (CCE) Committee, which has helped to facilitate a smooth handover in our responsibilities.

The report sets out how the Committee carried out its responsibilities during the year and our approach to remuneration in 2023 and explains the rationale for our decision making.

2023 Group performance

2023 was an exceptionally challenging year for the Group, which included significant change at Board level in a relatively short period of time and new appointments of executive directors and the Chairman.

Our mid-year financial results, which were communicated to shareholders on the final day of active service for the previous CEO (Malcolm Le May), were below market expectations which led to a significant fall in share price. Under the leadership of the new CEO (Ian McLaughlin), the executive team worked at pace in the second part of the year to undertake a detailed operating review of the Group and scrutinised every cost centre and product line. As a result, the Group reduced the cost base and clarified expectations for the year-end financial results. A full strategy review was commissioned and the outputs of this will enable the Group to become the outstanding customer champion in its target market segment and deliver sustainable, profitable growth based on the Group's deep understanding of, and commitment to, the customer base.

Our financial performance stabilised at the end of the year but was below the thresholds set at the beginning of the year, reflected in:

- adjusted profit before tax (Adjusted PBT) of £24.9m (£126.6m in 2022); and
- adjusted return on required equity (RORE) of 4.0% (22.2% in 2022).

Directors' Remuneration Report continued

Annual Statement by the Chair of the Remuneration Committee continued

Key remuneration outcomes

Given the 2023 financial results of the Group, the focus of the Committee was to ensure that this was appropriately reflected in the remuneration decisions made and outcomes were aligned to the wider stakeholder experience.

As a result, the Committee has exercised its discretion in relation to:

- **2023 Group bonus pool.** Downward adjustment on the annual bonus scorecard outcomes to zero, resulting in no bonus for all colleagues, including the current and previous executive directors.
- **Restricted Share Plan (RSP) 2020 award final vesting outcome.** The Committee reviewed the performance underpin of the RSP 2020 award (which vested on 9 November 2023) and determined that a downwards adjustment of 35% should be made to the final vesting outcomes of the previous executive directors (Malcolm Le May and Neeraj Kapur); further details are shared on page 104.
- **RSP 2021 award interim underpin assessment.** The Committee carried out an interim assessment of the performance underpin of the RSP 2021 award (which is due to vest on 18 August 2024) and determined that a downwards adjustment of 25% should be made to the vesting outcomes. A final assessment will be carried out in the summer of 2024 prior to vesting and the final vesting outcome will be disclosed in the 2024 Directors' Remuneration Report; further details on the interim assessment are shared on page 105.

Wider workforce pay

Whilst recognising the challenges the Group faced through the year, the Committee has also been mindful of the need to retain and motivate our wider staff population for the future stability of the business. It has been another tough year for the UK economy, with the cost-of-living pressure continuing to have an impact on our colleagues. Our pay review in early 2023 focused on our lower paid colleagues and a number of initiatives were implemented:

- an overall pay budget of 5% for salary increases effective 1 January 2023;
- average increases of over 8% for colleagues who were in roles at the lower levels and relatively lower paid, and so were disproportionately hit by general cost-of-living pressures; and
- all our colleagues were granted an extra day's holiday in 2023 as a thank you for their hard work and support during a very difficult latter part of the year.

In addition, for the purpose of greater pay transparency, we published internally the VBG minimum salary by job level and location.

In 2024, we intend to continue our focus on our colleagues who are employed at the lower levels and from January 2024, the minimum full time salary will be £24,600. We will update our minimum salary (above the Living Wage for all) by level (and location) and actively distribute a larger percentage of our salary review pool to those colleagues.

As noted above, there will be no Group bonus in 2023 due to our financial performance (2022: 70% of maximum). It is important to note that this outcome is in no way reflective of the hard work and commitment our colleagues have made throughout the year to keep our business running and help our customers. I want to take this opportunity to thank our colleagues for their efforts in 2023 in such trying circumstances.

Executive director remuneration in 2023

Annual bonus for executive directors

The financial element of the annual bonus was below threshold for 2023 for both adjusted PBT and adjusted RORE and therefore there was nil vesting under this element. Under the Group's non-financial scorecard, the Committee determined a vesting outcome of 57.5%, which resulted in a total weighted vesting of 23% based on performance against scorecard objectives.

In determining the final bonus outcome, the Committee took into account a number of factors including the overall business performance in 2023, and the wider stakeholder experience. The Committee decided to exercise discretion and make a downward adjustment to the bonus outcomes for the current and previous executive directors to zero (note the current CFO, Dave Watts, was not eligible for the 2023 annual bonus as he joined on 1 November 2023). We have set out in more detail the annual bonus results for 2023 on pages 102 to 103.

RSP 2020 award vesting

As reported in last year's report, the expectation was that the RSP 2020 awards (which vested in November 2023) for the previous CEO (Malcolm Le May) and previous CFO (Neeraj Kapur) would vest in full subject to a final assessment by the Committee. In October 2023 the Committee reassessed the RSP 2020 award performance underpin and exercised its discretion and decided to apply a downward adjustment of 35% to the RSP 2020 award to reflect the material damage to the reputation of the Group (as viewed by investors) following the 2023 half-year results announcement for the previous CEO (Malcolm Le May) and the previous CFO (Neeraj Kapur).

More detailed disclosure is set out on page 104.

RSP 2021 award vesting

The RSP 2021 award was due to be granted in April/May 2021 but due to CCD wind down (Project Strickland) it was delayed until 18 August 2021. The vesting is subject to an underpin which provides discretion for the Committee to consider whether any adjustment to vesting should be made. The award is therefore scheduled to vest on 18 August 2024.

After careful consideration, the Committee's interim assessment as at 31 December 2023 concludes that a downward adjustment of 25% will be made to the RSP 2021 award to reflect the impact of the Group's financial performance in 2023. The Committee will review this assessment again prior to final vesting and any changes to the above assessment and the final vesting outcome will be disclosed in the 2024 Directors' Remuneration Report.

Departing executive directors

As reported last year the previous CEO (Malcolm Le May) decided to step down as CEO and retire. He was subject to a 12-month notice period which ended on 24 January 2024.

On 7 August 2023 the previous CFO (Neeraj Kapur) informed the Board that he was stepping down from his role and as an executive director with immediate effect for personal reasons. Neeraj will not receive a bonus for the 2023 performance (in line with all employees). His unvested RSP awards have been pro-rated with respect to his leaving date. Neeraj was eligible for a payment in lieu of notice (PILON) in accordance with the Directors' Remuneration Policy (the Policy). See page 102 for more details.

New executive directors
The current CEO (Ian McLaughlin) joined on 26 July 2023. We set out Ian's compensation package in last year's report, which is in line with the Policy and is shown below:

- salary: £725,000;
- role-based allowance: none;
- annual bonus: up to 150% of base salary (with 40% deferred over three years);
- RSP: up to 100% of base salary (with a post-vesting holding period of two years);
- shareholding requirement: 200% of base salary (with up to five years to be compliant); and
- transitional travel allowance. Following a review of forecast travel patterns, the Committee exercised discretion and extended this arrangement to the full 24 months as permitted under the Policy. See page 101 (note 1) for details.

There are no buyouts or other joining payments.

As intended, we made a full RSP grant to the current CEO (Ian McLaughlin) of 100% of base salary on 8 September 2023. The Committee considered whether it was appropriate to make an adjustment at grant to take into account any potential for windfall gain as per our internal Policy and determined that for this grant, given the share price volatility, no discretion was used in determining the basis of the award granted and it would be more appropriate to undertake a more considered assessment at the point of vest as part of the RSP underpin assessment, to ensure no windfall gains have occurred.

On 1 November 2023 the current CFO (Dave Watts) joined the Group. In line with the Policy, Dave's compensation package is as follows:

- salary: £550,000;
- role-based allowance: none;
- annual bonus: up to 125% of base salary (with 40% deferred over three years);
- RSP: 75% of base salary (maximum permissible under the Policy is 100%) (with a post-vesting holding period of two years); and
- shareholding requirement: 200% of base salary (with up to five years to be compliant).

Dave did not receive any buyout awards and as part of his joining package, the Committee agreed that for RSP 2024 only, his RSP award will be increased to 100%.

Directors' Remuneration Report and Remuneration Policy
The Committee presented the 2023 Directors' Remuneration Policy to shareholders at the 2023 AGM on 25 May 2023 for up to three years and received the approval and support of 94.8% of shareholders and the 2022 Remuneration Report received very strong support, with 96% of votes received in favour. A copy of this Policy can be found on our website under the Shareholder Hub. Outside of the AGM, there has been no further engagement with shareholders on remuneration matters.

Implementation of Directors' Remuneration Policy (the Policy) in 2024
The Committee considers that current Policy, approved at the May 2023 AGM, has operated as intended and does not require a fundamental change. However, we are proposing the following changes which the Committee considers to be appropriate to ensure that the Policy will continue to operate effectively in line with our strategic priorities and support attraction and retention of key talent, as follows:

2024 Salary increases
The executive directors and Executive Committee were not considered as part of the salary review and have forgone their annual salary increase to augment and redistribute the salary pool outcomes to lower paid colleagues (average increase of 4% for our colleagues).

2024 Annual bonus
There are no changes in annual bonus opportunity, and we intend to retain the overall weighting of the financial/non-financial metrics as 60%/40%. The metrics will be updated to better reflect business strategy and align with market practice by:

- retaining adjusted PBT (25%), replacing adjusted RORE with adjusted ROTE (25%), and including cost:income ratio (10%); and
- restructuring the weighting of the non-financial metrics (40%) so that they align with our revised strategic priorities.

2024 Non-executive director (NED) fees
Sir Peter Estlin was appointed Chairman of the Group on 15 September 2023 following regulatory approval. Sir Peter joined the Board as an independent NED in April 2023 and succeeded Patrick Snowball as Chairman, who informed the Board of his intention to step down earlier in 2023. Sir Peter will receive £275,000 for his role which is 18% lower than fees received by Patrick (£336,000 in 2023).

The NEDs have taken a significant reduction in their fees for 2024. The reductions in NED base fees, committee membership fees and SID fees have collectively (like-for-like) reduced the total Chair and NED fees by c.20% when compared with 2023. More details are shared on page 109.

RSP 2024 grant
The Committee has determined an RSP grant at 100% of salary for the current CEO (Ian McLaughlin) and current CFO (Dave Watts) for 2024. Subject to underpin criteria, as set out in our Policy, awards will vest in three years from the date of grant with an additional retention period of two years after vesting.

The date of grant will be confirmed after the Strategy Seminar on 27 March 2024. At the point of grant the Committee will determine whether any adjustment is required to take into account any potential for windfall gain as per our internal Policy. Irrespective of the decision made, a further assessment on windfall gain will be carried out at vest as per the RSP underpin requirements. The grant of the awards will be confirmed via a RNS announcement in the usual way and full details of the approach taken will be set out in the 2024 Directors' Remuneration Report.

Conclusion
We recognise that it's been an extremely difficult year for the business. The Committee believes that, in combination, the decisions made have been mindful of appropriately reflecting the shareholder experience over the course of the year and appropriately adjusting pay to reflect this, while setting up the business and our next executive team for future success and ensuring their alignment with future stability and value creation for our shareholders going forward.

In the rest of this report, we present the disclosures required by regulations, as well as additional information to explain how our executive remuneration aligns with our strategy, with shareholder interests and with wider workforce pay.

I would like to thank our shareholders for their continued support during the year. I will be available at the Company's 2024 AGM to answer any questions in relation to this Remuneration Report.

Graham Lindsay
Remuneration Committee Chair
26 March 2024

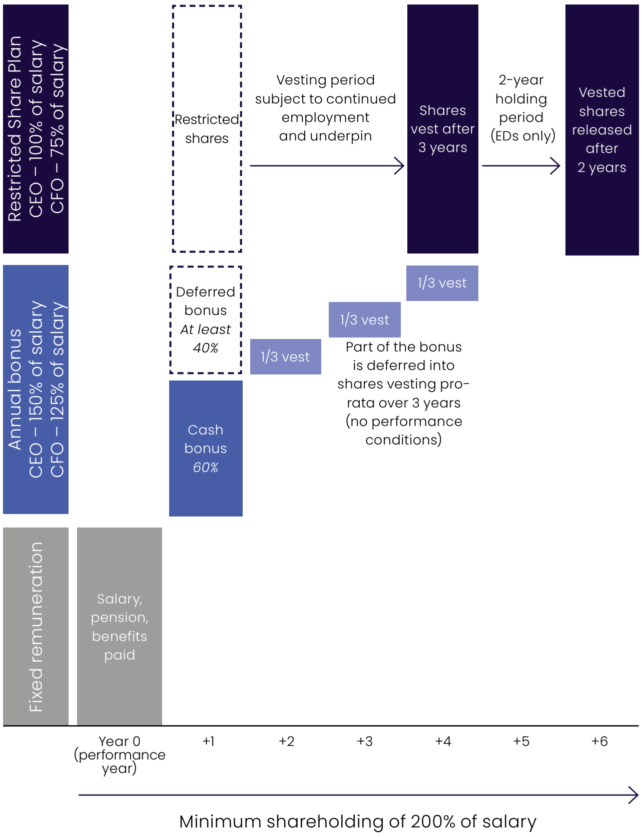
Directors' Remuneration Report continued

Remuneration at a glance

The following section sets out:

– an illustration of the operation of the Policy for 2024;
– a summary of the executive directors' single total remuneration figures, and outcomes under the 2023 Annual Bonus Plan and the RSP 2021 award; and
– an overview of executive directors' shareholdings.

Illustration of the Policy in 2024



Salary: No increase from 2023
– CEO: - Ian McLaughlin: £725,000
- Malcolm Le May: £749,700 (Previous CEO. Employment ended 24 January 2024)
– CFO: - Dave Watts: £550,000
- Neeraj Kapur: £551,250 (Previous CFO. Employment ended 23 February 2024)

Role-based allowance (RBA): No change from 2023
– CEO: - Ian McLaughlin: 0% of salary
- Malcolm Le May: 15% of salary
– Maximum annual RBA grant for individual is 25% of salary
– Delivered in shares and released in equal instalments over three years

Pension: No change from 2023
– All EDs: 10% of salary (in line with the wider workforce)

Annual bonus: Changes to the measures and weighting within non-financial scorecard to reflect business priorities for 2024.
– Maximum opportunity:
  – CEO: 150% of salary
  – CFO: 125% of salary
– Performance measures:
– 60% financial
  – Adjusted PBT 25% (2023: 30%)
  – Adjusted ROTE 25% (2023: not used)
  – Cost:income ratio 10% (2023: not used)
  – Adjusted RORE will be replaced by ROTE in 2024 (2023: 30%)
– 40% non-financial will align to the 2024 North Star strategy and will be disclosed in the 2024 Directors' Remuneration Report. (2023: growth and sustainability 6.7%, people and culture 6.7%, customer and community 6.6%, transformation 20%)
– Risk overlay and Tier 1 capital ratio underpin
– Deferral: At least 40% deferred, vesting pro-rata over three years in VBG shares

RSP:
– Award level:
  – CEO: maximum 100% of salary
  – CFO: maximum 75% of salary (noting that for 2024 grant only this will be increased to 100%)
– As a part of grant process, the Committee will consider individuals' personal and business performance for the prior year and determine whether the proposed level of grant remains appropriate
– Underpins: The Committee will consider the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting:
  – whether threshold performance levels have been achieved for the performance conditions for the Annual Bonus Plan for each of the three years covered by the vesting period;
  – the underlying financial performance progression over the vesting period;
  – whether there have been any sanctions or fines issued by a Regulatory Body; participant responsibility may be allocated collectively or individually;
  – whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually;
  – the potential for windfall gains;
  – the level of colleague and customer engagement over the vesting period; and
  – the level of achievement of our approach to ESG as set out by the Board
– Vesting: Three years with a two-year holding period post-vesting

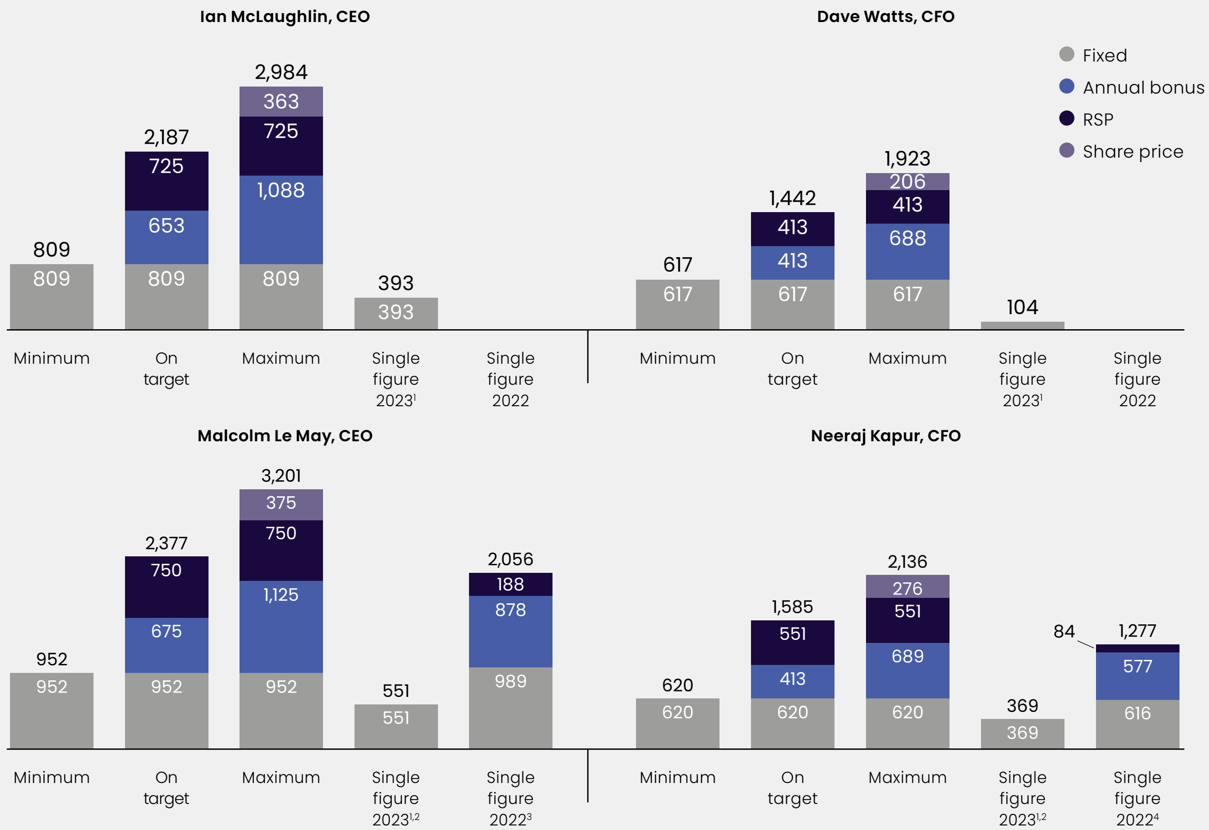
Shareholding requirement:
– CEO/CFO: 200% of salary
– Full requirement to be held for two years post-cessation

Further details on the implementation of the Policy, have been set out later in this report under the 'Directors' Remuneration Policy in 2024' section on pages 108 to 109.

Executive director 2023 remuneration outcomes

The charts below show an estimate of the remuneration that could be received by executive directors under the Policy and how our performance has flowed through to the remuneration provided to our executive directors. The full explanatory notes for each element of remuneration are detailed on pages 108 to 109 in the Annual Report on Remuneration.

Remuneration (£'000)



1 Single figure for 2023 pro-rated to time served as executive director.
2 RSP includes the (interim) downwards adjustment of 25% for the RSP 2021 award.
3 RSP amount (£'000) restated (from 529 to 188) to reflect the 35% downwards adjustment made to the RSP 2020 award and difference in assumed and actual share price.
4 RSP amount (£'000) restated (from 235 to 84) to reflect the 35% downwards adjustment made to the RSP 2020 award and difference in assumed and actual share price.

Assumptions

- Minimum pay is fixed pay only, i.e. salary + benefits + pension + RBA.
- On-target pay includes fixed pay, 60% of the maximum bonus (with maximum equal to 150% of salary for the CEO and 125% for the CFO) and 100% vesting of the RSP awards (with grant levels of 100% of salary for the CEO and CFO (75% new CFO)).
- Maximum pay includes fixed pay and assumes 100% vesting of both the annual bonus and the RSP awards.
- The illustration of 'maximum' assumes a 50% share price increase on the RSP award over the vesting period and is shown as 'share price'.
- All amounts have been rounded to the nearest £1,000.
- The value of taxable benefits is the cost of providing those benefits in the year ended 31 December 2023.

Directors' Remuneration Report continued

Remuneration at a glance continued

2023 annual bonus outcome

The tables below summarise performance against the targets set for the 2023 bonus and the outcome, before and after Committee discretion.

	Threshold 85%	Target 100%	Maximum 110%	Actual	Weighting	Outcome CEO (IM)	Outcome CFO (MLM)	Outcome CFO (NK)
Financial					**60%**	**0%**	**0%**	**0%**
Adjusted PBT	£70.2m	£82.6m	£90.9m	£24.9m	30%	0%	0%	0%
Adjusted RORE	11.6%	13.6%	15.0%	4.0%	30%	0%	0%	0%
Non-financial					**40%**	**23%**	**23%**	**23%**
Risk overlay						Met	Met	Met
Tier 1 gateway	The Group achieved a Tier 1 ratio of 20.4% (above our hurdle)							
Scorecard outcome (as a % of maximum bonus)						23%	23%	23%
Final outcome (as a % of maximum bonus) after Committee discretion						**0%**	**0%**	**0%**

Link between remuneration and equity of the executive directors

We believe that equity has an important part to play in the remuneration of the executive directors. There is a need for the executive directors to understand from first-hand experience the position of the shareholders and our RSP (and deferred bonus schemes) are structured to support that understanding. This link has been strengthened in the last few years as we require our executive directors to hold their shares for a period of two years post-departure. We monitor regularly that the directors are on track to meet their obligations under the Share Ownership Policy, and we confirm, although they are early in tenure, that the current CFO and CEO are both currently on track. It should be noted that, on leaving, there is a requirement that the previous CEO and CFO's shareholding position on exit should be maintained for a further two years.

To ensure that our executive directors are incentivised to take a long-term, sustainable view of the performance of the Company, when we look at the remuneration paid in the year, we also look at the total equity they hold, and its value based on the performance of the Company.

The table sets out the number of shares beneficially owned by the executive directors at the beginning and end of the financial year, and the impact on the value of these shares taking the opening and closing price for the year.

	2023 single figure £'000[1]	Shares held at the start of the year	Shares held at the end of the year	Value of shares at the start of the year[2] £'000	Value of shares at the end of the year[3] £'000	Difference £'000
CEO (Ian McLaughlin)	**393**	—	1,028,939	—	1,329.4	1,329.4
CFO (Dave Watts)	**104**	—	40,000	—	51.7	51.7
Previous CEO (Malcolm Le May)	**551**	1,137,332	1,145,091[4,5]	2,174.6	1,479.5	(695.1)
Previous CFO (Neeraj Kapur)	**369**	689,299	709,926[4,5]	1,317.9	917.2	(400.7)

1 Based on amount shown in the single figure of remuneration table.
2 Based on a closing share price on 30 December 2022 of £1.912.
3 Based on a closing share price on 29 December 2023 of £1.292.
4 Includes the 25% downwards adjustment to the RSP 2021 award for both previous executive directors (Malcolm Le May and Neeraj Kapur) which is subject to final underpin assessment just before grant and will be confirmed in the 2024 DRR.
5 Includes pro-ration for time applied to the RSPs of both previous executive directors (Malcolm Le May and Neeraj Kapur) due to them leaving in 2024.

Annual Report on Remuneration

Remuneration principles and alignment to the Corporate Governance Code

We strongly believe in fair and transparent reward throughout the organisation and when making decisions on executive remuneration the Committee considers the context of wider workforce remuneration. This section shows how the 2018 Code is embedded in our remuneration principles and how, in 2023, they are cascaded throughout the organisation. The table below shows how the Policy is aligned with the factors set out in Provision 40 (which sets out a list of matters for the Remuneration Committee to address when determining the Policy and practices – these fall under the headings of clarity, simplicity, risk, predictability, proportionality and alignment to culture), and how our principles and Policy are aligned with the 2018 Code.

Our strategy (2023)

Growth and Sustainability	People and Culture	Customer and Community
Our remuneration principles		
– Support delivery of the Group's business strategy, realise our vision and be customer champion within our sector. – Have flexibility in delivering total remuneration outcomes in changing market, economic, commercial and regulatory circumstances.	– Maintain a competitive reward and recognition offering in the markets in which we compete, thereby supporting our talent attraction, engagement and retention aims. – Ensure remuneration outcomes are fair and consistent, reflect pay for performance and are clear and transparent for all our colleagues. – Support and mitigate any conflicts of interests. – Manage remuneration opportunities and outcomes for regulated colleagues under the SMCR and material risk takers under the Remuneration Code. – Support the effectiveness of the Group's Enterprise Risk Management Framework and incentivise the delivery of the business strategy within risk appetite via a controls-based framework and positive risk conduct culture.	– Drive the Group's ESG strategy, including diversity, equality and inclusion agenda. – Align the interests of our colleagues with those of our customers, regulators and shareholders.

How does the Committee address the requirements under Provision 40?

Cultural alignment	Proportionality	Simplicity	Predictability	Clarity	Risk
– The Committee ensures that the overall reward framework embeds our Purpose. – The Committee reviews the executive reward framework regularly to ensure it supports the Company's culture and strategy. – The ED Remuneration Policy is cascaded down the organisation ensuring that there are common goals.	– Performance measures under the annual bonus as well as the RSP underpin are aligned with the Company's scorecard and the payouts reflect achievement against the target. – The Committee may apply discretion to reduce outcomes under the annual bonus and RSP – if they are considered inconsistent with the underlying performance of the business.	– Policy for EDs is simple and clear, consisting of: – fixed pay (salary, benefits and fixed pension contribution) set to reflect the typical rate provided to the UK workforce; and – variable pay comprising an annual bonus scheme (partly deferred into shares) and RSP awards which provide focus over the long term. – The Committee avoids unnecessary complexity in operating the arrangements.	– The Committee sets specific targets for different levels of performance which are communicated to the EDs and disclosed to shareholders.	– Remuneration arrangements have defined parameters that can be transparently communicated to shareholders and stakeholders. – The Committee consulted with shareholders as part of the design phase of the Policy approved at the 2020 GM and re-approved at the 2023 AGM. – How executives' pay is set has subsequently been communicated to the wider workforce along with how it is aligned with the Company's approach to wider pay policy and how decisions are made by the Committee.	– Remuneration arrangements are designed to create a robust link between pay and performance thereby mitigating risk of excessive reward. – Policy has safeguards including Committee discretion to adjust incentive outcomes. – The Committee ensures that a significant portion of reward is equity based and has deferral (40% of annual bonus deferred in shares for three years and all of RSP is in shares) and thereby linked to shareholder return. – Recovery provisions such as malus and clawback apply to the Policy. – Executives are required to build significant personal shareholdings in the Company.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Remuneration governance

The Committee met four times in 2023 plus six ad hoc meetings. The following schematic sets out the key considerations for the Remuneration Committee during 2023:

	Governance		Annual bonus		Share plans				
	General	DRR	Design	Review	Grant	Review	Risk	All colleague matters	Shareholder
January	●	●	●	●		●	●	●	●
March	●	●	●	●	●	●	●	●	●
May	●							●	
June	●			●			●	●	●
August	●				●	●			
September	●								
October	●		●	●			●	●	●
December	●	●	●	●		●	●	●	●

The CEO, the CPO and the Head of Reward also attend meetings, by invitation, to provide advice and respond to specific questions. Such attendances are specifically excluded on any matter concerning their own remuneration. The CRO attends several meetings throughout the year to provide updates, where necessary. The General Counsel and Company Secretary acts as secretary to the Committee.

Advisors to the Committee

To ensure that the Company's remuneration practices are in line with best practice, the Remuneration Committee has appointed independent external remuneration advisors, PricewaterhouseCoopers LLP (PwC). This appointment in 2020 followed a competitive tender process. PwC attends meetings of the Committee. The Committee reviewed the performance of PwC during 2023 and determined that it was strong, and that the appointment should continue into 2024.

Fees, on a time-spent basis, for the advice provided by PwC to the Committee during 2023 were £113,438 excluding VAT (2022: £192,115). Other than advice in relation to remuneration, PwC provides subject matter expertise support to management on specific projects when requested. In 2023, this has included support in relation to IT, risk management and regulatory and accounting advice. The Committee is satisfied that PwC engagement partners and teams which provided remuneration advice to the Committee do not have connections with the Group or the executive directors that may impair their objectivity and independence.

Single total figure of remuneration (audited)

The table below sets out a single total figure of remuneration for each director for the year ended 31 December 2023 and the prior year:

		Salary/fees £'000	Role-based allowance (RBA) £'000	Taxable benefits[1] £'000	Annual bonus[2] £'000	RSP[4] £'000	Pension[3] £'000	Total £'000	Total fixed remuneration £'000	Total variable remuneration £'000
Executive directors										
Ian McLaughlin	**2023**	**314**	**n/a**	**48**	**—**	**—**	**31**	**393**	**393**	**—**
	2022	—	—	—	—	—	—	—	—	—
Dave Watts[5]	**2023**	**92**	**n/a**	**3**	**—**	**—**	**9**	**104**	**104**	**—**
	2022	—	—	—	—	—	—	—	—	—
Malcolm Le May	**2023[6]**	**435**	**65**	**7**	**—**	**—**	**44**	**551**	**551**	**—**
	2022	750	112	15	878	188	112	2,056	989	1,067
Neeraj Kapur	**2023[6]**	**329**	**n/a**	**7**	**—**	**—**	**33**	**369**	**369**	**—**
	2022	551	n/a	14	577	84	51	1,277	616	661
Non-executive directors										
Sir Peter Estlin	**2023**	**116[7]**	**n/a**	**—**	**n/a**	**n/a**	**n/a**	**116**	**116**	**n/a**
	2022	—	—	—	—	—	—	—	—	—
Patrick Snowball	**2023**	**336**	**n/a**	**1**	**n/a**	**n/a**	**n/a**	**337**	**337**	**n/a**
	2022	336	n/a	1	n/a	n/a	n/a	337	337	n/a
Andrea Blance	**2023**	**120**	**n/a**	**1**	**n/a**	**n/a**	**n/a**	**121**	**121**	**n/a**
	2022	128	n/a	1	n/a	n/a	n/a	129	129	n/a
Elizabeth Chambers	**2023**	**96**	**n/a**	**14**	**n/a**	**n/a**	**n/a**	**110**	**110**	**n/a**
	2022	87	n/a	33	n/a	n/a	n/a	120	120	n/a
Paul Hewitt	**2023**	**112**	**n/a**	**5**	**n/a**	**n/a**	**n/a**	**117**	**117**	**n/a**
	2022	112	n/a	3	n/a	n/a	n/a	115	115	n/a
Margot James	**2023**	**87**	**n/a**	**—**	**n/a**	**n/a**	**n/a**	**87**	**87**	**n/a**
	2022	87	n/a	—	n/a	n/a	n/a	87	87	n/a
Angela Knight	**2023**	**112**	**n/a**	**—**	**n/a**	**n/a**	**n/a**	**112**	**112**	**n/a**
	2022	112	n/a	—	n/a	n/a	n/a	112	112	n/a
Graham Lindsay	**2023**	**112**	**n/a**	**2**	**n/a**	**n/a**	**n/a**	**114**	**114**	**n/a**
	2022	112	n/a	5	n/a	n/a	n/a	117	117	n/a
Michele Greene	**2023**	**71**	**n/a**	**—**	**n/a**	**n/a**	**n/a**	**71**	**71**	**n/a**
	2022	—	—	—	—	—	—	—	—	—

1 Executive directors receive standard market comparable benefits such as medical insurance. For the current CEO, the temporary travel allowance of £100,000 per annum is included here. NEDs have travel expenses reimbursed and, to the extent that those are taxable, grossed up for tax and NIC.
2 40% of any annual bonus earned is deferred into shares for an additional three years (subject to continued service, in normal circumstances).
3 Pension participation is via a defined contribution plan (or cash alternative) with no executive director having a prospective entitlement under a defined benefit plan.
4 The RSP value (£'000) for the single figure of remuneration for 2022 has been restated for previous executive directors (Malcolm Le May (was 529, now 188) and Neeraj Kapur (was 235, now 84)) and as a result of the 35% downwards adjustment made (and difference in the assumed share price and actual share price) to the RSP 2020 award which vested on 9 November 2023 (further detail on the assessment is set out on page 104). This means that the total fixed and total variable remuneration for 2022 as shown is lower than that provided in the 2022 Directors' Remuneration Report.
5 Note that an interim CFO was appointed from within the Company (Chief Risk Officer, Gareth Cronin) to cover the gap between previous CFO (Neeraj Kapur) leaving on 7 August 2023 and current CFO (Dave Watts) joining on 1 November 2023. Gareth was not an executive director during this period.
6 Figures are pro-rated to cover the period that Malcolm Le May and Neeraj Kapur were executive directors. See 'payments to former directors' for more details.
7 This includes a backdated payment of £55,261 made in January 2024 to cover the period as Chairman from 15 September 2023 to 31 December 2023 with respect to the new (reduced) 2024 Chairman fee of £275,000 as shown on page 109.

Payments to former directors

Previous CEO (Malcolm Le May)

Following the announcement on 24 January 2023 that he would be retiring as CEO, Malcolm was considered a good leaver and was entitled to 12 months' notice, under his contract of employment. He stepped down from the Board as an executive director on 1 August 2023 and in line with the Policy, he continued to receive his salary (£749,700 per annum paid monthly), role-based allowance (£112,455 per annum paid quarterly and released in equal instalments over three years in the form of shares), pension (£74,970 per annum paid monthly) and other benefits during the remainder of his notice period in accordance with his service agreement and the Policy. The amounts received during 2023 from 1 August 2023 to 31 December 2023 were salary (£314,258), role-based allowance (£47,139), pension (£31,426) and other benefits (£4,737). Malcolm also received a contribution of £20,000 towards legal fees in connection with him leaving the Company and the Company paid for him to attend outplacement support sessions at a value of £10,000. His RSP 2020 award, which was adjusted downwards by 35% (see page 104), vested on 9 November 2023 with a value of £188,200 (as shown under the restated single figure of remuneration for 2022). His unvested RSP and DBP awards will vest on their normal vesting dates in line with the relevant rules and the Policy, and subject to the two-year post-employment shareholding requirements. DBP awards will vest in full and RSP awards will be time pro-rated to his last day of employment.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Payments to former directors continued

Previous CFO (Neeraj Kapur)

On 7 August 2023 Neeraj informed the Board that he would be stepping down from his role and as an executive director with immediate effect for personal reasons. Neeraj was entitled to 12 months' notice, under his contract of employment and in line with the Policy. During the period of his employment he continued to receive his salary (£551,250 per annum paid monthly), pension (£55,125 per annum paid monthly) and other benefits in line with his service agreement and the Policy. He is eligible to receive a Payment in Lieu of Notice (PILON) for salary for the remainder of his notice period following the cessation of his employment. The amounts received during 2023 from 7 August 2023 to 31 December 2023 were salary (£222,010), pension (£22,201) and other benefits (£4,672). Neeraj also received a contribution towards legal fees of £20,000 in connection with him leaving the Company and £27,000 in connection with other matters. The Company will also pay for him to attend outplacement support sessions up to an aggregate value of £30,000. The final amounts will be reported in the 2024 report. He will not receive a bonus for the 2023 performance (in line with all employees). His RSP 2020 award, which was adjusted downwards by 35% (see page 104), vested on 9 November 2023 with a value of £83,700 (as shown under the restated single figure of remuneration for 2022). His unvested RSP and DBP awards will vest on their normal vesting dates in line with the relevant rules, and the Policy and subject to the two-year post-employment shareholding requirements. DBP awards will vest in full and RSP awards will be time pro-rated to his last day of employment.

2023 bonus outcome calculation (audited)

The bonus is based 60% on financial performance measures and 40% on non-financial performance measures. The tables below set out performance against the targets set for the 2023 bonus and the outcome.

Details of the financial assessment

		Performance range					
Financial targets	Weighting	Threshold 85%	Target 100%	Maximum 110%	Actual	Outcome as % of max	Weighted outcome
Adjusted PBT[1]	30.0%	£70.2m	£82.6m	£90.9m	£24.9m	0%	0%
Adjusted RORE	30.0%	11.6%	13.6%	15.0%	4.0%	0%	0%

1 Certain alternative performance measures (APMs) have been used in this report. See pages 189 to 191 for an explanation of their relevance as well as their definition.

Details of the non-financial assessment

The non-financial element was assessed at 57.5% achievement with this broken down, in 2023, as follows:

Objective	Assessment of non-financial metrics	Rating
Growth and Sustainability 16.7%	**Complete implementation of UK operations outsourcing in line with the defined 2023 plan** – During the course of 2023, we reduced UK operations FTE by c.595, which significantly exceeds the original target (of reducing UK operations FTE by 275), by an incremental 320 FTE. **Develop a second charge lending book** – Heads of Terms signed with a strategic partner that provides VBG with an option to acquire a second charge mortgage business in 2028-29. **To deliver Riskonnect system** – System is fully embedded and was favourably assessed as part of the PwC Risk EQA.	On target (plus) 67%

Objective	Assessment of non-financial metrics	Rating
People and culture 16.7%	**To deliver and complete the Group Rename Project** – The name change was completed in early 2023 within the timeframe and c.25% below budget. – The change involved over 100 changes or workstreams and involved a significant stakeholder communications plan internally and externally. Stakeholder reaction was positive and understood. **Employee Engagement Index (EEI)** – 56% (down 23 percent points). Colleagues completed the new 'Great Place to Work' survey in December during a period of significant change for the business including a change in the senior management team, redefining of business priorities and a reduction in headcount. The results provide a baseline for us to build on and develop our colleague proposition and culture and leadership work as part of the North Star strategy. **Progress towards commitment to the Women in Finance Charter** – On track to meet the medium-term aspiration of 40%. Current tracking is over 30%. **Refresh and launch the values and behaviours needed to achieve our mission and deliver on our Purpose** – Successfully refreshed and launched our new values which were embedded into our mid-year and end of year performance management process. – Embedded our new values into our refreshed recognition strategy along with launching our new recognition platform aligned to our values.	On target (mid) 60%
Customer and community 16.7%	**Deliver targeted customer satisfaction score (CSat) across all product lines** – Customer service SLAs have shown volatility throughout the year as a result of material above plan new business volumes and the disruptive impacts of offshoring. – In late Q4, following the final phase of offshoring, the operation has stabilised well across key customer facing activities and we are predominantly on target across all customer SLAs. **Deliver agreed ESG programme, including launch of VBG Foundation** – The Vanquis Banking Group Foundation was launched in June 2023 via internal and external channels in line with the Group's plan. Positive media and social media accompanied the launch, and internal communication colleague feedback was positive. The Foundation programme was nominated for the Cards & Payments Awards 2024 'Changing Lives in the Community award'. – Colleague volunteering has significantly increased in 2023 when compared with 2022 showing stronger colleague engagement in the Foundation; this increase is set against a backdrop of a reduction in headcount in 2023. – TCFD disclosure completed and included on pages 19 to 28. Two science-based carbon reduction targets for our scope 1 and 2 GHG emissions and the scope 3 GHG emissions associated with our suppliers have been approved by Science Based Targets initiative (SBTi) NGO, ensuring that these targets are in line with what the latest climate science deems necessary to limit global warming to 1.5°C above pre-industrial levels. – The Group was notified in June 2023 that it remains a constituent of the FTSE4Good, an ESG index.	Below target (high) 38%
Group transformation 50%	– Successful delivery of the 2023 Change Portfolio to agreed timescales and costs. – With approval from the Board, the 2023 Change Portfolio target was reduced in October from £42.7m to c.£30m because of changes to the cost challenge as a result of our headcount reduction in Q4. – Changes to the portfolio for both Gateway and non-Gateway were successfully implemented with delivery of agreed changes continuing across all areas of the portfolio through Q4.	On target 60%
Risk	Continued improvement in risk position since 2020. Taking the above into consideration and following feedback from the CRO, the Committee determined that no discretion should be applied to remuneration outcomes.	On target/on target (plus) 66%

Risk overlay

A risk overlay approach was used for potential risk adjustment with a range of factual criteria for assessment agreed with the Committee. This forms the basis of our Group Variable Risk Adjustment Framework and allows for a more flexible and holistic approach to be adopted which considers not only the business outcomes (quantitative), but also how these have been achieved (qualitative).

After discussion with the Group CRO, and the Chair of the Group Risk Committee, the Committee concluded that, overall, the risk position has remained stable in 2023.

Remuneration Committee discretion – final outcome for 2023

In determining the final bonus outcome, the Committee took into account a number of factors including the overall business performance, and the wider stakeholder experience. The Committee decided to exercise discretion and make a downward adjustment to the bonus outcomes for the current and previous executive directors to zero.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Scheme interests awarded in the year (audited)

Deferred Bonus Plan (DBP)

The DBP awards made during 2023 are set out below. 40% of the 2022 annual bonus earned was deferred into shares for three years. The face value is based on the Company's share price on 12 April 2023 of £2.224. The grant price is calculated using the average price of a Vanquis Banking Group share for the five dealing days prior to grant and discounted from that price at grant to reflect the absence of dividend equivalents during the vesting period.

Executive director	Date of award	RSP award (shares)	Face value of award	Date of vesting	Release date
Malcolm Le May	12 April 2023	190,539	£351,354	12 April 2026	12 April 2026
Neeraj Kapur	12 April 2023	125,122	£230,725	12 April 2026	12 April 2026

Note that the 2023 DBP award for performance year 2022 will vest in full on the date of vesting as permitted by the DBP rules and subject to malus and clawback.

RSP 2023 award grant

The RSP awards made during 2023 are set out below. An award of 100% of salary was made to both CEOs and the previous CFO. This represented a 0% discount to the normal level permitted under the Policy.

The face value is based on the Company's share price on 12 April 2023 of £2.224 and on 8 September 2023 of £1.076. The grant price is calculated using the average price of a Vanquis Banking Group share for the five dealing days prior to grant and discounted from that price at grant to reflect the absence of dividend equivalents during the vesting period.

Executive director	Date of award	RSP award (share options)	Face value of award	Date of vesting	End of holding period
Ian McLaughlin	8 September 2023	964,095	£725,000	8 September 2026	8 September 2028
Malcolm Le May[1]	12 April 2023	406,561	£749,700	12 April 2026	12 April 2028
Neeraj Kapur[2]	12 April 2023	298,942	£551,250	12 April 2026	12 April 2028

1 The RSP 2023 grant for Malcolm Le May is pro-rated for time to his last day of employment. He is not eligible for the RSP 2024.
2 The RSP 2023 grant for Neeraj Kapur is pro-rated for time to his last day of employment. He is not eligible for the RSP 2024.

These awards are conditional share awards without any performance targets. However, they are subject to underpins that will apply over the initial three-year vesting period. The Committee will take into account the following factors (amongst others) when determining whether to exercise its discretion to adjust the number of shares vesting:

- whether threshold performance levels have been achieved for the performance conditions for the bonus for each of the three years in the vesting period;
- the underlying financial performance progression of the Group over the vesting period;
- whether there have been any sanctions or fines issued by a regulatory body; participant responsibility may be allocated collectively or individually;
- whether there has been material damage to the reputation of the Company; participant responsibility may be allocated collectively or individually;
- the potential for windfall gains; and
- the level of colleague and customer engagement over the vesting period.

In all cases, vesting is subject to the Committee's holistic assessment based on business performance, individual performance or wider Group considerations.

The RSP awards on vesting must be held (subject to sales to meet PAYE and NIC liabilities) for a period of two years following vesting.

RSP 2020 award vesting (audited)

As noted in last year's report, the Committee's interim assessment as at 31 December 2022 suggested that no adjustment will be required for RSP 2020 awards (which vested in November 2023) for the previous CEO (Malcolm Le May) and previous CFO (Neeraj Kapur), subject to a review by the Committee prior to final vesting.

In October 2023 the Committee carried out a final review of the performance underpin attached to the RSP 2020 award, taking into account a number of factors including the material damage to the reputation of the Company based on investors' feedback following the announcement of the interim results for the six months ended 30 June 2023 which resulted in a significant fall in the share price.

The Committee decided to exercise its discretion to apply a downward adjustment of 35% to the RSP 2020 award for the previous CEO (Malcolm Le May) and the previous CFO (Neeraj Kapur). Downward adjustments were also made to the majority of the RSP 2020 award recipients.

No further adjustment would be made for windfall gains as the Committee had reduced the award at grant by 15% having considered the share price movement prior to grant date.

RSP 2021 award vesting (audited)

The RSP 2021 award was due to be granted in April/May 2021 but due to CCD wind down (Project Strickland) it was delayed until 18 August 2021. The vesting is subject to an underpin which provides discretion for the Committee to consider whether any adjustment to vesting should be made.

The underlying desire was (and remains) to ensure that participants have been positive custodians of: (i) the underlying financial health of the business; (ii) maintaining our reputation; (iii) making progress on our strategic imperative of "being a leading specialist bank focused on underserved markets"; (iv) ensuring that we meet our ESG commitments (and, in particular, our social commitments); and (v) appropriately focused on our agreed risk appetite. The Committee reviewed performance against the underpin attached to the RSP 2021 awards (and the underlying desire as set out above) as at 31 December 2023 (the last full performance year prior to vesting), and took into account a number of factors, including:

- formulaic threshold performance levels were exceeded overall for the performance conditions for the Bonus Plan for two of the three years in the vesting period, i.e. 2021 and 2022. The threshold was not met for the financial year 2023;
- the financial performance progression of the Group over the vesting period was not in line with expectation;
- the regulatory position of the Company remains positive and there have been no sanctions or fines issued by a regulatory body;
- the potential for windfall gains;
- there has been material damage to the reputation of the Group (as viewed by our investors) following the announcement of the interim results for the six months ended 30 June 2023, noting that this was considered and reflected in the RSP 2020 award vesting as noted previously; and
- the level of colleague and customer engagement over the vesting period remains strong.

The Committee also took into account the decisions made in relation to the 2023 annual bonus and RSP 2020 award vesting:

- the poor financial performance of 2023 meant that there was no bonus payout for the 2023 performance year for RSP 2021 award recipients;
- the significant reduction in share price over the vesting period; and
- the adjustment for the previous RSP 2020 award to reflect the damage to the reputation of the Group (as viewed by our investors), and the significant fall in share price in 2023 (underpinned by poor financial performance of 2023).

After careful consideration, the Committee's interim assessment as at 31 December 2023 suggests that a downwards adjustment of 25% will be made to the RSP 2021 award for the previous CEO (Malcolm Le May) and the previous CFO (Neeraj Kapur). Downward adjustments will be made to all other RSP 2021 award recipients. The Committee will review this assessment again prior to final vesting and any changes to the above assessment and the final vesting outcome will be disclosed in the 2024 Directors' Remuneration Report.

It should be noted that the Committee has a formal Policy concerning potential windfall gains and makes, where appropriate, an adjustment at the point of grant with another assessment at the point of vesting. In 2021, there was no adjustment made to the grant price because during the period of the delay of the grant, the share price increased by c.58% (213p to 337p) which had the effect of reducing the number of shares awarded. The Committee reassessed the potential for windfall gains and decided that no further adjustment was required.

Fees from other directorships

Dave Watts has been a NED for CAF Bank since 23 August 2021. He retains no fees from this appointment.

Malcolm Le May has been a NED of IG Group plc since September 2015. He retains the fees from this appointment. During 2023, the total fees amounted to £153,250 (made up of (i) UK fees amounting to £68,250, and (ii) an additional £85,000 from US responsibilities) (2022: £150,582).

Ian McLaughlin and Neeraj Kapur did not hold any external directorship for the period from 1 January 2023 to 31 December 2023.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Statement of directors' shareholding and share interests (audited)

The table below shows the interests of the directors and connected persons in shares (owned outright or unvested) as at 31 December 2023. There have been no further changes in directors' interests in the period between 31 December 2023 and 27 March 2024.

	Shares owned outright[1]	Unvested shares not subject to performance	Unvested share options subject to performance	Vested but unexercised options	Total scheme interests	Shareholding guideline % of salary	Current shareholding % of salary[4]	Guideline met
Executive directors								
Ian McLaughlin	10,000	–	1,018,939	–	1,018,939	200%	2%	No
Dave Watts	40,000	–	–	–	–	200%	9%	No
Malcolm Le May (ex CEO)	239,696[1]	413,356[5]	492,039[2,3]	–	905,396	200%	113%	No
Neeraj Kapur (ex CFO)	153,699[1]	222,464	333,763[2,3]	–	556,227	200%	88%	No
Non-executive directors								
Sir Peter Estlin	50,000[6]	–		–	–	n/a	n/a	n/a
Patrick Snowball	96,477[7]	–	–	–	–	n/a	n/a	n/a
Andrea Blance	–	–	–	–	–	n/a	n/a	n/a
Elizabeth Chambers	12,000	–	–	–	–	n/a	n/a	n/a
Paul Hewitt	34,205	–	–	–	–	n/a	n/a	n/a
Margot James	–	–	–	–	–	n/a	n/a	n/a
Angela Knight	–	–	–	–	–	n/a	n/a	n/a
Graham Lindsay	26,464	–	–	–	–	n/a	n/a	n/a
Michele Greene	–	–	–	–	–	n/a	n/a	n/a

1 Includes RSP 2020 options exercised in 2023.
2 Includes the 25% downwards adjustment to the RSP 2021 award which is subject to final underpin assessment prior to the vesting date of 18 August 2024 and will be confirmed in the 2024 DRR.
3 Includes pro-ration for time applied to the RSPs of both previous executive directors (Malcolm Le May and Neeraj Kapur) due to them leaving in 2024.
4 Rounded to the nearest whole percent. Shares owned outright and unvested shares not subject to performance are included when assessing current compliance to shareholding guideline. Based on a closing share price on 29 December 2023 of £1.292.
5 Includes 2,520 shares as part of the RBA which was due to be granted on 31 December 2023 but was granted on the next trading day of 3 January 2024.
6 Does not include 50,000 shares held by a person closely associated with Sir Peter Estlin, as reported in the table 'Directors' interests in shares' on page 88.
7 As at 15 September 2023 when Patrick Snowball stepped down from the Board.

The shareholding guidelines for the current executive directors have not yet been met but the Policy provides for sufficient time to be compliant. A breakdown of the journey to compliance can be seen below.

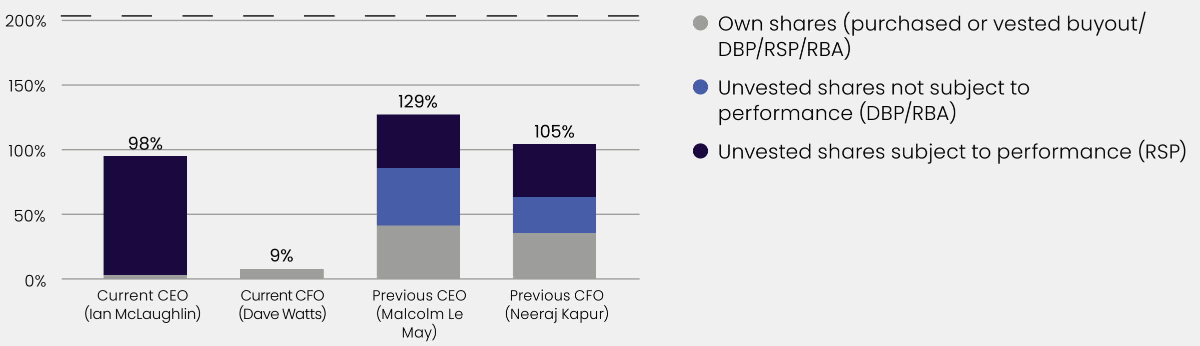
Statement of directors' compliance with the Share Ownership Policy

The following sets out the expected level of share ownership that the executive directors will acquire over the period 2023 to 2026.

The current executive director holding requirement is 200% of base salary. Note that both previous executive directors (Malcolm Le May and Neeraj Kapur) will leave the Group in 2024 and will be subject to the post-employment shareholding requirements, which in both cases is to maintain the actual shareholding on the date of leaving (excluding purchased shares) plus any shares acquired, on a 'net-of-tax basis', after the date of leaving for two years following the date of leaving, in line with our Policy.

Assumptions

Forecast ED shareholding position



1 Only share awards held on 29 December 2023 are included. Future RSP and DBP awards yet to be granted (for current executive directors (Ian McLaughlin and Dave Watts) are not included.
2 Includes pro-ration for time applied to the RSPs of both previous executive directors (Malcolm Le May and Neeraj Kapur) due them leaving in 2024.
3 Includes the 25% downwards adjustment to RSP 2021 award which is subject to final underpin assessment in 2024 and will be confirmed in the 2024 DRR.
4 A 100% vesting outcome for RSPs 2022 and 2023.
5 Figures are 'net of tax' and a personal tax rate of 47% over the period of vest.
6 Rounded to the nearest whole percent. Share price remains static, based on a closing share price on 29 December 2023 of £1.292.

Relative importance of spend on pay

The table below shows how the Company's performance metrics compare to total colleague pay expenditure for the financial years ended 31 December 2022 and 31 December 2023.

Relative importance of spend on pay	2023	2022	Year-on-year change
Shareholder distributions[1]	**£38.4m**	£42.8m	-10%
Net income	**£488.8m**	£480.7m	2%
Adjusted PBT	**£24.9m**	£126.6m	-80%
Adjusted EPS	**6.8p**	38.7p	-82%
All remuneration costs[2]	**£111.7m**	£125.9m	-11%

1 Reflects dividends only as there were no buybacks.
2 Remuneration costs include: aggregate gross wages and salaries paid to the Group's employees and share-based payment charge as referred to in the employment cost table on page 149.

Service contracts

The executive directors are employed under contracts of employment with the Company. The principal terms of the executive directors' service contracts are as follows.

			Notice period	
Executive director	Position	Effective date of contract	From Company	From director
Ian McLaughlin	Chief Executive Officer	26 July 2023	12 months	12 months
Dave Watts	Chief Financial Officer	1 November 2023	12 months	12 months
Malcolm Le May	Previous Chief Executive Officer	1 February 2018	12 months	12 months
Neeraj Kapur	Previous Chief Finance Officer	1 April 2020	12 months	12 months

The Chairman and non-executive directors have letters of appointment. Dates of the directors' letters of appointment are set out below:

Name	Date of original appointment	Date and actual date of expiry
Sir Peter Estlin	19 April 2023	18 April 2026
Patrick Snowball	21 September 2018	15 December 2023
Andrea Blance	1 March 2017	1 February 2024
Elizabeth Chambers	31 July 2018	30 June 2024
Paul Hewitt	31 July 2018	30 June 2024
Margot James	27 July 2020	25 May 2026
Angela Knight	31 July 2018	30 June 2024
Graham Lindsay	1 April 2019	30 June 2025
Michele Greene	8 March 2023	8 March 2026

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Implementation of the Directors' Remuneration Policy in 2024

The Policy was approved at the AGM on 15 May 2023 and will continue to apply until the 2026 AGM unless changes are required. The table below summarises the key features of the Policy and how we plan to implement it in 2024/25. Full details of the Policy can be found under the Shareholder Hub section of our website.

Element of remuneration	Key features of Policy	Implementation in 2024
Salary	An executive director's base salary is set on appointment and reviewed annually or when there is a change in position or responsibility. When determining an appropriate level of base salary, the Committee considers: – pay increases for other colleagues; – remuneration practices within the Group; – any change in scope, role and responsibilities; – the general performance of the Group and each individual; – the experience of the relevant director; and – the economic environment.	No salary increases to 2023 salaries for CEO or CFO. **Ian McLaughlin** 2024: £725,000 2023: £725,000 **Dave Watts** 2024: £550,000 2023: £550,000 **Malcolm Le May**[1] 2024: £749,700 2023: £749,700 **Neeraj Kapur**[2] 2024: £551,250 2023: £551,250
Benefits	Benefits include market standard benefits.	Transitionary temporary travel allowance for Ian McLaughlin only. £100,000 per annum and expires on 26 July 2025.
Role-based allowance (RBA)	RBA of 0% of base salary (for all EDs). RBA of 15% of base salary (Malcolm Le May). RBAs are non-pensionable and will be released in equal instalments over three years in the form of shares. The maximum annual value of an RBA grant for an individual is 25% of base salary.	No change from 2023. This applies to the previous CEO (Malcolm Le May) only and will cease on his retirement on 24 January 2024.
Pension	The Company provides a pension contribution allowance that is fair, competitive and in line with corporate governance best practice.	No change from 2023. CEO and CFO: 10% of salary. 10% is the norm for the Group's Pension Plan.

Annual bonus	The Committee will determine the maximum annual participation in the Annual Bonus Plan for each year, which will not exceed 150% of base salary.
	The Annual Bonus Plan is based on a mix of financial and strategic/operational conditions and is measured over a period of one financial year.
	The financial measures will account for no less than 50% of the bonus opportunity.
		There is no change from 2023 to the overall approach and percentage.
		Maximum opportunity:
		– CEO:
		  – Ian McLaughlin: 150% of salary.
		  – Malcolm Le May: Not eligible for a bonus for performance year 2024.
		– CFO: 125% of salary.
		  – Dave Watts: 125% of salary.
		  – Neeraj Kapur: Not eligible for a bonus for performance year 2024.
		Measures:
		Financial performance measures to be changed for 2024:
		– adjusted PBT (25%);
		– adjusted ROTE (25%); and
		– cost:income ratio (10%).
		40% non-financial will align to the 2024 North Star strategy.
		In addition, there is a risk overlay and Tier 1 capital ratio gateway.
		Deferral:
		At least 40% of the bonus is deferred, vesting pro-rata over three years, in Company shares.

Element of remuneration	Key features of Policy	Implementation in 2024
Restricted Share Plan (RSP)	Awards are granted annually to executive directors in the form of conditional awards or options. Awards vest at the end of a three-year period subject to: – the executive director's continued employment at the date of vesting; and – the satisfaction of an underpin as determined by the Committee whereby the Committee can adjust vesting for business, individual and wider Company performance. A two-year holding period will apply following the three-year vesting period for all awards granted to the executive directors. Upon vesting, sufficient shares may be sold to pay tax on the shares.	Change from 2023. The current CFO (Dave Watts) has an RSP opportunity of 75% of salary, which is lower than the previous CFO (100%). As part of his joining package, the Committee agreed that for RSP 2024 only, the RSP award will be 100% of salary. The RSP 2023 grant for previous CEO (Malcolm Le May) will be pro-rated for time to the Termination Date in 2024 (rounded up to the next whole year) as permitted by the RSP rules and the Policy. The 2023 grant made for previous CFO (Neeraj Kapur) will be pro-rated for time to the Termination Date in 2024 (rounded up to the next whole year) as permitted by the RSP rules and the Policy.
Shareholding requirements	Normal shareholding requirement of 200% of salary. Additional requirement to hold 200% of salary for two years following cessation of employment. Executive directors have agreed to be bound by the terms of the requirements and Company Secretariat will monitor compliance.	No change from 2023. The previous executive directors (Malcolm Le May and Neeraj Kapur) will remain subject to the post-employment shareholding requirements in line with the Policy.
Malus and clawback	Standard market practice (and regulatory requirements) malus and clawback provisions as at the time the Policy was adopted.	No change from 2023.
Chair and NED fees	Provides a competitive level of fees to support recruitment and retention of a Chairman (and NEDs) with the necessary experience to advise, and assist, the executives with establishing and monitoring the Group's strategic objectives.	Change from 2023. The fee levels as at 1 January 2024 for the Chairman and NEDs are as below. These reflect, in aggregate, a c.20% decrease from 2023 levels.

1 Malcolm Le May left the Company on 24 January 2024.
2 Neeraj Kapur left the Company on 23 February 2024.

NED fees for 2024

Both NED fees and the Chairman fees were last reviewed by the Board and Committee in December 2022. Since then, there has been significant change in VBG's market capitalisation which led to a fall in ranking below the FTSE 250. In line with the requirement to review all aspects of the business to ensure it is sustainable and develops a platform for renewed growth, it was felt that the Board should set the 'tone from the top' regarding its fees, set against the backdrop of large-scale reductions in headcount and significant cost containment programmes. The Committee and Board reviewed a benchmarking exercise undertaken by the independent remuneration advisors (PwC) and after careful consideration given to the size and complexity of the organisation, as well as ensuring the ability to retain and attract any future incumbents, a decision was made to reduce the fees for all NEDs and the Chairman as shown below.

	2024	2023	% change
Chairman of the Board	£275,000	£336,000	-18%
Board fee[1]	£70,000	£71,400	-2%
Senior Independent Director	£15,000	£15,750	-5%
Committee Chair	£20,000	£25,000	-20%
Committee members[2]	£5,000	£15,750	-68%

1 Board fee covers all duties, including service on the VBG and VBL Nomination Committees (NomCo) or Company subsidiaries.
2 In 2023 this was a flat fee of £15,750 irrespective of the number of committee memberships. In 2024 a fee of £5,000 will be paid per committee membership (excluding NomCo and excluding where the NED is a Chair).

Directors' Remuneration Report continued
Annual Report on Remuneration continued

Additional remuneration disclosures

Our approach to fairness and wider workforce considerations

This section of the report brings visibility of remuneration across the entire workforce together in one place. In this section, we provide context to our director pay by explaining our colleague policies and our approach to fairness, including the following:

- the report received by the Committee on wider workforce pay policies and whether the approach to executive remuneration is consistent and the alignment of the incentives operated by the Company with its culture and strategy;
- general pay and conditions in the Group;
- gender diversity and pay gap; and
- comparison metrics on executive and colleague remuneration.

In order for the Committee to carry out its oversight review of wider workforce pay, policies and incentives, the Committee receives a report annually from the Group setting out key details of remuneration throughout the Group.

Details of the information reviewed by the Committee and findings are set out below.

Overview of workforce remuneration and the Committee's review

The table illustrates how the Remuneration Policy for executive directors in 2023 cascaded throughout the colleague population.

			Variable pay[2]				
Colleague group	% of workforce	Average increase in base salaries[1]	Commission schemes	Annual bonus	Share plans[3]	Pension[4]	Benefits[5]
Executive directors	0.3%	0.0%	No	All	Yes	Yes	Yes
Senior management	3.5%	6.9%	No	All	Yes	Yes	Yes
Management	24.1%	9.0%	No	All	Yes	Yes	Yes
All other colleagues	72.1%	10.3%	No	All	Yes	Yes	Yes

1 Base salaries:
- Base salaries are market competitive and determined with reference to role type, location, responsibility (level), experience and market practice.
- Annual salary increases are applied on an equitable and objective basis dependent on role type.
- Includes 2023 pay review and compares 31 December 2022 with 31 December 2023 data.

2 Variable pay:
- In line with our approach to executive director remuneration, a proportion of the remuneration for the wider workforce is in the form of variable pay, linked to the achievement of stretching targets that align with the Company's strategic goals.
- All colleagues are eligible for variable pay provided they have joined before 1 October of the previous performance year, are performing satisfactorily, and are not under notice of termination. Variable pay is linked to the Group's performance in the form of annual bonuses. Variable pay is determined with reference to financial performance and/or the achievement of non-financial objectives which are aligned to the Group's strategic priorities.

3 Share plans:
- Only some management, and all senior management and executive directors participate in the RSP.
- Historically, participation in the long-term incentive schemes has been limited since the Group's variable pay arrangements provide the strong linkage between workforce remuneration and the Group's financial performance and/or strategic priorities.
- All colleagues have access to share ownership schemes (SAYE (an all-employee plan enabling colleagues to save monthly and receive an option to purchase Group shares at a discount following a minimum of three years) and SIP (an all-employee plan enabling the colleagues to purchase Group shares on a monthly basis out of deductions from salaries, also receiving some Matching Awards from the Group)).

4 Pension:
- Maximum employer contributions are consistent across the Group (maximum 10% employer contribution for the Group DC arrangements), with minor deviations appropriate for role type or for historical reasons which will be addressed in 2024. There also exists a NEST pension arrangement.

5 Benefits:
- Consistent approach applied and determined with reference to role type, market practice and seniority.

The levels of remuneration and the types offered will vary across the Company depending on a colleague's location, level of seniority and role. The Committee is not looking for a homogeneous approach; when conducting its review, it is paying particular attention to:

- whether the element of remuneration is consistent with the Company's remuneration principles;
- if there are differences, whether they are appropriate; and
- whether the approach is fair and equitable in the context of other colleagues.

The key findings of the Committee's review for 2023 have been set out in the following table.

Element	Findings
Salary	Average salary increases for colleagues across the Company are being applied on an equitable and objective basis. All colleagues, whatever their age, are paid above the National Living Wage (on a full time basis).
Incentives	All of our colleagues have the ability to share in the success of the Company through incentive compensation in the form of variable pay linked to performance.
Shareholding requirements	Executive directors are required to adhere to minimum shareholding guidelines.
Pensions	All colleagues are eligible for enrolment in a defined contribution pension arrangement and work is planned for 2024 to bring all colleagues onto the same pension provider and the same terms and conditions across the Group.
Benefits	Benefits are offered according to the level of seniority of the role in line with market practice and Policy. Our bespoke benefits offering is broadly in line with similar companies but the Committee acknowledges the market shift to a 'flexible benefits' offering; this remains under review.

The Committee is satisfied that the approach to remuneration across the Company is broadly consistent with the Company's principles of remuneration and the pay. Further, in the Committee's opinion the approach to executive remuneration aligns with the wider Group Remuneration Policy and there are no anomalies specific to the executive directors that are outside of Policy.

Communication and engagement with colleagues

The Board is committed to ensuring there is an open dialogue with our colleagues and the Committee has the authority to ask for additional information from the Company in order to carry out its responsibilities.

The Colleague Forum is an established arrangement to facilitate effective engagement between the Board and the workforce and to encourage workforce participation in shaping strategic initiatives and seek views on key decisions. It supports the Group in satisfying Provision 5 of the UK Corporate Governance Code 2018, as well as capturing meaningful input and feedback from colleagues.

Our Colleague Forum has colleague representatives from across all areas and all levels of the business and meets quarterly. The Designated Non-Executive Colleague Champion works closely with the Colleague Forum in his capacity as engagement sponsor on behalf of the Board to agree a rhythm of dialogue and meeting attendance to further cement the link between the Colleague Forum and the Board.

Alongside the Colleague Forum, we commission an annual Colleague Engagement Survey, which is independently administered by Great Place To Work, as a channel for colleague voice and feedback. The output from each Colleague Engagement Survey is reviewed by the CCE Committee and appropriate actions are taken in response to any findings.

This is the third year that a consistent performance management framework was used fully across the Group to assess colleagues' performance and determine bonus allocations in line with the Group's values. Work has continued on harmonising pay and benefits opportunities for equivalent roles across all areas of the business through the Reward Framework and the alignment of pension schemes across the Group will be completed in 2024. Group-wide job levels have also been rolled out to help drive consistency and create a more unified colleague experience and support talent mobility. We have also published the minimum pay levels by level and location in our move to greater pay transparency.

Directors' Remuneration Report continued
Annual Report on Remuneration continued

Additional remuneration disclosures continued

Living Wage, equal opportunities and diversity initiatives

A summary of the Company's general policies in relation to Living Wage, equal opportunities and diversity initiatives are as follows:

Policy	Description
Living Wage employer	The National Living Wage is the amount of money all colleagues aged over 25 are legally entitled to. Our policy is to ensure that all colleagues, whatever their age, are paid above the National Living Wage.
Equal opportunities and diversity initiatives	Our Company is committed to equal opportunities in all aspects of employment, including recruitment, training, performance review and promotions. We make decisions based on objective criteria and individual merit, ensuring fairness, and respect, and minimising bias. We value diversity and utilise everyone's talents, abilities and lived experiences. As part of our commitment, we have signed up to the Women in Finance Charter and are actively working towards becoming a Disability Confident business. We encourage continuous development and training by offering a variety of learning opportunities that cater to the diverse learning styles of our colleagues. In 2023, we adopted a data-driven approach to improve the quality of our diversity data and analysis. This has allowed us to set gender diversity targets at a more gradual level, leveraging performance management data to identify key talent and emerging leaders, and challenge recruitment processes to ensure inclusive management appointments. Additionally, we have established partnerships with membership organisations to stay up to date with industry standards and align our policies and processes with best practices. Through collaboration, we can continuously improve our approach to inclusion, diversity and wellbeing, to create an inclusive and supportive workplace for all. Further details are provided in the CCE Committee Report on pages 78 and 79.

Gender pay gap

We feel strongly about the importance of having a workforce which represents the customers we serve. We hire from diverse backgrounds, employing (as at 31 December 2023) 51.7% men and 48.3% women across our business, and our recruitment policies, salary and bonus structures are designed to be gender neutral.

The Group recognises that the key driver behind both our hourly rate and bonus gap is a higher proportion of male colleagues in senior roles, and so we continue to remain focused on initiatives to increase female representation at senior management and leadership level.

The introduction of job levelling and a consistent reward framework means that we are better able to evidence that across the Group male and female colleagues are treated fairly. Whilst the gender pay gap has improved in 2023 at a Group level, there is still further improvement needed, and our key focus to address this is increasing female representation in senior roles. This is evidenced further by our commitment to the Women in Finance Charter.

The Group Gender Pay Gap reports which are communicated internally to our colleagues can also be found on our website.

CEO pay ratio

For the purposes of calculating the CEO pay ratio, we have used Option A, which takes into consideration the full-time equivalent basis of all UK employees and provides representative results of the employee pay conditions across the Company. For 2023 the CEO pay used in these calculations are the pro-rated blend of remuneration of the current CEO (Ian McLaughlin) and previous CEO (Malcolm Le May). The table shows that the CEO pay ratio has been improving (i.e. decreasing) since 2021. The main reasons for this are: (1) no salary increase for the CEO since 2022, (2) salary review in 2023 focused on the lower paid population (and again in 2024), and (3) structural changes made to the business.

The volatility in this ratio is caused by the fact that the CEO pay is made up of a higher proportion of incentive pay than that of our colleagues, in line with the expectations of our shareholders. This introduces a higher degree of variability in his pay each year which affects the ratio.

In order to normalise the impact to year-on-year changes to short and long-term incentive payments, the information also shows the normalised CEO pay ratio when 'on-target' bonus payouts are used in the calculation. In assessing our pay ratio versus likely ratios from industry peers with a similar headcount, we believe that we are comparable but note that annual and long-term incentive payments have varied considerably amongst this group. We also recognise that ratios will be influenced by levels of colleague pay and, in the sector, colleague pay will be lower than in many other sectors of the economy.

Year	25th percentile pay ratio	Median pay ratio	75th percentile pay ratio
2023 (actual) Option A	**34.7:1**	**23.8:1**	**13.1:1**
2022 (actual)* Option A	55.1:1	36.7:1	20.3:1
2021 (actual) Option B	79.6:1	66.3:1	44.1:1
2020 (actual) Option B	28.9:1	26.9:1	21.3:1
2023 (incl. target bonus) Option A	**56:1**	**37.3:1**	**20.7:1**
2022 (incl. target bonus)[1] Option A	60.1:1	44.2:1	24.2:1
2021 (incl. target bonus) Option B	64.5:1	53.8:1	36.8:1
2020 (incl. target bonus) Option B	55.8:1	51.8:1	41.0:1

1 Restated (downwards) for 2022 due to single figure of remuneration for 2022 being reduced as a result of the downwards adjustment to the CEO's RSP 2020 which vested on 9 November 2023.

Base salary and total pay and benefits for CEO and colleague percentiles

	2023
Base salary (£'000)	**749.0**
Total pay and benefits (£'000)	**943.8**
Colleague headcount at 31 December 2023	**1,494**
Base salary (£'000)	
Colleague at the 25th percentile	**26.2**
Colleague at the 50th percentile	**37.0**
Colleague at the 75th percentile	**64.8**
Total pay and benefits (£'000)	
Colleague at the 25th percentile	**27.2**
Colleague at the 50th percentile	**39.7**
Colleague at the 75th percentile	**71.8**

Total remuneration for each colleague was calculated on a full-time equivalent basis and the lower quartile, median and upper quartile colleagues were identified as at 31 December 2023. Overall annualised pay was compared to the pro-rated blend of remuneration of the current CEO (Ian McLaughlin) and previous CEO (Malcolm Le May). Colleague total remuneration includes: basic salary, pension, maternity/paternity pay, annual cash bonus and benefits. The total remuneration for the relevant colleagues was compared to that of the CEO.

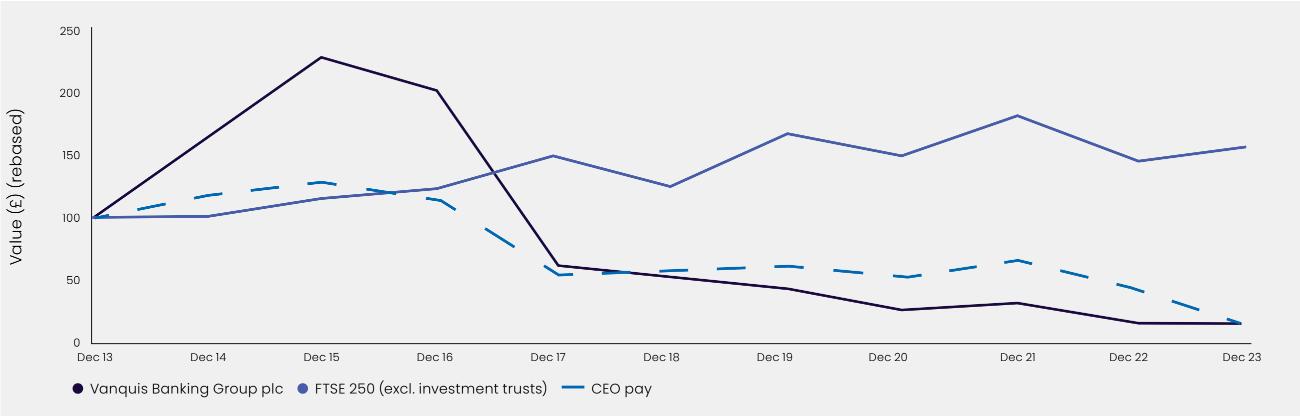
The Company believes that the median pay ratio for 2023 is consistent with the pay, reward and progression policies for the Company's colleagues. We also considered the pay composition of the colleagues who represent the median, lower and upper quartiles and were comfortable that it fairly represents pay in the Company.

Additional remuneration disclosures continued

CEO pay against total shareholder return (TSR)

The chart below shows the single figure of remuneration for our CEO over time rebased to 2013. We have also included our TSR performance over this period against the FTSE 250, based on £100 invested. The FTSE 250 was chosen as, in the opinion of the Committee, the size and complexity of the Company make this an appropriate basis for comparison.

Pay performance: TSR chart



	2014	2015	2016	2017		2018	2019	2020	2021	2022	2023	
CEO[1]	PC	PC	PC	PC	MLM	MLM	MLM	MLM	MLM	MLM	**MLM**	**IM**
CEO single figure of remuneration (£'000)	6,594	7,500	6,315	962	71	1,387	1,507	818	1,972	2,056[2]	**551**	**393**
Annual bonus/ earning (% of maximum)	100	98	100	–	–	69	53	–	96	78	**–**	**–**
LTIS/RSP vesting (% of maximum)	100	100	100	–	–	–	–	–	–	65[3]	**75[4]**	**n/a**

1 Peter Crook (PC), Malcolm Le May (MLM), Ian McLaughlin (IM).
2 Single figure of remuneration for 2022 has been restated (see 3 below).
3 The RSP 2020 award (which formed part of the CEO single figure of remuneration for 2022) is restated to reflect the 35% downwards adjustment applied in November 2023.
4 The RSP 2021 award (which forms part of the CEO single figure of remuneration for 2023) reflects a 25% downwards adjustment as determined as part of the interim assessment of the RSP 2021 award performance underpin.

The greater volatility of our CEO pay is due to the higher proportion of incentive pay in his package compared with that of our colleagues, which introduces a higher degree of variability in his pay each year versus colleagues.

Percentage change in directors' and colleagues' remuneration

The Committee monitors the changes year on year between our directors' pay and average colleague pay. As per our Policy, salary increases applied to executive directors will typically be in line with those of the wider workforce. In accordance with The Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, the table below shows the percentage change from this financial year to previous financial year in executive director and NED total remuneration compared to the change for the average of the percentage change for colleagues within the Company. The comparator group is based on all colleagues.

	Salary/fees				Taxable benefits				Short-term variable pay			
	2023	2022	2021	2020	**2023**	2022	2021	2020	**2023**	2022	2021[1]	2020
Executive directors												
Ian McLaughlin	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Dave Watts	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Malcolm Le May	**-42%[2]**	5%	18%	2%	**-56%**	-6%	-51%	-24%	**-100%**	-15%	—[1]	-100%
Neeraj Kapur	**-40%[2]**	-9%	-32%	n/a	**-51%**	17%	55%	n/a	**-100%**	-8%	—[1]	n/a
Non-executive directors												
Sir Peter Estlin	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Patrick Snowball	**0%**	5%	-8%	0%	**0%**	0%	-67%	n/a	**n/a**	n/a	n/a	n/a
Andrea Blance	**-7%**	8%	5%	0%	**0%**	0%	-50%	0%	**n/a**	n/a	n/a	n/a
Elizabeth Chambers	**10%**	5%	1%	0%	**-58%**	43%	0%	n/a	**n/a**	n/a	n/a	n/a
Paul Hewitt	**0%**	9%	5%	0%	**67%**	0%	50%	n/a	**n/a**	n/a	n/a	n/a
Margot James	**0%**	5%	131%	n/a	**n/a**	0%	n/a	n/a	**n/a**	n/a	n/a	n/a
Angela Knight	**0%**	9%	2%	0%	**n/a**	0%	n/a	n/a	**n/a**	n/a	n/a	n/a
Graham Lindsay	**0%**	9%	8%	0%	**-60%**	150%	-50%	n/a	**n/a**	n/a	n/a	n/a
Michele Greene	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a	**n/a**	n/a	n/a	n/a
Average colleague	**10%**	8%	3%	4%	**14%**	59%	0%	7%	**-100%**	-5%	—[1]	-54%

1 No bonus was paid in 2020 and therefore there is no meaningful comparison with 2021.
2 Reflects proration for time as executive director in 2023.
All data rounded to the nearest whole percent.

Graham Lindsay
Remuneration Committee Chair
26 March 2024

Independent auditor's report to the members of Vanquis Banking Group plc

Report on the audit of the financial statements

1. Opinion

In our opinion:

– the financial statements of Vanquis Banking Group plc (the 'parent company') and its subsidiaries (the 'Group') give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;

– the Group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards);

– the parent company financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and

– the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

– the consolidated income statement;

– the consolidated statement of comprehensive income;

– the consolidated and parent company balance sheets;

– the consolidated and parent company statements of changes in equity;

– the consolidated cash flow statement;

– the statement of accounting policies; and

– the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards , and with regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the Group and parent company for the year are disclosed in note 6 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the Group or the parent company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: – the estimation of expected credit losses in Credit Cards and Vehicle Finance; and – the valuation of the pension obligation	Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used for the Group and parent company financial statements was £5.83m and £5.53m respectively which was determined on the basis of 1% of net assets, with the parent company materiality being capped at 95% of Group materiality.	
Scoping	The Group has moved from three operating segments to five for the current year, being: Credit Cards, Personal Loans, Vehicle Finance, Second charge mortgages and Snoop. There is also the Corporate Centre, which includes Operations, Technology & Change, and support Functions which collectively serve the needs of the wider Group. Therefore, our Group audit scope focused on Credit Cards, Personal Loans, Vehicle Finance, Second charge mortgages and Snoop, which, together with the parent and corporate centre entities, account for 100% of the Group's net assets.	
Significant changes in our approach	No significant changes in our audit approach in the current year.	

Report on the audit of the financial statements continued

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the Group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of relevant controls around management's going concern assessment and the forecasting process at both a divisional and Group level;
- evaluating management's going concern assessment, which includes stress testing and point of non-viability ('PONV') analysis as well as consideration of the transformation projects ongoing across the Group, in order to understand, challenge and assess the key judgements made by management;
- reading correspondence with regulators to understand the capital and liquidity requirements imposed on the Group by the Prudential Regulation Authority ('PRA'), and evaluating any changes to those requirements;
- reviewing the most recent Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), with support from our prudential regulation specialists, and assess management's capital and liquidity projections and stress testing, evaluating key assumptions and methods used in the capital and liquidity stress testing models;
- assessing and evaluating the forecasts, with support from our prudential regulation specialists including reconciliation of the opening capital and liquidity ratios to the year-end Common Reporting Framework regulatory submissions and assessing whether the year-end balance sheet within the model was consistent with the audited position;
- challenging the cash flow forecast assumptions within the Group's corporate plan, which was updated in 1Q24 to capture latest outer year projections, including key growth rate assumptions through a review of their budgeted cash flows and the return to PBT in future periods. We have also performed an assessment over the forecasting accuracy in the previous years;
- challenging the availability and effectiveness of mitigating actions which could be taken by management to avoid or reduce the impact of macroeconomic stress for example restricting variable pay, reducing lending growth, and/or challenging the dividend pay-out; and
- reviewing the financial statement disclosures in respect of going concern and considering whether they are consistent with the knowledge we obtained during the course of the audit.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the reporting on how the Group has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Estimation of expected credit losses in Credit Cards and Vehicle Finance

Key audit matter description

The Group holds portfolios of receivables from credit card, personal loans and vehicle financing arrangements, totalling £2,175.1m (2022 (restated): £1,913.3m), net of provisions. The Group's provision for impairment against amounts receivable from customers is £565.8m (2022: £605.8m).

Within **Credit Cards**, management has recognised a total ECL provision of £198.7m (2022: £270.4m) on gross receivables of £1,476.4m (2022: £1,452.0m), representing a decline in ECL coverage ratio from 18.6% to 13.5% over the period.

Within **Vehicle Finance**, management has recognised a total ECL provision of £352.0m (2022 (restated): £316.9m) on gross receivables of £1,144.2m (2022 (restated): £972.3m), representing an improvement in ECL coverage ratio from 33.6% to 30.8% over the period.

The *IFRS 9 Financial Instruments* expected credit losses on amounts receivable from customers are determined by modelling expected credit performance of the receivables' portfolios. The underlying modelling techniques are complex and involve significant judgements regarding the quantum and timing of expected future cash flows to calculate expected credit losses. Given the material impact of the significant judgements involved, we also consider there is a risk of fraud due to the potential ability of management to introduce inappropriate bias to judgements made in the estimation process.

Independent auditor's report to the members of Vanquis Banking Group plc continued

Report on the audit of the financial statements continued

5. Key audit matters continued

5.1. Estimation of expected credit losses in Credit Cards and Vehicle Finance continued	
Key audit matter description continued	IFRS 9 requires that an impairment assessment should be the best estimate of expected credit losses and that reasonable forward-looking information should be incorporated into the calculation as at the balance sheet date. The uncertainties in the macroeconomic environment and inflationary pressures, mean there exists a wide range of scenarios with different loss outcomes. The key economic variables relevant for the Group's portfolio were determined to be the hazard rate, which is the likelihood of shifting from employment to unemployment in a given time period, and debt-to-income ('DTI') ratios. The hazard rate is not a widely used variable for which forecasts are published; however, there is a strong correlation between hazard rates and unemployment such that hazard rates can be predicted based on unemployment forecasts. There is significant judgement in determining the probability weighting of the scenarios adopted by management and the associated assumptions. The expected credit loss provision estimate is driven by account-specific estimation of probability of default (PD), exposure at default (EAD) and loss given default (LGD) which represent the key areas of judgement. Across both Credit Cards and Vehicle Finance, we have pinpointed our significant risk to the macroeconomic inputs including the cost-of-living overlays and the valuation of the underlay recognised from the ongoing refinement of the IFRS9 impairment models, which are expected to be fully implemented in H1 2024. Management has released its cost-of-living overlays (2022: £10.5m) as management consider that underlying asset quality remained high with delinquency trends remaining stable. The Post Model Adjustments ('PMA') were based on management's judgement in light of the current economic environment and were supported by scenario modelling techniques. Management has conducted model redevelopment and calibration activities during the year and recognised an underlay of £57.7m from the ongoing refinement of the IFRS 9 impairment models. Due to the complexity of the calculation and underlying assumptions, and high level of judgement involved in the refinement of the IFRS 9 impairment models to recognise the underlay, we have identified management's expert credit judgements in determining the valuation of the underlay as a key audit matter for this year. We no longer consider the significant changes in credit risk ('SICR') thresholds and 12-month probability of default ('12m PD') recalibration in Credit Cards to be a key audit matter as these assumptions have been revised as part of the wider model redevelopment and calibration activities carried out during the year. Further detail in respect of these is set out in the statement of accounting policies in page 131 and 134, in the amounts receivables from customers in note 13 of the financial statements and also within the Strategic Report in page 33.
How the scope of our audit responded to the key audit matter	**Control procedures** Within **Credit Cards** and **Vehicle Finance** we obtained an understanding of relevant controls relating to the identification, valuation and recording of expected credit losses. **Substantive procedures** In respect of the macroeconomic scenarios applied we involved our economics specialist to assess the appropriateness of the shape of the hazard rate and DTI curves and the respective weightings attached to the curves, whilst also testing the underlying data used in this assessment for completeness and accuracy. We benchmarked the underlying unemployment economic variables against various external sources including His Majesty's Treasury forecasts, the Prudential Regulation Authority, the Office for National Statistics, and other available data. We involved our credit risk modelling specialists to assist in our assessment and challenge of management's incumbent and new model methodology and assessed the methodology for **Credit Cards** and **Vehicle Finance** against the requirements of IFRS 9. In performing these procedures, we further considered whether there were any indicators of bias in the methodology applied by management or in the estimation of the amount and timing of expected future cash flows, through a stand back assessment performed on the ECL coverage ratios derived from the models, post the application of the underlay. In respect of the cost-of-living PMA for Credit Cards and Vehicle Finance, with the involvement of our credit risk modelling specialists, we have assessed the appropriateness of the reversal of the cost-of-living PMA through our evaluation of the refinement of the macro model and assessment of the appropriateness of the underlay recognised on the impact of such refinement. In respect of the underlay from the benefit of the ongoing model refinement with the involvement of our credit risk modelling specialists, we have tested that the methodology changes have been reflected in the creation of the underlay through assessment of the underlying scripts, tested the completeness and accuracy of the data used to form the new models and evaluated management's conclusions regarding the appropriateness of the changes in the current macroeconomic environment.
Key observations	We considered the macroeconomic assumptions and weightings to be reasonable in both Credit Cards and Vehicle Finance. Appropriate methodologies, management expert credit judgement and reasonable assumptions were used in the valuation of the underlay from the benefit of the ongoing model refinement and in determining the reversal of the cost-of-living. Overall, based on our substantive testing, we found that the provision for expected credit losses in Credit Cards and Vehicle Finance is appropriate.

Report on the audit of the financial statements continued

5. Key audit matters continued

5.2. Valuation of the Pension Obligation	
Key audit matter description	Under IAS 19 'Employee Benefits', the value of the defined benefit pension scheme is to be recognised on the Group's balance sheet, reflecting an actuarial valuation of the assets and liabilities of the scheme at the balance sheet date. The valuation of the pension obligation involves judgements in relation to inflation, discount and mortality rates. The most critical element identified was the discount rate assumption as set out in the sensitivity analysis in note 22. The valuation of the pension obligation is an area of management judgement where there is a risk of fraud due to the potential ability of management to introduce inappropriate bias to judgements made in the valuation process. The pension obligation is £474.7m as at 31 December 2023 (2022: £490.0m). The pension surplus held on the balance sheet has increased by £7.5m to £38.2m at 31 December 2023 (31 December 2022: £30.7m). Further detail in respect of these assumptions is set out in the statement of accounting policies on Page 133 of the financial statements, the retirement benefit asset in note 22 in the financial statements and within the Audit Committee Report page 83.
How the scope of our audit responded to the key audit matter	We obtained an understanding of the relevant controls surrounding the determination of the discount rate and other inputs used in the pension valuation. We involved our actuarial specialists to assist us in evaluating the appropriateness of the principal actuarial assumptions used in the calculation of the pension obligation being the discount rate, mortality rates and inflation rates. We also challenged and benchmarked management's assumptions against those used by a range of organisations as at 31 December 2023 and considered the consistency of those judgements compared with the prior year.
Key observations	All assumptions adopted by management are within what we considered to be an acceptable range.

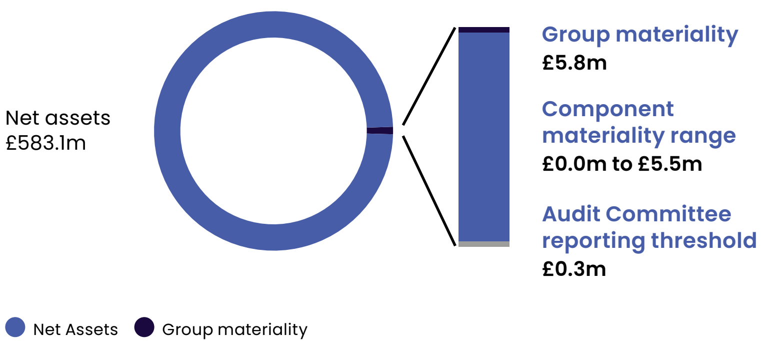
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent company financial statements
Materiality	£5.83m (2022: £6.07m)	£5.53m (2022: £5.76m)
Basis for determining materiality	1% of net assets (2022: 1% of net assets)	1% of net assets (2022: 1% of net assets) capped at 95% of Group materiality
Rationale for the benchmark applied	Our benchmark upon which materiality is determined is consistent with the prior period. We determined that net assets continue to be a more stable and relevant measure used by investors, regulators and stakeholders when assessing the performance and longer-term prospects of the Group and parent company as well as the importance of net assets to the Group's regulatory capital position.	



Independent auditor's report to the members of Vanquis Banking Group plc continued

Report on the audit of the financial statements continued

6. Our application of materiality continued

6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole.

	Group financial statements	Parent company financial statements
Performance materiality	70% (2022: 70%) of Group materiality	70% (2022: 70%) of parent company materiality
Basis and rationale for determining performance materiality	In determining performance materiality, we considered a number of factors, including: our understanding of the control environment and controls reliance obtained, our understanding of the business, and the number of uncorrected misstatements identified in the prior year.	

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.29m (2022: £0.30m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Identification and scoping of components

The Group is organised into five continuing operating segments: Credit Cards, Personal Loans, Vehicle Finance, Second charge mortgages and Snoop. There is also the Corporate Centre, which includes Operations, Technology & Change, and support Functions which collectively serve the needs of the wider Group.

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including Group-wide controls, and assessing the risks of material misstatement at the Group level. Therefore, our Group audit scope focused on Credit Cards, Personal Loans, Vehicle Finance, Second charge mortgages and Snoop, which, together with the parent company and corporate centre entities, account for 100% of the Group's net assets. Credit Cards, Personal Loans and Vehicle Finance are audited by separate engagement teams led by the Group audit partner.

7.2. Our consideration of the control environment

We identified the financial reporting, lending, and deposit business cycles to be the most relevant to the audit, including the identification, valuation and recording of expected credit losses. We planned a controls reliance auditing strategy over the credit card and retail deposit cycles. Due to issues identified by our IT specialists in respect of user access review over the credit card system, we modified our audit approach to a fully substantive approach and did not place reliance on IT controls. This increased the extent of our substantive audit procedures over these balances and, in some areas, also altered the nature of our substantive procedures. This has been discussed within the Audit Committee Report set out on page 82.

We were however able to take a controls reliance approach over the deposit business cycle and with involvement of our IT specialists we tested and relied upon IT controls across the aforementioned deposit system identified. The Group outsources the processing of customer deposits to a third party and therefore, we involved our IT specialists to review the service auditor's report and evaluated user entity controls.

We have also obtained an understanding of the relevant controls within the financial reporting, treasury, personal loans and loan impairment processes.

The Audit Committee has performed their own assessment of the internal control environment as set out on page 82.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the Group's business and its financial statements throughout the planning of our audit.

The Group continues to develop its assessment of the potential impacts of climate change which is currently being considered over the short term (zero to one years), medium term (one to five years) and long term (five or more years) time horizons which is reported on page 20 of the Strategic report.

As part of our audit, we have obtained management's climate-related risk assessment and held enquiries with the Head of Sustainability, the Chief Risk Officer and Finance team to understand the process of identifying climate-related risks, the determination of mitigating actions and the impact on the Group's financial statements. Management has identified there to be no material impact arising from climate change on the judgements and estimates made in the financial statements as explained in the statement of accounting policies disclosure on page 25.

We performed our own qualitative and quantitative risk assessment of the potential impact of climate change material misstatement. Our procedures included reading disclosures included in the Strategic Report with the involvement of our climate change and sustainability specialists and audit team consideration as to whether they are materially consistent with the financial statements and our knowledge obtained in the audit. We also evaluated whether appropriate disclosures have been made in the financial statements.

Report on the audit of the financial statements continued

8.Other information

The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Annual Report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the parent company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Group's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- the Group's own assessment of the risks that irregularities may occur either as a result of fraud or error that was approved by the board;
- results of our enquiries of management, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the Group's sector;
- any matters we identified having obtained and reviewed the Group's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, valuations, pensions, financial instruments, share-based payments, data analytics, information technology, prudential regulatory, climate change and sustainability specialists, macroeconomic and credit risk modelling specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

Report on the audit of the financial statements continued

11. Extent to which the audit was considered capable of detecting irregularities, including fraud continued

11.1. Identifying and assessing potential risks related to irregularities continued

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the estimation of expected credit losses in Credit Cards and Vehicle Finance and valuation of the pension obligation. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the Group operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, Listing Rules, pension legislation and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group's ability to operate or to avoid a material penalty. These included the regulation set by the Financial Conduct Authority and the Prudential Regulation Authority relating to the Group's regulatory capital and liquidity requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the estimation of expected credit losses in Credit Cards and Vehicle Finance and valuation of the pension obligation as key audit matters related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with regulatory bodies such as the Prudential Regulation Authority, the Financial Conduct Authority and HMRC;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

Report on other legal and regulatory requirements continued

13. Corporate Governance Statement

The Listing Rules require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 92 and 129;
- the directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why the period is appropriate set out on page 51;
- the directors' statement on fair, balanced and understandable set out on page 81;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 84 to 85;
- the section of the Annual Report that describes the review of effectiveness of risk management and internal control systems set out on page 86; and
- the section describing the work of the Audit Committee set out on pages 80 to 83.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made or the part of the Directors' Remuneration Report to be audited is not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the Audit Committee, we were appointed by the directors on 29 June 2012 to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 12 years, covering the years ending 31 December 2012 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.15R – DTR 4.1.18R, these financial statements form part of the Electronic Format Annual Financial Report filed on the National Storage Mechanism of the FCA in accordance with DTR 4.1.15R – DTR 4.1.18R. This auditor's report provides no assurance over whether the Electronic Format Annual Financial Report has been prepared in compliance with DTR 4.1.15R – DTR 4.1.18R.

Kieren Cooper (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
26 March 2024

Financial statements

Consolidated income statement

For the year ended 31 December

Continuing operations	Note	Group 2023 £m	Group 2022 £m
Interest income	3	556.0	491.5
Interest expense	4	(113.4)	(58.8)
Net interest income		442.6	432.7
Fee and commission income	5	44.2	47.0
Fee and commission expense	5	(1.7)	(2.8)
Net fee and commission income	5	42.5	44.2
Other income		3.7	3.8
Total income		488.8	480.7
Impairment charges	13	(166.1)	(66.1)
Risk-adjusted income		322.7	414.6
Operating costs		(327.1)	(304.5)
Statutory (loss)/profit before taxation from continuing operations	1,6	(4.4)	110.1
Tax charge for continuing operations	7	(1.6)	(27.8)
Statutory (loss)/profit after taxation from continuing operations	1	(6.0)	82.3
Loss after taxation from discontinued operations	2	–	(4.9)
Statutory (loss)/profit for the year attributable to equity shareholders		(6.0)	77.4
Add back:			
Tax charge for continuing operations	7	1.6	27.8
Amortisation of acquisition intangibles	20	7.9	7.5
Exceptional items	1	21.4	9.0
Loss after taxation from discontinued operations	2	–	4.9
Adjusted profit before tax		24.9	126.6

Consolidated statement of comprehensive income

For the year ended 31 December

	Note	Group 2023 £m	Group 2022 £m
(Loss)/profit for the year attributable to equity shareholders		(6.0)	77.4
Items that will not be reclassified subsequently to the income statement:			
– actuarial movements on retirement benefit asset	22	6.4	(84.2)
– tax on items taken directly to other comprehensive income	7	(1.5)	16.0
– impact of change in UK tax rate on items in other comprehensive income	7	(0.1)	5.0
Other comprehensive income/(expense) for the year		4.8	(63.2)
Total comprehensive (expense)/income for the year		(1.2)	14.2

(Loss)/earnings per share

For the year ended 31 December

	Note	Group 2023 pence	Group 2022 pence
Basic	8	(2.4)	30.8
Diluted	8	(2.3)	30.5

The above (loss)/earnings per share is on a Group basis including discontinued operations.

Dividends per share

For the year ended 31 December

		Group	
	Note	2023 pence	2022 pence
Interim dividend	9	**5.0**	5.0
Final dividend	9	**1.0**	10.3

The total cost of dividends paid in the year was £38.4m (2022: £42.8m).

Balance sheets

		Group			Company	
	Note	At 31 December 2023 £m	At 31 December 2022 (restated)[1] £m	At 1 January 2022 (restated)[1] £m	At 31 December 2023 £m	At 31 December 2022 £m
Assets						
Cash and cash equivalents	12	**743.3**	464.9	717.7	**14.7**	4.1
Amounts receivable from customers	13	**2,171.9**	1,905.4	1,687.0	**—**	—
Trade and other receivables	14	**55.9**	50.6	18.8	**914.9**	1,197.9
Investments held at fair value through profit and loss	15	**5.4**	10.7	9.1	**—**	—
Current tax asset		**8.1**	—	—	**—**	—
Property, plant and equipment	16	**8.1**	8.3	8.4	**0.7**	0.9
Right of use assets	17	**23.2**	32.4	47.9	**10.9**	12.7
Goodwill	19	**72.4**	71.2	71.2	**—**	—
Other intangible assets	20	**74.4**	63.3	52.3	**1.7**	2.3
Investment in subsidiaries	21	**—**	—	—	**241.6**	207.4
Retirement benefit asset	22	**38.2**	30.7	112.2	**38.2**	30.7
Derivative financial instruments	23	**1.3**	11.3	3.1	**1.0**	—
Deferred tax assets	24	**6.5**	14.5	6.9	**—**	—
Total assets	1	**3,208.7**	2,663.3	2,734.6	**1,223.7**	1,456.0
Liabilities and equity						
Liabilities						
Trade and other payables	25	**44.1**	62.8	95.6	**235.4**	304.3
Current tax liabilities		**—**	—	5.6	**3.1**	—
Provisions	26	**5.8**	5.2	72.1	**—**	0.1
Lease liabilities	27	**40.9**	49.3	58.9	**13.6**	16.7
Retail deposits	28	**1,950.5**	1,100.6	1,018.5	**—**	—
Bank and other borrowings	28	**582.5**	815.4	845.2	**205.7**	365.8
Derivative financial instruments	23	**1.8**	15.3	—	**3.0**	15.3
Deferred tax liabilities	24	**—**	—	—	**7.8**	5.3
Total liabilities	1	**2,625.6**	2,048.6	2,095.9	**468.6**	707.5
Equity attributable to owners of the parent						
Share capital	30	**53.2**	52.6	52.6	**53.2**	52.6
Share premium		**276.3**	273.5	273.3	**276.3**	273.5
Merger reserve		**278.2**	278.2	278.2	**280.5**	280.5
Other reserves	32	**12.1**	12.4	9.8	**11.3**	11.6
Retained earnings		**(36.7)**	(2.0)	24.8	**133.8**	130.3
Total equity	1	**583.1**	614.7	638.7	**755.1**	748.5
Total liabilities and equity		**3,208.7**	2,663.3	2,734.6	**1,223.7**	1,456.0

1 Refer to accounting policies for detail of restatement.

In accordance with the exemption allowed by section 408 of the Companies Act 2006, the Company has not presented its own income statement or statement of other comprehensive income. The retained profit for the financial year reported in the financial statements of the Company was £34.5m (2022: £64.1m).

The financial statements on pages 116 to 191 were approved and authorised for issue by the Board of Directors on 26 March 2024 and signed on its behalf by:

Ian McLaughlin
Chief Executive Officer
Company Number – 668987

Dave Watts
Chief Financial Officer

Financial statements continued

Statements of changes in shareholders' equity

Group	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 31 December 2021		52.6	273.3	278.2	9.8	17.3	631.2
Prior year adjustment[1]		–	–	–	–	7.5	7.5
At 1 January 2022		52.6	273.3	278.2	9.8	24.8	638.7
Profit for the year		–	–	–	–	77.4	77.4
Other comprehensive (expense)/income:							
– actuarial movements on retirement benefit asset	22	–	–	–	–	(84.2)	(84.2)
– tax on items taken directly to other comprehensive income	7	–	–	–	–	16.0	16.0
– impact of change in UK tax rate	7	–	–	–	–	5.0	5.0
Other comprehensive expense for the year		–	–	–	–	(63.2)	(63.2)
Total comprehensive income for the year		–	–	–	–	14.2	14.2
Dividends (note 9)		–	–	–	–	(42.8)	(42.8)
Purchase of own shares		–	–	–	–	(0.7)	(0.7)
Issue of share capital		–	0.2	–	–	–	0.2
Share-based payment charge	31	–	–	–	5.1	–	5.1
Transfer of share-based payment reserve on vesting of share awards		–	–	–	(2.5)	2.5	–
At 31 December 2022		52.6	273.5	278.2	12.4	(2.0)	614.7
At 1 January 2023		**52.6**	**273.5**	**278.2**	**12.4**	**(2.0)**	**614.7**
Loss for the year		**–**	**–**	**–**	**–**	**(6.0)**	**(6.0)**
Other comprehensive income/(expense):							
– actuarial movements on retirement benefit asset	22	**–**	**–**	**–**	**–**	**6.4**	**6.4**
– tax on items taken directly to other comprehensive income	7	**–**	**–**	**–**	**–**	**(1.5)**	**(1.5)**
– impact of change in UK tax rate	7	**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**4.8**	**4.8**
Total comprehensive expense for the year		**–**	**–**	**–**	**–**	**(1.2)**	**(1.2)**
Dividends (note 9)		**–**	**–**	**–**	**–**	**(38.4)**	**(38.4)**
Issue of share capital		**0.6**	**2.8**	**–**	**–**	**–**	**3.4**
Share-based payment charge	31	**–**	**–**	**–**	**4.6**	**–**	**4.6**
Transfer of share-based payment reserve on vesting of share awards		**–**	**–**	**–**	**(4.9)**	**4.9**	**–**
At 31 December 2023		**53.2**	**276.3**	**278.2**	**12.1**	**(36.7)**	**583.1**

1 Refer to accounting policies for detail of restatement.

The rights issue in 2018 was undertaken through a cash box structure which allowed merger relief to be applied to the issue of shares rather than recording share premium. The full merger reserve is now considered distributable.

Other reserves are further analysed in note 32.

Statements of changes in shareholders' equity continued

Company	Note	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 1 January 2022		52.6	273.3	280.5	9.0	171.5	786.9
Profit for the year		–	–	–	–	64.1	64.1
Other comprehensive (expense)/income:							
– actuarial movements on retirement benefit asset	22	–	–	–	–	(84.2)	(84.2)
– tax on items taken directly to other comprehensive income		–	–	–	–	16.0	16.0
– impact of change in UK tax rate		–	–	–	–	5.0	5.0
Other comprehensive expense for the year		–	–	–	–	(63.2)	(63.2)
Total comprehensive income for the year		–	–	–	–	0.9	0.9
Dividends (note 9)		–	–	–	–	(42.8)	(42.8)
Purchase of own shares		–	–	–	–	(0.7)	(0.7)
Issue of share capital		–	0.2	–	–	–	0.2
Share-based payment charge	31	–	–	–	2.9	–	2.9
Transfer of share-based payment reserve on vesting of share awards		–	–	–	(1.4)	1.4	–
Share-based payment movement in investment in subsidiaries		–	–	–	1.1	–	1.1
At 31 December 2022		52.6	273.5	280.5	11.6	130.3	748.5
At 1 January 2023		**52.6**	**273.5**	**280.5**	**11.6**	**130.3**	**748.5**
Profit for the year		**–**	**–**	**–**	**–**	**34.5**	**34.5**
Other comprehensive income/(expense):							
– actuarial movements on retirement benefit asset	22	**–**	**–**	**–**	**–**	**6.4**	**6.4**
– tax on items taken directly to other comprehensive income		**–**	**–**	**–**	**–**	**(1.5)**	**(1.5)**
– impact of change in UK tax rate		**–**	**–**	**–**	**–**	**(0.1)**	**(0.1)**
Other comprehensive income for the year		**–**	**–**	**–**	**–**	**4.8**	**4.8**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**39.3**	**39.3**
Dividends (note 9)		**–**	**–**	**–**	**–**	**(38.4)**	**(38.4)**
Issue of share capital		**0.6**	**2.8**	**–**	**–**	**–**	**3.4**
Share-based payment charge	31	**–**	**–**	**–**	**2.5**	**–**	**2.5**
Transfer of share-based payment reserve on vesting of share awards		**–**	**–**	**–**	**(2.6)**	**2.6**	**–**
Share-based payment movement in investment in subsidiaries		**–**	**–**	**–**	**(0.2)**	**–**	**(0.2)**
At 31 December 2023		**53.2**	**276.3**	**280.5**	**11.3**	**133.8**	**755.1**

Other reserves are further analysed in note 32.

Financial statements continued

Statements of cash flows

For the year ended 31 December

	Note	Group 2023 £m	Group 2022[1] £m	Company 2023 £m	Company 2022 £m
Cash flows from operating activities					
Cash (used in)/generated from operations	35	(175.0)	(148.1)	248.0	(106.6)
Finance costs paid		(76.1)	(48.8)	(55.3)	(30.6)
Finance income received		26.6	5.4	24.4	57.2
Tax paid		(6.0)	(13.4)	–	–
Net cash (used in)/generated from operating activities		(230.5)	(204.9)	217.1	(80.0)
Cash flows from investing activities					
Purchase of intangible assets	20	(19.0)	(29.2)	–	(2.3)
Purchase of property, plant and equipment	16	(3.3)	(3.6)	(0.3)	–
Proceeds from sale of available for sale investment		6.4	–	–	–
Cash placed on deposit		–	–	–	(90.0)
Acquisition of a subsidiary		(2.9)	–	–	–
Dividends received from subsidiaries	33	–	–	–	115.3
Net cash (used in)/generated from investing activities		(18.8)	(32.8)	(0.3)	23.0
Cash flows from financing activities					
Proceeds from bank and other borrowings		1,100.0	330.0	–	–
Repayment of bank and other borrowings		(523.3)	(288.4)	(163.5)	(30.0)
Payment of lease liabilities		(11.2)	(10.8)	(4.4)	(2.2)
Dividends paid to Company shareholders		(38.4)	(42.8)	(38.4)	(42.8)
Repayment of loan from subsidiaries		–	–	–	(70.0)
Proceeds from derivatives		–	–	–	(0.7)
Proceeds from issue of share capital	30	0.1	0.2	0.1	0.2
Purchase of own shares for share awards		–	(0.7)	–	–
Net cash generated from/(used in) financing activities		527.2	(12.5)	(206.2)	(145.5)
Net increase/(decrease) in cash, cash equivalents and overdrafts		277.9	(250.2)	10.6	(202.5)
Cash, cash equivalents and overdrafts at beginning of year		463.9	714.1	4.1	206.6
Cash, cash equivalents acquired from Snoop (note 18)		–	–	–	–
Cash, cash equivalents and overdrafts at end of year		741.8	463.9	14.7	4.1
Cash, cash equivalents and overdrafts at end of year comprise:					
Cash at bank and in hand	12	743.3	464.9	14.7	4.1
Overdrafts (held in bank and other borrowings)	28	(1.5)	(1.0)	–	–
Total cash, cash equivalents and overdrafts		741.8	463.9	14.7	4.1

Cash at bank and in hand includes £681.5m (2022: £420.5m) in respect of the liquid assets buffer, including other liquidity resources, held by Vanquis Bank Limited in accordance with the PRA's liquidity regime.

1 2022 cash flows reclassified between proceeds from and repayments of bank and other borrowings within cash flows from financing activities due to netting of retail deposit retained amounts totalling £155.5m.

Statement of accounting policies

General information

The Company is a public limited company incorporated and domiciled in the UK. The address of its registered office is No. 1 Godwin Street, Bradford, England BD1 2SU. The Company is listed on the London Stock Exchange.

Basis of preparation

The financial statements of the Group and Company are prepared in accordance with International Accounting Standards as adopted by the UK, International Financial Reporting Standards (IFRSs) and the Companies Act 2006.

The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative financial instruments and investments held at fair value through profit and loss.

In assessing whether the Group is a going concern, the directors have reviewed the Group's corporate plan as approved in March 2024, in doing so, the Board reviewed detailed forecasts for the three year period to December 2026 and also considered less detailed forecasts for 2027 and 2028. These higher-level outer year forecasts do not contain any information which would cause different conclusions to be reached over the longer-term viability of the Group. The assessment included consideration of the Group's principal risks and uncertainties, with a focus of 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%. This shows that the Group is able to maintain sufficient capital headroom above 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.

Prior year restatement

In the current year, as part of the Group's continual focus on improving the precision of its IFRS 9 impairment models, it was identified within vehicle finance that recovery cash flows were being discounted to the date of default rather than the reporting date. This led to cash flows being discounted too heavily and therefore a higher core model impairment provision being historically recognised. In 2021, this would have resulted in a reduction in Group loss after tax of £7.5m, an increase in vehicle finance receivables of £9.3m and a reduction in the current tax asset of £1.8m. Management considers that a prior period restatement is appropriate and has retrospectively restated the 2022 balance sheet which has resulted in an increase in vehicle finance receivables of £9.3m, a reduction in the current tax asset of £1.8m and a corresponding increase of £7.5m through retained earnings.

Change in presentation of income statement

In line with our continued repositioning as a specialist banking group, the Group changed the presentation of its income statement in the Annual Report and Accounts for the year ended 31 December 2022 to align with the wider banking industry.

The presentation of the income statement in this report is consistent with that in the Annual Report and Accounts for 31 December 2022, with the exception of 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 now being recognised within interest income, and certain elements of vehicle finance income which were previously reported in interest income now being recognised in other income.

All periods presented in this report have been retrospectively re-presented. 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.

The impact of new standards not yet effective and not adopted by the Group from 1 January 2024

There are no new standards not yet effective and not adopted by the Group from 1 January 2024 which are expected to have a material impact on the Group.

Basis of consolidation

The consolidated income statement, consolidated statement of comprehensive income, balance sheet, statement of changes in shareholders' equity, statement of cash flows and notes to the financial statements include the financial statements of the Company and all of its subsidiary undertakings drawn up from the date control passes to the Group until the date control ceases.

Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect returns.

All intra-group transactions and balances and unrealised gains on transactions between Group companies are eliminated on consolidation.

The accounting policies of subsidiaries are consistent with the accounting policies of the Group.

Interest income

Interest income is earned from credit cards, personal loans, vehicle finance and second charge mortgage products. It also includes interest received from Vanquis Bank Limited's liquid asset buffer, held in the Bank of England central reserve account, and net fair value gains recognised in relation to the Group's derivative financial instruments.

Interest is calculated on credit card advances to customers using the effective interest rate on the daily balance outstanding.

Within vehicle finance and loans, interest income on customer receivables is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows. Directly attributable incremental issue costs are also taken into account in calculating the effective interest rate. Interest income continues to be accrued on impaired receivables using the original effective interest rate applied to the loan's carrying value until revenue equal to the loan's original service charge has been fully recognised.

Interest income is recognised on the gross receivable when accounts are in IFRS 9 stages 1 and 2 and on the net receivable for accounts in stage 3. Accounts can only move between stages for interest income recognition purposes at the Group's interim or year-end balance sheet date.

Directly attributable acquisition costs are capitalised as part of receivables and amortised over the life of the loan as a deduction to interest income.

Group interest income excludes intra-group transactions.

Company interest income includes intra-group transactions.

Statement of accounting policies continued

Interest expense
Interest expense principally comprises the interest on retail deposits, bank and other borrowings, securitisation and, for the Company, intra-group loan arrangements, and is recognised on an effective interest rate basis.

Fee and commission income
Fee and commission income is earned from credit cards and is recognised at the time the charges are made to customers on the basis that the performance obligation is complete.

Group fee income excludes intra-group transactions.

Dividend income
Dividend income is recognised in the income statement when the Company's right to receive payment is established.

Goodwill
All acquisitions are accounted for using the purchase method of accounting.

Goodwill is an intangible asset and is measured as the excess of the fair value of the consideration over the fair value of the acquired identifiable assets, liabilities and contingent liabilities at the date of acquisition. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units for the purposes of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units which are expected to benefit from the business combination in which the goodwill arose.

Goodwill is tested annually for impairment and is carried at cost less accumulated impairment losses. Impairment is tested by comparing the carrying value of the asset to the discounted expected future cash flows from the relevant cash-generating unit. Expected future cash flows are derived from the Company's latest budget projections and the discount rate is based on the Company's risk-adjusted cost of equity at the balance sheet date.

Investments in subsidiaries
The Company's investments in subsidiaries are stated at cost less provisions for impairment where required. Impairment provisions reflect the shortfall between the carrying value of the investment with the higher of: (i) fair value less costs to sell; and (ii) value in use of the subsidiary.

Leases
The Group and Company as a lessee
The Group and Company assess whether a contract contains a lease at inception of a contract. A right of use asset and a corresponding liability are recognised with respect to all lease arrangements where it is a lessee, except for short-term leases (leases with a lease term of 12 months or less) and leases of low-value assets (less than £5,000). For these leases, the lease payment is recognised within operating expenses on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the rate implicit in the lease. This rate could not be readily determined; therefore, the incremental borrowing rate has been used. This is defined as the rate of interest that the lessee would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment. For Vanquis Bank Limited, this would represent an average retail deposit rate; for all other companies this would be based on the assessment of their funding rate at the time.

The lease payments included in the measurement of the lease liability comprise:

- fixed lease payments;
- variable lease payments; and
- payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease, using the effective interest rate method, and reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured whenever:

- the lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate, in which case the lease liability is remeasured by discounting the revised lease payments using the initial discount rate; and
- the lease contract is modified and the modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

During the year the Company remeasured its lease liability due to changes in Retail Price Index which is linked to the lease payments.

The right of use asset comprises the initial measurement of the corresponding lease liability and is subsequently measured at cost less accumulated depreciation and impairment losses.

Right of use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The lease liability and right of use asset are presented as separate line items on the balance sheet. The interest on the lease and depreciation are charged to the income statement and presented within interest expense and operating costs respectively.

The Group and Company as a lessor
Vehicle finance is considered a lessor for its conditional sale agreements to customers; however, both revenue and impairment are accounted for under IFRS 9.

The Group subleases a portion of its office space and accounts for it under finance lease.

Other intangible assets
Other intangible assets include acquisition intangibles in respect of the broker relationships at vehicle finance, technology and brand of Snoop, standalone computer software and development costs of intangible assets across the Group.

The fair value of vehicle finance broker relationships on acquisition of the Moneybarn Group was estimated by discounting the expected future cash flows from vehicle finance core broker relationships over their estimated useful economic life which was deemed to be 10 years. The asset is being amortised on a straight-line basis over its estimated useful life.

The fair value of Snoop's technology was estimated using Multi-Period-Excess-Earnings methodology. The fair value of Snoop's brand valuation was estimated using an income approach based on the Relief from Royalties Methodology. The estimated useful life of the technology was deemed to be 9 years and of the brand was deemed to be 5 years. The assets are being amortised on a straight-line basis over their useful life.

Other intangible assets continued

Computer software and computer software development assets represent the costs incurred to acquire or develop software and bring it into use. Directly attributable costs incurred in the development of software are capitalised as an intangible asset if the software will generate future economic benefits. Directly attributable costs include the cost of software development employees and an appropriate portion of relevant directly attributable overheads.

Computer software and computer software development costs are amortised on a straight-line basis over their estimated useful economic life which is generally estimated to be between 3 and 10 years. The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date.

Other intangible assets are valued at cost less subsequent amortisation and impairment. Amortisation is charged to the income statement as part of operating costs. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell.

Amounts receivable from customers

Customer receivables are initially recognised at fair value which represents the amount advanced to the customer plus directly attributable issue costs less an impairment provision for expected losses. The receivables are originated under a business model that intends to collect the contractual cash flows and includes only elements of principal and interest, so are subsequently measured at amortised cost less impairment provisions. The impairment provision recognised is based on the probability of default (PD) within 12 months, the loss given default (LGD) and the exposure at default (EAD).

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

The account moves to stage 2 when a significant increase in credit risk (SICR) becomes evident, such as a missed payment or a significant increase in PD, but has not defaulted. In absence of other factors indicating SICR, this will occur at 30 days past due.

An account moves to stage 3 and is deemed to have defaulted at 90 days past due, or when a payment arrangement is initiated, or when other unlikeliness to pay factors arise (like customer bankruptcy proceedings).

Credit cards

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

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

Personal loans

For personal loans, the EAD follows the amortisation schedules of the loan and is adjusted for expected missed payments at point of default.

Following an SICR, evident from a missed monthly payment or a significant increase in PD, lifetime losses are recognised.

A customer is deemed to have defaulted when they become three minimum monthly payments in arrears or they enter a temporary payment arrangement. A customer is written off in the following cycle after becoming six minimum monthly payments in arrears.

Vehicle finance

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

An account moves from stage 1 to stage 2 when there has been a SICR or when the customer is assessed as vulnerable. Lifetime losses are recognised for all accounts in stages 2 and 3.

A customer is deemed to have defaulted when they become three monthly payments in arrears or enter into a forbearance arrangement. Customer agreements which have been terminated, either voluntarily, by the customer settling their agreement early, or through the agreement being default terminated, are also included within stage 3.

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

Customers under forbearance

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

Macroeconomic scenarios

Macroeconomic provisions are part of the core model and are recognised to reflect the expected impact of future economic events on a customer's ability to make payments on their agreements and the losses which are expected to be incurred.

The provisions consider the relationship between hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), debt to income ratio and default rates.

Property, plant and equipment

Property, plant and equipment is shown at cost less accumulated depreciation and impairment, except for land, which is shown at cost less impairment.

Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets to their estimated realisable values over their useful economic lives.

The following principal bases are used:

	%	Method
Land	Nil	–
Leasehold improvements	Over the lease period	Straight line
Equipment (including computer hardware)	10 to 33 1/3	Straight line
Motor vehicles	25	Reducing balance

The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date. All items of property, plant and equipment, other than land, are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Land is subject to an annual impairment test. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell. Gains and losses on disposal of property, plant and equipment are determined by comparing any proceeds with the carrying value of the asset and are recognised within operating costs in the income statement.

Depreciation is charged to the income statement as part of operating costs.

Statement of accounting policies continued

Investments

Investments held at fair value through profit and loss

Visa Inc shares are measured at fair value in the balance sheet as a reliable estimate of the fair value can be determined. Valuation adjustments arising as a result of routine mark-to-market revaluation are recognised in the income statement.

Fair value changes including any impairment losses and foreign exchange gains or losses are recognised within other income in the income statement. The fair value of monetary assets denominated in foreign currency is determined through translation at the spot rate at the balance sheet date.

Dividends on equity instruments are recognised in the income statement when the Group's right to receive the dividends is established.

Derivative financial instruments and hedge accounting

As permitted by IFRS 9, the Group continues to apply the requirements of IAS 39 to its hedging relationships.

Derivatives are recognised at fair value with changes recognised in the income statement. Hedge accounting allows the derivative to be designated as a hedge of another financial instrument. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item, the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk. The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand which includes amounts invested in the Bank of England reserve account held in accordance with the Prudential Regulation Authority's (PRA's) liquidity regime. Cash held as part of securitisations is not immediately available due to the terms of the arrangements. Bank overdrafts are presented in borrowings to the extent that there is no right of offset with cash balances.

Intercompany

Expected credit losses on Company intercompany balances are assessed at each balance sheet date. The PDs and LGDs are determined for each loan based on the subsidiary's available funding and cash flow forecasts.

Borrowings

Borrowings are recognised initially at fair value, being issue proceeds less any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds less transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate.

Dividends paid

Dividend distributions to the Company's shareholders are recognised in the Group and the Company's financial statements as follows:

- final dividend: when approved by the Company's shareholders at the AGM; and
- interim dividend: when paid by the Company.

Retirement benefits

Defined benefit pension schemes

The charge in the income statement in respect of defined benefit pension schemes comprises the actuarially assessed current service cost of working employees up to when the scheme was closed, together with the interest on pension liabilities offset by the interest on pension scheme assets. All charges are recognised within operating costs in the income statement.

The retirement benefit asset recognised in the balance sheet in respect of defined benefit pension schemes is the fair value of the schemes' assets less the present value of the defined benefit obligation at the balance sheet date. A retirement benefit asset is recognised to the extent that the Group and Company have an unconditional right to a refund of the asset or if it will be recovered in future years as a result of reduced contributions to the pension scheme.

The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised immediately in the statement of comprehensive income.

Past service costs are recognised immediately in the income statement.

Defined contribution pension schemes

Contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Merger reserve

The rights issue completed in 2018 was transacted through a 'cash box' structure. The proceeds would ordinarily be recognised as share capital and share premium. However, as the proceeds were generated through a cash box structure, the proceeds are held as share capital and a merger reserve.

The share capital generated is in line with the 20 8/11p par value of the shares with the additional amounts credited to the merger reserve. All fees were recognised on an accruals basis and deducted from the merger reserve with the net credit being deemed distributable, subject to the capital injected into Vanquis Bank Limited. Following the transfer of Vanquis Bank Limited to Provident Financial Holdings Limited in December 2020 the full merger reserve of £278.2m is now considered distributable.

Share-based payments

Equity-settled schemes

The Company grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Deferred Bonus Plan (DBP), the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP) and the Company Share Option Plan (CSOP). All of these schemes are equity settled.

The cost of providing options and awards to Group and Company employees is charged to the income statement of the entity over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity. The grant by the Company of options and awards over its equity instruments to the employees of subsidiary undertakings is treated as an investment in the Company's financial statements. The fair value of employee services received, measured by reference to the fair value at the date of grant, is recognised over the vesting period as an increase in investments in subsidiary undertakings, with a corresponding adjustment to the share-based payment reserve within equity.

The cost of options and awards is based on their fair value. A binomial model is used for calculating the fair value of SAYE options which have no performance conditions attached and the RSP for which vesting is based on the discretion of the Remuneration Committee. No charge has been recognised for the CSOP as it is linked to the RSP awards granted at the same time. Any gains made by an employee in relation to the CSOP reduce the number of shares exercisable under the RSP award.

The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

Cancellations by employees of contributions to the Group's SAYE plans are treated as non-vesting conditions and the Group recognises, in the year of cancellation, the amount of the expense that would have otherwise been recognised over the remainder of the vesting period.

Modifications are assessed at the date of modification and any incremental charges are recognised in the income statement.

A transfer is made from the share-based payment reserve to retained earnings when options and awards vest, lapse or are cancelled. In respect of the SAYE options, the proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

Taxation

The tax charge represents the sum of current and deferred tax.

Current tax

Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantively enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax is also provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Contingent liabilities

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised in the balance sheet but information about them is disclosed unless the possibility of any economic outflow in relation to settlement is remote.

Exceptional items

Exceptional items are items which the directors consider should be disclosed separately to enable a full understanding of the Group's results. An exceptional item needs to meet at least two of the following criteria:

- the financial impact is material;
- it is one-off and not expected to recur; and
- it is outside the normal course of business.

Examples include, but are not limited to, costs arising from redundancy, acquisition or restructuring activities. The Audit Committee and Board may also apply judgement to determine whether an item should be classified as an exceptional item and be an allowable adjustment to a statutory measure.

Statement of accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty

In applying the accounting policies set out above, the Group and Company make judgements (other than those involving estimates) that have a significant impact on the amounts recognised and make estimates and assumptions that affect the reported amounts of assets and liabilities. The estimates and judgements are based on historical experience; actual results may differ from these estimates.

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

Amounts receivable from customers (note 13) Group: £2,171.9m (2022 restated: £1,905.4m)

Critical accounting judgements

The Group reviews amounts receivable from customers for impairment at each balance sheet date. For the purposes of assessing the impairment, customers are categorised into IFRS 9 stages and cohorts which are considered to be the most reliable indication of future payment performance. The determination of expected credit losses involves complex modelling techniques and requires management to apply significant judgements to calculate expected credit losses. The most critical judgements are outlined below.

The determination of the significant increase in credit risk (SICR) thresholds to be used in the models for credit 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 may be identified through the ongoing assessment and validation of the output of the models. In these circumstances, management makes appropriate adjustments to the Group's allowance for impairment losses to ensure that the overall provision adequately reflects all material credit risks. These adjustments are determined by considering the particular attributes of exposures which have not been adequately captured by the impairment models and range from changes to model inputs and parameters, at account level, through to more qualitative post-model overlays. Those changes applied to model inputs and parameters are deemed to be in-model overlays; more qualitative changes that have a higher degree of management judgement are deemed to be post-model overlays. All adjustments are reviewed quarterly and are subject to internal review and challenge to ensure that amounts are appropriately calculated. A breakdown of the in-model and post-model overlays is included within note 13.

During the year, the Group refined and recalibrated the impairment provisioning models for cards, vehicle finance and personal loans, to better reflect the evolving receivables mix; this led to a release of c.£57.7m of impairment provision, which has been recognised a model underlay. In addition, other post-model overlays relating to affordability, persistent debt and recoveries have been released as these have been deemed as no longer required. Credit performance across the Group remains stable and internal analysis shows no obvious signs of credit quality deterioration.

Macroeconomic impairment provision adjustments are recognised in the core model to reflect an increased PD, based on future macroeconomic scenarios. These provisions reflect the potential for future changes in hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), and debt to income ratio.

Management judgement was required to determine the appropriate macroeconomic indicators to be used in the model by assessing their correlation with credit losses incurred by the business. Unemployment is judged to be a key macroeconomic indicator as analysis has clearly evidenced a correlation between changes in unemployment and credit losses incurred by the business.

Key sources of estimation uncertainty

The level of impairment recognised is calculated using models which utilise historical payment performance to generate the estimated amount and timing of future cash flows from each cohort of customers in each arrears stage. The models are regularly monitored to ensure they retain sufficient accuracy. Sensitivity analysis has been performed in note 13 which shows the impact of a 1% movement of gross exposure into stage 2 from stage 1 on the allowance accounts.

The unemployment data used in the macroeconomic provisions has been compiled from a consensus of sources including the Bank of England, HM Treasury, the Office for Budget Responsibility (OBR), Bloomberg and a number of prime banks. These estimates are used to derive base case, upside, downside and severe scenarios.

The table below shows the scenario five-year peak and average unemployment assumptions adopted and the weightings applied to each.

Scenario for year ended 2023	Base	Upside	Downside	Severe
Weighting	**60%**	**15%**	**20%**	**5%**
2024	**4.5%**	**3.9%**	**4.8%**	**5.1%**
2025	**4.7%**	**3.7%**	**6.1%**	**7.5%**
2026	**4.7%**	**4.2%**	**6.2%**	**8.0%**
2027	**4.7%**	**4.3%**	**5.5%**	**6.6%**
2028	**4.7%**	**4.4%**	**5.2%**	**5.8%**
Five-year peak	**4.8%**	**4.5%**	**6.4%**	**8.4%**

Scenario for year ended 2022	Base	Upside	Downside	Severe
Weighting	50%	10%	35%	5%
2023	4.1%	3.4%	4.2%	4.6%
2024	4.7%	3.6%	5.8%	7.4%
2025	4.8%	4.3%	6.3%	8.2%
2026	4.8%	4.5%	5.5%	6.8%
2027	4.8%	4.5%	5.1%	6.0%
Five-year peak	4.8%	4.5%	6.5%	8.6%

Critical accounting judgements and key sources of estimation uncertainty continued

Amounts receivable from customers (note 13)
Group: £2,171.9m (2022 restated: £1,905.4m) continued

Key sources of estimation uncertainty continued

Weightings applied to the macroeconomic assumptions were reviewed and updated at the December 2023 Assumptions Committee meeting, to more appropriately reflect management's view of exposure to changes in the projected macroeconomic environment.

Sensitivity analysis has been performed on the weightings which show that changing the weightings for vehicle finance and personal loans would not have a material impact on the allowance account.

For credit cards, increasing the downside weighting by 5%, from 20% to 25%, and a corresponding reduction in the base case would increase the allowance account by £0.2m. Increasing the upside weighting by 5%, from 15% to 20%, and a corresponding reduction in the base case would decrease the allowance account by £0.3m.

Retirement benefit asset (note 22)
Group and Company: £38.2m (2022: £30.7m)

Key sources of estimation uncertainty:

- 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. During 2023, government backed corporate entities were removed from the corporate bond universe as these are considered to be outliers. Mortality estimates are based on standard mortality tables, adjusted where appropriate to reflect the Group's own expected experience.

Sensitivity analysis of the Group's main assumptions is set out in note 22.

Other accounting judgements:
Intangibles (note 20)
Group: £58.7m (2022: £50.8m)

All intangible assets have been reviewed for impairment under IAS 36 and the recoverable amounts exceed the carrying value therefore no impairment has been recognised in 2023. Where project timings have been amended, these have also been reflected in amortisation profiles; this is not expected to have a material impact on profit in future years. However, as the Group continues to evolve there is a risk that assets may require impairment in the future.

Provisions: Customer remediation complaints (note 26)

During 2023 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. During the second half of 2023 this activity has begun to stabilise within vehicle finance, with attention of the CMCs turning to the cards product.

The cost for the Group of customer remediation costs, which relate to a wide range of different matters, amounts to £11.7m in 2023 (2022: £4.6m). Financial Ombudsman Service (FOS) case fees and resource costs incurred in processing complaint submissions amount to £16.8m (2022: £11.9m).

Customer complaints have increased by 144% year-on-year primarily driven by a higher than normal volume of spurious complaints by Claims Management Companies (CMCs) primarily related to lending origination rather than in-life servicing. This higher volume drives a lower uphold rate given the vast majority of complaints lack substance and are not upheld. Customer remediation costs relate to a wide range of different matters primarily in respect of the lending process but with no common theme or systemic issue.

Customer remediation costs also include compensation that may be paid to customers based on estimated uphold complaint rates and average compensation values. A provision of £3.5m (2022: £1.4m) is held for customer compensation claims received where compensation may be paid but which have not yet been assessed, upheld or compensation amounts agreed. The provision is determined based on the complaints volume pipeline at 31 December 2023, estimated uphold complaint rates, and average compensation amounts for each complaint type based on historic data.

FOS case fees of £750 per case are payable on all cases referred to the FOS regardless of outcome. FOS case fees have increased reflecting the increase in total volumes referred to FOS; this increase is mainly due to the high spike in 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 31 December 2023, in addition to further estimated referrals based on historic data, and £4.8m (2022: £1.2m) is included within accruals at 31 December.

Resource costs include permanent staff, temporary staff, and offshore third-party resources employed in processing the resolution of these complaints.

The complaint volumes and uphold rates are set out below:

Complaint volumes	2023	2022	Change %
CMC	38,972	5,716	582%
Direct	30,637	22,860	34%
Total	69,609	28,576	144%

Complaint uphold rates	2023	2022	Change %
CMC	11%	14%	(3%)
Direct	35%	38%	(3%)
Total	22%	33%	(11%)

FOS referral volumes	2023	2022	Change %
CMC	7,346	1,163	532%
Direct	2,628	1,790	47%
Total	9,974	2,953	238%

FOS uphold rates	2023	2022	Change %
CMC	6%	37%	(31%)
Direct	31%	34%	(3%)
Total	14%	35%	(21%)

Financial and capital risk management

Financial risk management

The Group's activities expose it to a variety of financial risks, which can be categorised as credit risk, liquidity risk and market risk. The objective of the Group's Risk Management Framework is to identify and assess the risks facing the Group and to minimise the potential adverse effects of these risks on the Group's financial performance. Financial risk management is overseen by the Risk Committee.

Further details of the Group's Risk Management Framework are described on pages 44 to 46.

(a) Credit risk

Credit risk is the risk that the Group will suffer loss in the event of a default by a customer, a bank counterparty or the UK Government. A default occurs when the customer or bank fails to honour repayments as they fall due.

(i) Amounts receivable from customers

The Group's maximum exposure to credit risk on amounts receivable from customers as at 31 December 2023 is the carrying value of amounts receivable from customers of £2,171.9m (2022 restated: £1,905.4m).

The Risk Committee is responsible for setting the credit policy.

The CRO is responsible for ensuring that the approach to lending is within sound risk and financial parameters and that key metrics are reviewed to ensure compliance with policy. The CRO discharges and informs this decision making through the Credit Committee.

The Group Credit Committee meets at least 10 times a year.

A customer's risk profile and credit line are evaluated at the point of application and, for revolving limits, at various times during the agreement. Internally generated scorecards based on historical payment patterns and other behavioural characteristics of customers are used to assess the applicant's potential default risk and their ability to manage a specific credit line. For new customers, the scorecards incorporate data from the applicant and sourced from external credit bureaux. Certain policy rules including customer profile, proposed loan size and vehicle type (where applicable) are also assessed in the decisioning process, as well as affordability checks to ensure that, at the time of application, the loan repayments are affordable. For existing customer lending, the scorecards also incorporate data on actual payment performance and product utilisation, together with data sourced from an external credit bureau each month to refresh customers' payment performance position with other lenders. Credit lines can go up as well as down according to risk assessment.

Arrears management is conducted by way of a combination of letters, inbound and outbound telephony, SMS, email and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing and retaining use of the vehicle. These include appropriate forbearance arrangements, or where the contract has become unsustainable for the customer, then an appropriate exit strategy is implemented.

(ii) Bank and government counterparties

The Group's maximum exposure to credit risk on bank and government counterparties as at 31 December 2023 was £755.1m (2022: £508.6m).

Counterparty credit risk arises as a result of cash deposits and collateral placed with banks and central governments and derivative contracts that are currently assets.

Counterparty credit risk is managed by the Group's Assets and Liabilities Committee (ALCO) and is governed by a Board-approved Counterparty Policy which ensures that the Group's cash deposits and derivative financial instruments are only made with high-quality counterparties with the level of permitted exposure to a counterparty firmly linked to the strength of its credit rating. In addition, there is a maximum exposure limit for all institutions, regardless of credit rating. This is linked to the Group's regulatory capital base in line with the Group's regulatory reporting requirements on large exposures to the PRA.

(b) Liquidity risk

Liquidity risk is the risk that the Group will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due.

Liquidity risk is managed by the Group's centralised treasury department through daily monitoring of expected cash flows in accordance with a Board-approved Internal Liquidity Adequacy Assessment Process (ILAAP) and Group Funding and Liquidity Policy, which is designed to ensure that the Group is able to continue to fund the growth of the business. This process is monitored regularly by the Group (and Vanquis Bank) Assets and Liabilities Committee (ALCO). ALCO monitors liquidity risk metrics within limits set by the Board, including meeting regulatory requirements.

The Group's risk appetite and Funding and Liquidity Policy are designed to ensure that the Group is able to continue to fund the growth of the business. The Group maintains liquidity to fund growth and meet contractual maturities in its retail deposit, securitisation and bond funding.

Vanquis Bank is a PRA-regulated institution. It is required to maintain a liquid assets buffer, and other liquid resources, based upon daily stress tests detailed in the Group and Bank ILAAP, in order to ensure that it has sufficient liquid resources to fulfil its operational plans and meet its financial obligations as they fall due. It also maintains an operational buffer over such requirements in line with its risk appetite.

Both the Group and Vanquis Bank are required to meet the liquidity coverage ratio (LCR). The LCR requires institutions to match net liquidity outflows during a 30-day period with a buffer of 'high-quality' liquid assets (HQLA). The Group and Vanquis Bank have developed systems and controls to monitor and forecast the LCR and have been submitting regulatory reports on the ratio since 1 January 2014. As at 31 December 2023, the HQLA amounted to £681.5m (2022: £420.5m). HQLA have been in significant surplus to the minimum regulatory requirements throughout 2023. Vanquis Bank currently holds its liquid assets buffer, including other liquid resources, solely in a Bank of England reserve account. As at 31 December 2023, the Group, on a consolidated basis, and Vanquis Bank, on an individual basis, had an LCR of 1,263% (2022: 1,139%) and 1,031% (2022: 348%) respectively.

On 1 November 2022, the Group received notice from the PRA that it had approved the Group's application for a Core UK Group (CUG) large exposure waiver which enables Moneybarn to access funding from Vanquis Bank with immediate effect. This enabled the Group's transition to a traditional bank funding model in which the Group's funding consists of: (i) retail deposits; (ii) securitisation of the credit cards and vehicle finance books; and (iii) liquidity and funding facilities at the Bank of England. The Group retains access to wholesale market funding and debt capital markets via the £2bn Euro Medium-Term Note (EMTN) programme (renewed in November 2023). The retail deposits include 90-day and 120-day notice accounts, and fixed terms of one to five years and are subject to cover by the Financial Services Compensation Scheme (FSCS). Vanquis Bank expects to further diversify its retail deposit funding mix through more cost-effective behaviour driven deposits (i.e. accounts which are easy access and notice and are lower cost) and individual savings accounts (ISAs).

Financial risk management continued

(b) Liquidity risk continued

A maturity analysis of the undiscounted contractual cash flows of the Group's bank and other borrowings is shown below:

Financial liabilities

2023 – Group	Repayable on demand £m	<1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Retail deposits	–	1,137.6	467.0	408.7	–	2,013.3
Bank and other borrowings:						
– bank facilities	1.5	–	–	–	–	1.5
– senior public bonds	–	–	–	–	–	–
– securitisation	–	13.6	207.4	–	–	221.0
– retail bonds	–	–	–	–	–	–
– Tier 2 capital	–	17.8	17.8	53.3	271.0	359.9
– TFSME	–	1.3	175.3	–	–	176.6
Total borrowings	1.5	1,170.3	867.5	462.0	271.0	2,772.3
Trade and other payables	–	44.1	–	–	–	44.1
Lease liabilities	–	10.7	10.7	11.3	11.9	44.6
Derivative financial instruments	–	6.2	(0.7)	(3.7)	–	1.8
Total	1.5	1,231.3	877.5	469.6	282.9	2,862.8

2022 – Group	Repayable on demand £m	<1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Retail deposits	–	602.3	322.5	214.7	–	1,139.5
Bank and other borrowings:						
– bank facilities	1.0	–	–	–	–	1.0
– senior public bonds	–	107.7	–	–	–	107.7
– securitisation	–	122.5	178.4	–	–	300.9
– retail bonds	–	63.1	–	–	–	63.1
– Tier 2 capital	–	17.8	17.8	53.3	288.8	377.7
– TFSME	–	1.3	1.3	175.3	–	177.9
Total borrowings	1.0	914.7	520.0	443.3	288.8	2,167.8
Trade and other payables	–	62.8	–	–	–	62.8
Lease liabilities	–	11.1	10.2	18.5	14.2	54.0
Derivative financial instruments	–	9.1	6.1	1.2	–	16.4
Total	1.0	997.7	536.3	463.0	303.0	2,301.0

The unutilised credit card commitments are included in note 13.

Financial and capital risk management continued

Financial risk management continued
(b) Liquidity risk continued

Financial liabilities continued

2023 – Company	**Repayable on demand £m**	**<1 year £m**	**1–2 years £m**	**2–5 years £m**	**Over 5 years £m**	**Total £m**
Bank and other borrowings:						
– bank facilities	**–**	**–**	**–**	**–**	**–**	**–**
– senior public bonds	**–**	**–**	**–**	**–**	**–**	**–**
– retail bonds	**–**	**–**	**–**	**–**	**–**	**–**
– Tier 2 capital	**–**	**17.8**	**17.8**	**53.3**	**271.0**	**359.9**
Total borrowings	**–**	**17.8**	**17.8**	**53.3**	**271.0**	**359.9**
Trade and other payables	**–**	**235.4**	**–**	**–**	**–**	**235.4**
Lease liabilities	**–**	**3.7**	**3.7**	**2.4**	**5.6**	**15.4**
Derivative financial instruments	**–**	**6.2**	**(0.2)**	**(3.0)**	**–**	**3.0**
Total	**–**	**263.1**	**21.3**	**52.7**	**276.6**	**613.7**

2022 – Company	Repayable on demand £m	<1 year £m	1–2 years £m	2–5 years £m	Over 5 years £m	Total £m
Bank and other borrowings:						
– bank facilities	–	–	–	–	–	–
– senior public bonds	–	107.7	–	–	–	107.7
– retail bonds	–	63.1	–	–	–	63.1
– Tier 2 capital	–	17.8	17.8	53.3	288.8	377.7
Total borrowings	–	188.6	17.8	53.3	288.8	548.5
Trade and other payables	–	304.3	–	–	–	304.3
Lease liabilities	–	4.4	3.6	5.1	5.7	18.8
Derivative financial instruments	–	9.1	6.1	1.2	–	16.4
Total	–	506.4	27.5	59.6	294.5	888.0

(c) Market risk

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

Interest rate risk

Interest rate risk is the risk of potential loss through unhedged or mismatched asset and liability positions which are sensitive to changes in interest rates. Primarily, the Group is at risk of a change in external interest rates which leads to an increase in the Group's cost of borrowing without an offsetting increase in revenue. The Group's exposure to foreign exchange risk is de minimis.

The Group's exposure to movements in interest rates is managed by the ALCO and is governed by a Board-approved Market Risk Policy which forms part of the Group's treasury policies. Interest rates in the UK, which are impacted by factors outside of the Group's control, including the fiscal and monetary policies of the UK Government and central bank, as well as UK and international political and economic conditions, affect the Group's results, profitability and consequential return on capital in three principal areas: cost and availability of funding, margins and revenues and impairment levels.

The Group seeks to limit its net exposure to changes in interest rates. This is achieved through a combination of diversified funding sources, including issuing fixed rate debt, and by the use of derivative financial instruments such as interest rate swaps.

Financial risk management continued

(c) Market risk continued

Interest rate risk continued

The Group's exposure to this risk is a consequence of its lending, deposit taking and other borrowing activities, as some of its financial assets and liabilities bear interest at rates that are linked to an underlying index, such as SONIA or Bank base rate. In contrast, others banking products are fixed, either for a term or their whole lives, referred to as interest rate risk in the banking book (IRRBB).

The principal market-set interest rate used by the Group's and Bank's lenders is the Sterling Overnight Index Average (SONIA). The SONIA index tracks the Sterling overnight indexed swaps for unsecured transactions in the market. SONIA is the risk-free borrowing rate which is used to set rates for certain borrowings and swaps.

The Group's Risk Management Framework for IRRBB continues to evolve in line with updates in regulatory guidance on methods expected to be used by banks to measure, manage, monitor and control such risks. The Group and Bank will continue to develop the interest rate risk framework to ensure ongoing compliance with the PRA rulebook.

The Group has adopted the standard methodology measurement of interest rate risk. The Group measures and monitors the following market risk drivers under the IRRBB framework through which risk exposure may arise:

- repricing, directional and yield curve risk – the risk of loss from a mismatch between the Group and Bank's assets and liabilities and movements in the overall direction of interest rates and relative movement in rate at different maturities on the yield curve;
- basis risk – the risk of loss because of the balance sheet being adversely affected by movements in different index rates;
- prepayment risk – the risk that an asset or liability repays quicker or slower than originally anticipated resulting in a mismatch between product and the natural offset or hedge;
- mark-to-market risk – the risk of volatility in the P&L arising from derivatives which are not in a hedge accounting relationship being mark to market through the P&L; and
- credit spread risk – the risk of loss because of a dislocation in rates between liquidity (within the HQLA) and swaps.

The Group measures these risks through a combination of economic value and earnings-based measures:

- economic value (EV) – a range of parallel and non-parallel interest rate stresses are applied to assess the change in market value from assets, liabilities and off-balance sheet items repricing at different times; and
- net interest income (NII) – impact on earnings from a range of interest rate stresses.

Exposures to structured entities

At 31 December 2023, the Group has in issue two securitisations to diversify its sources of funding. As at the end of 2023, the Group has securitised £831.9m of receivables (2022: £888.8m), in exchange for receiving £200.0m (2022: £275.0m) of funding from external sources, and a further £174.0m (2022: £174.0m) of funding has been obtained by using retained notes as collateral in the Bank of England's Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME).

The Group holds an exposure to the performance of these vehicles in the form of retained notes and has a contractual right to the variable returns of the vehicles. This risk is limited to the performance of the underlying assets, which have not been derecognised in the financial statements. The Group has no exposure to other contractual risks associated with the vehicles; no additional credit enhancements have been provided beyond the exposure created by the retained notes.

	2023		2022	
Vehicle	Receivables secured £m	Notes in issue £m	Receivables secured £m	Notes in issue £m
Oban-Cards 2021-1 Holdings Limited	**510.9**	**453.1**	520.2	453.1
Moneybarn Financing Limited	**321.0**	**321.0**	368.6	368.6

Financial and capital risk management continued

Capital risk management

To support the delivery of the Group's Purpose, the Group operates a financial model that is founded on investing in customer-centric businesses offering attractive returns, which aligns an appropriate capital structure focused on optimising shareholder value, in a safe and sustainable manner. The Capital Principal Risk Policy of the Group helps to ensure capital resources are sufficient to support planned levels of growth.

The Group has in place a Capital Principal Risk Policy, which sets out the framework in which the Group aims to maintain a secure funding and capital structure and establishes defined capital risk appetite. Adherence to the policy ensures that the Group maintains minimum capital levels and that the capital held at business division levels is adequate to support the business' underlying requirements and is sufficient to support growth in that business. Internal capital is allocated to business lines and risk categories, calibrated to maximise return on equity while remaining within the risk appetite. The distribution of dividends is aligned with the Group's growth targets, whilst continuing to meet the required capital levels in line with regulatory requirements and internal risk appetite.

The Group is subject to supervision by the PRA on a consolidated basis, as a group containing an authorised bank. For regulatory purposes the Company is designated as a CRR consolidation entity, as defined by the PRA rulebook. As part of this supervision, the regulator will issue a total capital requirement (TCR) setting the amount of regulatory capital which the Group is required to hold at all times, in order to safeguard depositors from loss in the event of severe losses being incurred by the Group. The minimum regulatory capital requirement imposed by the PRA on firms is the sum of the total capital requirement, the combined CRD buffer requirements as applicable and the PRA buffer requirements as applicable. This requirement is set in accordance with the international Basel 3 rules, issued by the Basel Committee on Banking Supervision (BCBS), which, following the implementation of the Financial Services Act 2021 on 1 January 2022, are implemented through the PRA rulebook.

The Group's regulatory capital is monitored by the Board, its Risk Committee and the ALCO, which ensure that appropriate action is taken to ensure compliance with the regulator's requirements. The future regulatory capital requirement is also considered as part of the Group's planning process.

The minimum amount of regulatory capital held by the Group and Vanquis Bank Limited represents the higher of the imposed requirement and their respective internal assessments of minimum capital requirements based upon an assessment of risks facing the Group. The Internal Capital Adequacy Assessment Process (ICAAP) considers all risks facing the business, including credit, operational, counterparty, conduct, pension and market risks, and assesses the capital requirement for such risks in the event of downside stresses should such requirement exceed that set out under the Pillar 1 framework.

The following table reconciles the Group's equity to the regulatory capital resources for the Group.

Regulatory capital (unaudited)	**2023 £m**	2022 £m
Total equity[1]	**583.1**	607.2
Regulatory adjustments		
IFRS 9 transitional arrangements[2]	**–**	54.2
Retirement benefit asset	**(38.2)**	(30.7)
Deferred tax on retirement benefit asset	**9.6**	7.7
Goodwill	**(72.4)**	(71.2)
Intangible assets	**(74.4)**	(63.3)
Deferred tax on intangible asset	**3.9**	3.1
Foreseeable dividend	**(2.6)**	(26.1)
Other regulatory adjustments[3]	**–**	(2.1)
Common Equity Tier 1 capital	**409.0**	478.8
Tier 2 capital	**200.0**	200.0
Total regulatory capital	**609.0**	678.8
Risk-weighted exposures	**1,990.6**	1,810.8
CET1 ratio	**20.5%**	26.4%
Total capital ratio	**30.6%**	37.5%

1 Total equity is based on published FY22 results and was not updated for the prior year restatement, please see page 129 for details on the prior year restatement.
2 The Group elected to take advantage of the IFRS 9 transitional arrangements set out in Article 473a of the CRR, which allow the capital impact of expected credit losses to be phased in over the transitional period. As there has been no increase in ECL in the non-credit impaired book arising from 1 January 2020 the Group has no IFRS 9 transitional relief remaining.
3 Other regulatory adjustments relate to any Prudent Valuation Adjustments calculated using the 'Simplified Approach' set out in the PRA Rulebook and, in the prior year, any insufficient coverage for non-performing exposures required under Article 47(c) of the CRR (this requirement was removed in the UK by the PRA in November 2023).

Pillar 3 complements Basel's Pillar 1 and Pillar 2 frameworks and seeks to encourage market discipline by developing a set of disclosure requirements which would allow market participants to assess key pieces of information on a firm's capital, risk exposures and risk assessment processes. Pillar 3 disclosures for the Group, for the year ended 31 December 2023, are published as a separate document and are available on the Group's website.

Notes to the financial statements

1 Segment reporting

IFRS 8 requires segment reporting to be based on the internal financial information reported to the chief operating decision maker. The Group's chief operating decision maker is deemed to be the Group ExCo, whose primary responsibility is to support the Chief Executive Officer in managing the Group's day-to-day operations and analyse trading performance. The Group's segments are set out below, which are the segments reported in the Group's management accounts used by the Group ExCo as the primary means for analysing trading performance. The Group ExCo assesses profit performance using profit before tax measured on a basis consistent with the disclosure in the Group financial statements.

	Cards 2023 £m	Vehicle finance 2023 £m	Loans 2023 £m	Second charge mortgages 2023 £m	Snoop 2023 £m	Corporate centre 2023 £m	Total 2023 £m
Interest income	371.0	150.3	25.9	0.4	–	8.4	556.0
Interest expense	(51.6)	(28.7)	(4.0)	(0.2)	–	(28.9)	(113.4)
Net interest income	319.4	121.6	21.9	0.2	–	(20.5)	442.6
Fee and commission income	44.2	–	–	–	–	–	44.2
Fee and commission expense	(1.7)	–	–	–	–	–	(1.7)
Net fee and commission income	42.5	–	–	–	–	–	42.5
Other income	1.3	2.0	–	–	0.4	–	3.7
Total income	363.2	123.6	21.9	0.2	0.4	(20.5)	488.8
Impairment charges	(130.0)	(15.2)	(20.9)	-	–	–	(166.1)
Risk-adjusted income	233.2	108.4	1.0	0.2	0.4	(20.5)	322.7
Adjusted Operating Costs	(167.8)	(49.5)	(16.0)	(0.7)	(2.9)	(60.9)	(297.8)
Adjusted PBT/(LBT)	65.4	58.9	(15.0)	(0.5)	(2.5)	(81.4)	24.9
Exceptional items						(21.4)	(21.4)
Amortisation of acquisition intangibles						(7.9)	(7.9)
Statutory loss before taxation on continuing operations						(110.6)	(4.4)
Tax charge for continuing operations							(1.6)
Statutory loss after taxation on continuing operations							(6.0)
Loss after taxation on discontinued operations							–
Statutory loss for the year attributable to equity shareholders							(6.0)

Notes to the financial statements continued

1 Segment reporting continued

	Cards 2022 £m	Vehicle finance 2022 £m	Loans 2022 £m	Second charge mortgages 2022 £m	Snoop 2022 £m	Corporate centre 2022 £m	Total 2022 £m
Interest income	337.4	137.7	13.1	–	–	3.3	491.5
Interest expense	(22.4)	(22.1)	(1.2)	–	–	(13.1)	(58.8)
Net interest income	315.0	115.6	11.9	–	–	(9.8)	432.7
Fee and commission income	47.0	–	–	–	–	–	47.0
Fee and commission expense	(2.8)	–	–	–	–	–	(2.8)
Net fee and commission income	44.2	–	–	–	–	–	44.2
Other income	0.9	2.9	–	–	–	–	3.8
Total income	360.1	118.5	11.9	–	–	(9.8)	480.7
Impairment charges	(16.8)	(40.8)	(8.5)	–	–	–	(66.1)
Risk-adjusted income	343.3	77.7	3.4	–	–	(9.8)	414.6
Adjusted Operating Costs	(164.8)	(39.7)	(19.1)	–	–	(64.4)	(288.0)
Adjusted PBT/(LBT)	178.5	38.0	(15.7)	–	–	(74.2)	126.6
Exceptional items						(9.0)	(9.0)
Amortisation of acquisition intangibles						(7.5)	(7.5)
Statutory (loss)/profit before taxation on continuing operations						(90.6)	110.1
Tax charge for continuing operations							(27.8)
Statutory profit after taxation on continuing operations							82.3
Loss after taxation on discontinued operations							(4.9)
Statutory profit for the year attributable to equity shareholders							77.4

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 the current year. The amortisation charge in 2023 amounted to £7.9m (2022: £7.5m).

Revenue between business segments is not material.

Exceptional items for continuing operations represent a net exceptional charge of £21.4m in 2023 (2022: £9.0m) and comprise:

	2023 £m	2022 £m
Strategy consultancy costs	**(3.5)**	(3.8)
Redundancy – outsourcing and other staff exits (note 11(b))	**(7.2)**	(1.5)
Other outsourcing costs	**(2.2)**	–
Property exit costs (note 17)	**(4.1)**	–
Total transformation costs	**(17.0)**	(5.3)
Other exceptional costs:		
Snoop acquisition costs (note 18)	**(3.0)**	–
Legal and other advice	**(1.0)**	–
Repayment Option Plan (ROP) provision release (note 26)	**2.0**	–
CCD liquidation/scheme costs	**(2.4)**	(3.7)
Total exceptional items	**(21.4)**	(9.0)

1 Segment reporting continued

Group	Segment assets 2023 £m	Segment assets 2022 £m	Segment liabilities 2023 £m	Segment liabilities 2022 £m	Net assets/(liabilities) 2023 £m	Net assets/(liabilities) 2022 £m
Credit cards, personal loans and second charge mortgages	**2,195.7**	1,795.6	**(1,802.0)**	(1,410.7)	**393.7**	384.9
Vehicle finance	**896.1**	770.1	**(683.2)**	(589.7)	**212.9**	180.4
Central	**29.4**	504.8	**(58.4)**	(72.7)	**(29.0)**	432.1
Other	**11.8**	–	**(6.3)**	–	**5.5**	–
Continuing operations before intra-group elimination	**3,133.0**	3,070.5	**(2,549.9)**	(2,073.1)	**583.1**	997.4
Discontinued operations	**–**	–	**–**	(382.7)	**–**	(382.7)
Intra-group elimination	**75.7**	(407.2)	**(75.7)**	407.2	**–**	–
Total Group	**3,208.7**	2,663.3	**(2,625.6)**	(2,048.6)	**583.1**	614.7

The presentation of segment net assets reflects the statutory assets, liabilities and net assets of each of the Group's divisions. This results in an intra-group elimination reflecting the difference between the central intercompany funding provided to the divisions and the external funding raised centrally. Credit cards, personal loans and second charge mortgages are recognised within Vanquis Bank Limited and are therefore combined for balance sheet reporting purposes.

The Group's businesses operate principally in the UK.

Group	Capital expenditure 2023 £m	Capital expenditure 2022 £m	Depreciation 2023 £m	Depreciation 2022 £m	Amortisation 2023 £m	Amortisation 2022 £m
Credit cards, personal loans and second charge mortgages	**12.9**	21.6	**1.3**	1.6	**8.6**	7.1
Vehicle finance	**0.7**	1.7	**0.5**	0.6	**0.1**	0.4
Central	**19.4**	9.5	**0.4**	0.6	**9.8**	8.5
Other	**0.4**	–	**–**	–	**–**	–
Continuing operations	**33.4**	32.8	**2.2**	2.8	**18.5**	16.0
Discontinued operations	**–**	–	**–**	–	**–**	–
Total Group	**33.4**	32.8	**2.2**	2.8	**18.5**	16.0

Capital expenditure in 2023 comprises expenditure on intangible assets of £30.1m (2022: £29.2m) which included the acquisition intangible relating to Snoop of £11.1m and property, plant and equipment of £3.3m (2022: £3.6m).

The acquired intangible asset in respect of the acquisition of vehicle finance and Snoop is held on consolidation and, therefore, the amortisation charge has been allocated to Central in the above analysis, consistent with the segment net asset analysis.

2 Discontinued operations

The Group closed its CCD business comprising home credit and Satsuma loans during 2021 and in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' these businesses are presented as discontinued operations.

The loss for discontinued operations for 2023 is £nil. No amounts are included in the Group income statement in the current year. Subsequently the basic and diluted loss per share for discontinued operations in 2023 is £nil.

The loss for discontinued operations for 2022 was £4.9m resulting in a basic and diluted loss per share of 2.0p. The loss for discontinued operations in 2022 included: interest expense of £6.2m; operating costs of £9.1m; an exceptional release of £4.6m; and a tax credit of £5.8m.

There were no cash flows arising from discontinued operations in 2023. In 2022 discontinued operations generated cash of £0.1m in respect of operating activities, generated £nil in respect of investing activities and used £0.1m in respect of financing activities. Cash flows relating to exceptional items in 2022 were £4.6m in respect of operating activities.

During the year the discontinued operations generated cash of £nil (2022: £0.1m) in respect of operating activities, generated £nil (2022: £nil) in respect of investing activities and used £nil (2022: £0.1m) in respect of financing activities. Discontinued operations cash flows relating to exceptional items was £nil (2022: release of £4.6m) in respect of operating activities.

3 Interest income

Interest receivable from:	Group 2023 £m	Group 2022 £m
Customer receivables (note 13)	**525.7**	484.0
Cash balances held on deposit and other (note 12)	**25.6**	5.4
Net fair value gains on derivative financial instruments (note 23)	**4.7**	2.1
Total income	**556.0**	491.5

Interest income from customer receivables is recognised by applying the effective interest rate (EIR) to the carrying value of a loan. The EIR is calculated at inception and represents the rate which exactly discounts the future contractual cash receipts from a loan to the amount of cash advanced under that loan, plus directly attributable issue costs (e.g. aggregator/broker fees).

Notes to the financial statements continued

4 Interest expense

Interest payable on:	Group 2023 £m	Group 2022 £m
Retail deposits	57.7	19.6
Senior public and retail bonds	35.9	30.7
Securitisation	18.8	13.5
Lease liabilities finance costs	1.0	1.2
Total interest expense	113.4	65.0
Interest expense – continuing operations	113.4	58.8
Interest expense – discontinued operations (note 2)	–	6.2

5 Net fee and commission income

Fee income is recognised at the time the charges are made to the customer on the basis the performance obligation is complete.

	Group 2023 £m	Group 2022 £m
Fee and commission income	44.2	47.0
Fee and commission expense	(1.7)	(2.8)
Net fee and commission income – continuing operations	42.5	44.2

Fee income predominantly relates to credit cards and reflects default and over-limit fees as well as other ancillary income streams and interchange income.

6 Profit before taxation

Profit before taxation for continuing operations is stated after charging/(crediting):	Group 2023 £m	Group 2022 £m
Amortisation of other intangible assets:		
– computer software (note 20)	10.6	8.5
– acquisition intangibles (note 20)	7.9	7.5
Depreciation of property, plant and equipment (note 16)	2.2	2.8
Loss on disposal of property, plant and equipment (note 16)	1.3	0.9
Loss on disposal of intangibles (note 20)	0.5	2.2
Depreciation of right of use assets (note 17)	6.9	9.3
Lease liability finance costs (note 4)	1.0	1.2
Impairment of amounts receivable from customers (note 13)	166.1	66.1
Employment costs (prior to exceptional redundancy costs (note 11(b))	130.6	149.6
Exceptional items:		
Strategy consultancy costs	(3.5)	(3.8)
Redundancy – outsourcing and other staff exits (note 11)	(7.2)	(1.5)
Other outsourcing costs	(2.2)	–
Property exit costs (note 17)	(4.1)	–
Snoop acquisition costs (note 18)	(3.0)	–
Legal and other advice	(1.0)	–
Repayment Option Plan (ROP) provision release (note 26)	2.0	–
CCD liquidation/scheme costs (note 26)	(2.4)	(3.7)
Total exceptional items	(21.4)	(9.0)

All of the above activities relate to continuing activities.

Auditor's remuneration	Group 2023 £m	Group 2022 £m
Fees payable to the Company's auditor for the audit of Company and consolidated financial statements	0.4	0.4
Fees payable to the Company's auditor and its associates for other services:		
– audit of Company's subsidiaries pursuant to legislation	1.6	1.3
– other non-audit services	0.3	0.7
Total auditor's remuneration	2.3	2.4

7 Tax charge

Tax charge/(credit) in the income statement	Group 2023 Continuing operations £m	2023 Discontinued operations £m	2023 Total £m	2022 Continuing operations £m	2022 Discontinued operations £m	2022 Total £m
Current tax – UK	(2.0)	–	(2.0)	14.4	(5.8)	8.6
Deferred tax (note 24) – UK	2.3	–	2.3	10.2	–	10.2
Impact of change in UK tax rate (note 24)	1.3	–	1.3	3.2	–	3.2
Total tax charge/(credit)	1.6	–	1.6	27.8	(5.8)	22.0

	2023 Continuing operations Adjusted PBT £m	Exceptional items £m	Amortisation £m	Total £m
Profit/(loss) on ordinary activities before tax	24.9	(21.4)	(7.9)	(4.4)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 23.5%	5.8	(5.0)	(1.8)	(1.0)
Effect of:				
– impact of change of UK tax rate (note (a))	1.3	–	–	1.3
– write off of deferred tax assets (note (b))	0.3	–	–	0.3
– adjustments in respect of prior years (note (c))	1.5	–	–	1.5
– non-deductible general expenses (note (d))	0.2	0.7	–	0.9
- benefit of capital losses (note (e))	(1.4)	–	–	(1.4)
Total tax charge/(credit)	7.7	(4.3)	(1.8)	1.6

The tax charge in 2023 was £nil for discontinued operations.

	2022 Continuing operations Adjusted PBT £m	Continuing Exceptional items £m	Continuing Amortisation £m	Continuing Total £m	Discontinued operations Adjusted PBT £m	Discontinued Exceptional items £m	Discontinued Total £m
Profit/(loss) on ordinary activities before tax	126.6	(9.0)	(7.5)	110.1	(15.3)	4.6	(10.7)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19%	24.1	(1.7)	(1.4)	21.0	(2.9)	0.9	(2.0)
Effect of:							
– impact of change of UK tax rate (note (a))	3.2	–	–	3.2	–	–	–
– write off of deferred tax assets (note (b))	0.2	–	–	0.2	–	–	–
– adjustments in respect of prior years (note (c))	(4.4)	0.8	–	(3.6)	(6.5)	0.4	(6.1)
– non-deductible general expenses (note (d))	0.2	0.7	–	0.9	0.6	(0.4)	0.2
– benefit of capital losses (note (e))	–	–	–	–	–	–	–
– impact of bank corporation tax surcharge (note (f))	8.4	–	–	8.4	–	–	–
– impact of lower tax rates overseas and overseas losses (note (g))	–	–	–	–	(0.1)	(0.1)	(0.2)
– prior year adjustments related to transfer pricing and losses (note (h))	1.0	–	–	1.0	(1.0)	–	(1.0)
– discount on payment for losses of discontinued operations (note (i))	(3.3)	–	–	(3.3)	3.3	–	3.3
Total tax charge/(credit)	29.4	(0.2)	(1.4)	27.8	(6.6)	0.8	(5.8)

Notes to the financial statements continued

7 Tax charge continued

(a) Impact of change of UK tax rate

In 2021, changes were enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023. At 31 December 2021, deferred tax balances were remeasured at 25%, and in the case of credit cards and loans, at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (8%) of 33% to the extent that the temporary differences on which deferred tax had been calculated were expected to reverse, or the tax loss was expected to be utilised, after 1 April 2023.

In 2022, further changes were enacted which, with effect from 1 April 2023, reduced the bank corporation tax surcharge rate from 8% to 3% and increase the bank corporation tax surcharge allowance, being the threshold below which banking profits are not subject to the surcharge, from £25m to £100m.

Deferred tax balances at 31 December 2023 and movements in deferred tax balances during the year have therefore been measured at 25% (2022: 25%), and in the case of credit cards and personal loans, at the combined mainstream corporation tax rate (25%) and the bank corporation tax surcharge charge rate (3%) of 28% (2022: 28%) except to the extent the temporary differences reverse when profits from credit cards and personal loans are expected to be below the bank surcharge threshold, in which case deferred tax balances have been measured at the combined rate of 25% (2022: 25%).

A tax charge of £1.3m (2022: charge of £3.2m) represents the income statement adjustment to deferred tax as a result of these changes. In 2022, an additional deferred tax credit of £5.0m was taken directly to other comprehensive income in respect of items reflected in other comprehensive income.

(b) Write off of deferred tax assets

In 2023 the tax charge in respect of deferred tax assets written off amounts to £0.3m (2022: £0.2m) and relates to share scheme awards where future deductions are expected to be lower than previously anticipated.

(c) Adjustment in respect of prior years

The tax charge of £1.5m in respect of prior years (2022: £9.7m tax credit) is due to lower tax deductions in respect of share scheme awards as a result of a lower than anticipated share price on vesting and adjustments to write off deferred tax assets which are no longer supportable.

In 2022, the tax credit of £9.7m in respect of prior years comprised: (a) a net release of tax liabilities in respect of prior years of continuing operations of £3.6m following agreement of certain historical tax matters with HMRC; (b) a £7.5m reinstatement of deferred tax assets in respect of certain losses and temporary differences of discontinued operations which were written off in 2021 but for which tax relief was considered to be available in 2022; and (c) a £1.4m tax charge in respect of a reduction in tax losses of the discontinued operations available for group relief in prior years.

(d) Non-deductible general expenses

These primarily comprise exceptional costs in respect of the acquisition of Snoop.

In 2022, these primarily comprised: (a) in the case of discontinued operations, costs for which tax deductions may not be available post-closure of the business net of the release of the provision for costs associated with the FCA investigation into affordable lending in CCD, part of which is non-taxable; and (b) in the case of continuing operations, the cost of certain projects for which it was considered a tax deduction may not be available.

(e) Benefit of capital losses

The conversion and subsequent sale in 2023 of a further tranche of the preferred stock in Visa Inc gave rise to a capital gain which has been partially offset by brought forward capital losses in respect of which a deferred tax asset was not previously recognised. This gives rise to a beneficial impact on the tax charge of £1.4m (2022: £nil).

(f) Impact of bank corporation tax surcharge

The adverse impact of the bank corporation tax surcharge amounts to £nil (2022: £8.4m) as the taxable profits of credit cards and personal loans is below the annual threshold (£25m to 31 March 2023; £100m thereafter) below which banking profits are not subject to the surcharge.

In 2022, the adverse impact of the bank corporation tax surcharge amounted to £8.4m and represented tax at the bank corporation tax surcharge rate of 8% on credit cards and personal loans taxable profits in excess of £25m where taxable profits are calculated ignoring the benefit of losses elsewhere in the Group, including capital losses.

(g) Impact of lower tax rates overseas and overseas losses

Prior to its closure in 2021, the home credit business in the Republic of Ireland was subject to tax at the Republic of Ireland statutory tax rate of 12.5% rather than the UK statutory mainstream corporation tax rate of 19.0%. In 2022, no tax liability arose on the release of various provisions and accruals following the closure of the Irish business giving a favourable impact on the tax charge of £0.2m, all of which related to discontinued operations.

(h) Prior year adjustments related to transfer pricing and losses

In 2022 this comprised a £1.0m credit related to discontinued operations net of a £1.0m charge related to continuing operations and relates to transfer pricing adjustments between the continuing operations and discontinued operations in prior years, as well as adjustments related to prior year tax losses of the discontinued operation which were surrendered as group relief to the continuing operation and which the continuing operation paid for at a discounted price.

(i) Discount on payment for losses of discontinued operation

In 2022 this comprised a credit of £3.3m related to continuing operations and a £3.3m charge related to discontinued operations, and related to tax losses of the discontinued operation which had been surrendered as group relief to the continuing operation and which the continuing operation paid for at a discounted price. The overall impact on the tax charge was £nil.

7 Tax charge continued

Tax on exceptional items

The tax credit in respect of exceptional items amounts to £4.3m (2022: £0.6m tax charge) and comprises a £4.3m credit (2022: £0.2m credit) relating to continuing operations and £nil (2022: £0.8m charge) related to discontinued operations.

In 2023:

– The £4.3m tax credit represents a tax credit in respect of all exceptional costs with the exception of costs in respect of the acquisition of Snoop in the current year for which tax deductions may not be available.

In 2022:

– The £0.2m tax credit relating to continuing operations represents a tax credit in respect of all exceptional costs of the continuing operations with the exception of certain project costs for which it is considered tax deductions may not be available.

– The £0.8m tax charge relating to discontinued operations represents the tax charge on the release of certain provisions and accruals for which tax deductions were previously claimed with the exception of those relating to the Irish branch which are non-taxable.

The tax (charge)/credit on items taken directly to other comprehensive income is as follows:

	Group	
Tax credit on items taken directly to other comprehensive income	2023 £m	2022 £m
Deferred tax (charge)/credit on actuarial movements on retirement benefit asset	(1.5)	16.0
Impact of change in UK tax rate	(0.1)	5.0
Total tax (charge)/credit on items taken directly to other comprehensive income	**(1.6)**	21.0

The tax (charge)/credit on items taken directly to other comprehensive income relates entirely to continuing operations.

8 (Loss)/earnings per share

Basic (loss)/earnings per share (L)/EPS is calculated by dividing the (loss)/profit for the year attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year less the number of shares held by the Employee Benefit Trust which are used to satisfy the share awards such as DBP, PSP, LTIS, RSP and CSOP.

Diluted (L)/EPS calculates the effect on (L)/EPS assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated as follows:

(i) For share awards outstanding under performance-related share incentive schemes such as the Deferred Bonus Plan (DBP) (previously the Performance Share Plan (PSP)), the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP) and the Company Share Option Plan (CSOP), the number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if: (i) the end of the reporting period is assumed to be the end of the schemes' performance period; and (ii) the performance targets have been met as at that date.

(ii) For share options outstanding under non-performance-related schemes such as the Save As You Earn scheme (SAYE), a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of share options outstanding, with the difference being the dilutive potential ordinary shares. The Group also presents an adjusted EPS, prior to the amortisation of acquisition intangibles and exceptional items.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

Reconciliations of basic and diluted (L)/EPS for continuing operations and the Group are set out below:

	2023			2022		
Continuing operations	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)/earnings per share	(6.0)	253.0	(2.4)	82.3	250.9	32.8
Dilutive effect of share options and awards	—	9.8	0.1	—	2.8	(0.4)
Diluted (loss)/earnings per share	(6.0)	262.8	(2.3)	82.3	253.7	32.4

Notes to the financial statements continued

8 (Loss)/earnings per share continued

Group	2023 Earnings £m	2023 Weighted average number of shares m	2023 Per share amount pence	2022 Earnings £m	2022 Weighted average number of shares m	2022 Per share amount pence
Basic (loss)/earning per share	(6.0)	253.0	(2.4)	77.4	250.9	30.8
Dilutive effect of share options and awards	–	9.8	0.1	–	2.8	(0.3)
Diluted (loss)/earning per share	(6.0)	262.8	(2.3)	77.4	253.7	30.5

The directors have elected to show an adjusted earnings per share prior to the amortisation of acquisition intangibles which arose on the acquisition of vehicle finance in August 2014 (see note 19) and prior to exceptional items (see note 1). This is presented to show the adjusted earnings per share generated by the continuing and Group operations. A reconciliation of continuing and Group basic/diluted earnings/(loss) per share to adjusted basic and diluted earnings/(loss) per share is as follows:

Continuing operations	2023 Earnings £m	2023 Weighted average number of shares m	2023 Per share amount pence	2022 Earnings £m	2022 Weighted average number of shares m	2022 Per share amount pence
Basic (loss)/earnings per share	(6.0)	253.0	(2.4)	82.3	250.9	32.8
Amortisation of acquisition intangibles, net of tax	6.1	–	2.4	6.1	–	2.4
Exceptional items, net of tax	17.1	–	6.8	8.8	–	3.5
Adjusted basic earnings per share	17.2	253.0	6.8	97.2	250.9	38.7
Diluted (loss)/earnings per share	(6.0)	262.8	(2.3)	82.3	253.7	32.4
Amortisation of acquisition intangibles, net of tax	6.1	–	2.4	6.1	–	2.4
Exceptional items, net of tax	17.1	–	6.4	8.8	–	3.5
Adjusted diluted earnings per share	17.2	262.8	6.5	97.2	253.7	38.3

Group	2023 Earnings £m	2023 Weighted average number of shares m	2023 Per share amount pence	2022 Earnings £m	2022 Weighted average number of shares m	2022 Per share amount pence
Basic (loss)/earnings per share	(6.0)	253.0	(2.4)	77.4	250.9	30.8
Amortisation of acquisition intangibles, net of tax	6.1	–	2.4	6.1	–	2.4
Exceptional items, net of tax	17.1	–	6.8	5.0	–	2.0
Adjusted basic earnings per share	17.2	253.0	6.8	88.5	250.9	35.2
Diluted (loss)/earnings per share	(6.0)	262.8	(2.3)	77.4	253.7	30.5
Amortisation of acquisition intangibles, net of tax	6.1	–	2.4	6.1	–	2.4
Exceptional items, net of tax	17.1	–	6.4	5.0	–	2.0
Adjusted diluted earnings per share	17.2	262.8	6.5	88.5	253.7	34.9

9 Dividends

	Group 2023 £m	Group 2022 £m
2022 interim – 5.0p per share	–	12.7
2022 final – 10.3p per share	25.7	30.1
2023 interim – 5.0p per share	12.7	–
Dividends paid	38.4	42.8

The directors are recommending a final dividend in respect of the financial year ended 31 December 2023 of 1.0p per share which will amount to an estimated dividend of £2.6m. If approved, this dividend will be paid on 30 May 2024 to shareholders who were on the register of members at 19 April 2024.

10 Directors' remuneration

The remuneration of the directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'.

	Group and Company	
	2023 £m	2022 £m
Salary and other benefits	**2.5**	4.1
Share-based payment charge	**0.9**	1.5
Total directors' remuneration	**3.4**	5.6

Salary and other benefits comprise salary/fees, bonus, benefits earned in the year and pension salary supplements for executive directors.

The share-based payment charge reflects the expected vesting of the Group's share-based incentives.

11 Employee information

(a) Average monthly number of employees in the Group

	2023					2022				
	Credit cards, personal loans and second charge mortgages	**Vehicle finance**	**Snoop**	**Corporate centre**	**Group**	Credit cards and personal loans	Vehicle finance	Snoop	Corporate centre	Group
Full time	**1,007**	**338**	**49**	**310**	**1,704**	1,195	370	–	364	1,929
Part time	**139**	**34**	**–**	**31**	**204**	176	49	–	53	278
Total	**1,146**	**372**	**49**	**341**	**1,908**	1,371	419	–	417	2,207

The 15% reduction in workforce is predominantly in relation to the redundancy programme to simplify the Group's operating model and natural staff attrition.

During the year the Company had 161 (2022: 186) average full time employees and 14 (2022: 21) average part time employees.

(b) Employment costs

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Aggregate gross wages and salaries paid to the Group's employees	**107.1**	120.8	**18.8**	25.8
Employer's National Insurance contributions	**12.1**	15.3	**3.1**	3.5
Pension charge	**6.8**	8.4	**1.9**	1.4
Share-based payment charge (note 31)	**4.6**	5.1	**2.4**	2.9
Total employment cost prior to exceptional costs	**130.6**	149.6	**26.2**	33.6
Exceptional redundancy cost	**7.2**	1.5	**1.9**	1.1
Total employment costs	**137.8**	151.1	**28.1**	34.7

The pension charge comprises the retirement benefit charge for defined benefit schemes and contributions to the stakeholder pension plan.

The decrease in the share-based payment charge from £5.1m in 2022 to £4.6m in 2023 primarily reflects the lower RSP scheme costs in the year. The share-based payment charge relates entirely to the equity-settled scheme.

Notes to the financial statements continued

12 Cash and cash equivalents
Cash and cash equivalents includes cash at bank and held in short-term deposits and Vanquis Bank Limited's liquid assets buffer, including other liquid resources.

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Central bank reserves	683.1	420.5	–	–
Cash at bank	60.2	44.4	14.7	4.1
Total cash and cash equivalents	743.3	464.9	14.7	4.1

In addition to cash and cash equivalents, the Group had £1.5m of bank overdrafts at 31 December 2023 (2022: £1.0m) and the Company had £nil bank overdrafts (2022: £nil), both of which are disclosed within bank and other borrowings (see note 28).

All cash and cash equivalents are held with investment grade rated banks and are held in sterling.

Vanquis Bank Limited's total liquid assets buffer is held in the Bank of England central reserve account and amounted to £681.5m at 31 December 2023 (2022: £420.5m).

The currency profile of cash and cash equivalents is held in pound sterling.

Cash and cash equivalents are non-interest bearing other than in respect of the cash held on deposit and the amounts held by Vanquis Bank Limited as a liquid assets buffer and other liquid resources which bear interest at rates linked to the Bank of England base rate.

13 Amounts receivable from customers

	2023			2022 (restated)		
	Due within one year £m	Due in more than one year £m	Total £m	Due within one year £m	Due in more than one year £m	Total £m
Credit cards	1,277.7	–	1,277.7	1,181.6	–	1,181.6
Vehicle finance	230.3	561.9	792.2	184.0	471.4	655.4
Personal loans	15.0	87.4	102.4	34.1	42.2	76.3
Second charge mortgages	–	2.8	2.8	–	–	–
Total	1,523.0	652.1	2,175.1	1,399.7	513.6	1,913.3
Fair value adjustment for portfolio hedged risk	(2.3)	(0.9)	(3.2)	(4.7)	(3.2)	(7.9)
Total reported amounts receivable from customers	1,520.7	651.2	2,171.9	1,395.0	510.4	1,905.4

The fair value adjustment for the portfolio hedge risk relates to the unamortised hedged accounting adjustment in relation to the balance guaranteed swap, where hedge accounting has been discontinued. (see note 23).

The gross amounts receivable from customers and allowance account which form the net amounts receivable from customers are as follows:

	2023					2022 (restated)				
Group	Credit cards £m	Vehicle finance £m	Personal loans £m	Second charge mortgages £m	Group £m	Credit cards £m	Vehicle finance £m	Personal loans £m	Second charge mortgages £m	Group £m
Gross amounts receivable from customers	1,476.4	1,144.2	117.5	2.8	2,740.9	1,452.0	972.3	85.5	–	2,509.8
Allowance account	(198.7)	(352.0)	(15.1)	–	(565.8)	(270.4)	(316.9)	(9.2)	–	(596.5)
Reported amounts receivable from customers	1,277.7	792.2	102.4	2.8	2,175.1	1,181.6	655.4	76.3	–	1,913.3

The below receivables tables have been represented from prior year to show a more granular level of detail, bring consistency across products and to net down receivables classified as purchased or originated as credit impaired under IFRS 9 in vehicle finance.

13 Amounts receivable from customers continued

Amounts receivable from customers for credit cards can be reconciled as follows:

Credit cards	2023 Stage 1 £m	2023 Stage 2 £m	2023 Stage 3 £m	2023 Total £m	2022 Stage 1 £m	2022 Stage 2 £m	2022 Stage 3 £m	2022 Total £m
Gross carrying amount								
At 1 January	1,116.6	148.7	186.7	1,452.0	883.8	340.9	192.5	1,417.2
Originations	479.5	–	–	479.5	434.1	–	–	434.1
Drawdowns	1,832.6	74.1	13.2	1,919.9	1,472.7	210.1	16.7	1,699.5
Net transfers and changes in credit risk:								
– from stage 1 to stage 2	(459.1)	459.1	–	–	(584.7)	584.7	–	–
– from stage 1 to stage 3	(52.3)	–	52.3	–	(20.2)	–	20.2	–
– from stage 2 to stage 1	247.3	(247.3)	–	–	532.4	(532.4)	–	–
– from stage 2 to stage 3	–	(151.8)	151.8	–	–	(180.1)	180.1	–
– from stage 3 to stage 1	9.3	–	(9.3)	–	21.5	–	(21.5)	–
– from stage 3 to stage 2	–	2.0	(2.0)	–	–	15.3	(15.3)	–
Write offs (regular)	(13.3)	(9.6)	(31.5)	(54.4)	(9.8)	(12.6)	(111.0)	(133.4)
Write offs (debt sale)	–	–	(217.3)	(217.3)	–	–	(54.0)	(54.0)
Repayments	(2,312.7)	(147.7)	(40.0)	(2,500.4)	(1,884.4)	(378.2)	(56.9)	(2,319.5)
Interest and fee income	340.5	45.4	7.8	393.7	271.2	101.0	8.0	380.2
Other movements	12.4	(11.5)	2.5	3.4	–	–	27.9	27.9
At 31 December	1,200.8	161.4	114.2	1,476.4	1,116.6	148.7	186.7	1,452.0
Allowance account								
At 1 January	(93.2)	(58.2)	(119.0)	(270.4)	(99.7)	(102.1)	(152.0)	(353.8)
Movements through income statement:								
Originations	(32.9)	–	–	(32.9)	(51.3)	–	–	(51.3)
Drawdowns and net transfers and changes in credit risk:								
– from stage 1 to stage 2	73.4	(191.8)	–	(118.4)	74.1	(210.6)	–	(136.5)
– from stage 1 to stage 3	8.0	–	(28.4)	(20.4)	4.6	–	(17.4)	(12.8)
– from stage 2 to stage 1	(27.4)	94.1	–	66.7	(55.8)	142.2	–	86.4
– from stage 2 to stage 3	–	109.2	(126.0)	(16.8)	–	99.8	(118.5)	(18.7)
– from stage 3 to stage 1	(0.9)	–	3.0	2.1	(1.4)	–	3.9	2.5
– from stage 3 to stage 2	–	(0.9)	0.9	–	–	(3.0)	3.0	–
- remeasuring with existing stage	(26.8)	(25.1)	7.8	(44.1)	(3.9)	(39.7)	14.6	(29.0)
- post-model overlays	8.8	7.1	11.1	27.0	33.7	48.2	10.6	92.5
- write offs	(9.2)	(3.5)	(6.0)	(18.7)	(7.4)	(5.6)	(22.4)	(35.4)
- debt sales	–	–	15.4	15.4	–	–	37.0	37.0
- derecognition of stage 3 interest	–	–	5.1	5.1	–	–	8.4	8.4
- recoveries	–	–	7.2	7.2	–	–	18.3	18.3
- revaluations	–	–	(0.8)	(0.8)	–	–	16.8	16.8
– other movements	1.7	1.9	(5.0)	(1.4)	4.1	–	0.9	5.0
Total movements through income statement	(5.3)	(9.0)	(115.7)	(130.0)	(3.3)	31.3	(44.8)	(16.8)
Movements through allowance account:								
– write offs (regular)	13.3	9.6	31.5	54.4	9.8	12.6	111.0	133.4
– write offs (debt sale)	–	–	217.3	217.3	–	–	54.0	54.0
– debt sale proceeds	–	–	(71.3)	(71.3)	–	–	(65.7)	(65.7)
– derecognition of stage 3 interest	–	–	(5.1)	(5.1)	–	–	(8.4)	(8.4)
– Other	–	–	6.4	6.4	–	–	(13.1)	(13.1)
Allowance account at 31 December	(85.2)	(57.6)	(55.9)	(198.7)	(93.2)	(58.2)	(119.0)	(270.4)
Reported amounts receivable from customers at 31 December	1,115.6	103.8	58.3	1,277.7	1,023.4	90.5	67.7	1,181.6
Reported amounts receivable from customers at 1 January	1,023.4	90.5	67.7	1,181.6	784.1	238.8	40.5	1,063.4

Notes to the financial statements continued

13 Amounts receivable from customers continued

Total credit cards interest and fee income from customers of £393.7m (2022: £380.2m) comprises of £349.5m (2022: £333.2m) interest income and £44.2m (2022: £47.0m) of fee and commission income.

As at 31 December 2023 unutilised credit card commitments were £1,332.4m (2022: £1,370.9m).

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £3.4m (2022: £3.4m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

A breakdown of the in-model and post-model overlays for credit cards is shown below:

Credit cards	2023 £m	2022 £m
Core Model	209.4	254.1
New Model (under)/overlays (note (a))	(12.7)	–
Post-Model (under)/overlays	2.0	16.3
Total allowance account	198.7	270.4

	2023 £m	2022 £m
Post-model (under)/overlays:		
Affordability risk event (note (b))	–	0.3
Persistent debt (note (c))	–	2.8
Cost of living (note (d))	–	10.0
Recoveries (note (e))	–	2.5
Other (note (f))	2.0	0.7
Total post-model (under)/overlays	2.0	16.3
Total (under)/overlays	(10.7)	16.3

(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, has taken 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 has indicated the need for a model rebuild underlay at Dec'23. The resultant level of ECL provision is considered to more accurately reflect the Groups' current exposure to credit risk and takes into account how our receivables mix has evolved throughout recent months. It is expected this new model underlay will be retired when the incumbent IFRS9 models are substituted with the new suite of IFRS 9 models during 1H24.

(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 has been fully released in 2023.

(c) Persistent debt

A post-model overlay was calculated to refine provisioning for those customers who have entered into persistent debt 36 months. These customers have been split into two categories: those who have responded to communications and agreed to pay down their outstanding balance; and those who are making minimum payments but have not responded. This overlay has been 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 closely monitored since, however the underlying credit metrics of the book remained stable and showed no signs of significant increase in credit risk. In 2023, both the 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 has 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.

13 Amounts receivable from customers continued

A breakdown of the gross receivable by internal credit risk rating is shown below:

	2023				2022			
Credit cards	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good	991.7	114.4	—	1,106.1	975.9	90.6	—	1,066.5
Satisfactory	209.1	47.0	—	256.1	140.7	58.1	—	198.8
Lower quality	—	—	114.2	114.2	—	—	186.7	186.7
Total	1,200.8	161.4	114.2	1,476.4	1,116.6	148.7	186.7	1,452.0

Low-quality receivables relate to defaulted accounts and are therefore assigned as stage 3. Satisfactory receivables consist of accounts that are above a prescribed PD cut-off, dependent on the customer's credit score. High-quality receivables consist of accounts that are below a prescribed PD cut-off, dependent on the customer's credit score.

Notes to the financial statements continued

13 Amounts receivable from customers continued

Amounts receivable from customers for vehicle finance can be reconciled as follows:

	2023				2022 (restated)			
Vehicle finance	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3[1] £m	Total[1] £m
Gross carrying amount								
At 1 January	351.0	169.3	452.0	972.3	350.2	112.9	378.6	841.7
Originations	381.6	–	–	381.6	325.5	–	–	325.5
Transfers due to changes in credit risk:								
– from stage 1 to stage 2	(159.0)	159.0	–	–	(132.8)	132.8	–	–
– from stage 1 to stage 3	(129.5)	–	129.5	–	(126.6)	–	126.6	–
– from stage 2 to stage 1	18.6	(18.6)	–	–	10.2	(10.2)	–	–
– from stage 2 to stage 3	–	(59.4)	59.4	–	–	(48.5)	48.5	–
– from stage 3 to stage 1	11.9	–	(11.9)	–	11.1	–	(11.1)	–
– from stage 3 to stage 2	–	18.8	(18.8)	–	–	12.1	(12.1)	–
Write offs	–	–	(9.7)	(9.7)	–	–	(3.1)	(3.1)
Repayments	(160.7)	(78.7)	(131.6)	(371.0)	(160.5)	(56.7)	(143.8)	(361.0)
Interest and fee income	66.5	34.1	51.7	152.3	62.8	25.8	52.0	140.6
Other movements	11.3	0.3	7.1	18.7	11.1	1.1	16.4	28.6
At 31 December	391.7	224.8	527.7	1,144.2	351.0	169.3	452.0	972.3
Allowance account								
At 1 January	(15.9)	(25.8)	(275.2)	(316.9)	(14.3)	(15.8)	(216.1)	(246.2)
Movements through income statement:								
– Originations	(64.4)	–	–	(64.4)	(54.3)	–	–	(54.3)
Drawdowns and net transfers and changes in credit risk:								
– from stage 1 to stage 2	21.2	(23.1)	–	(1.9)	19.8	(21.2)	–	(1.4)
– from stage 1 to stage 3	34.4	–	(46.4)	(12.0)	28.7	–	(41.1)	(12.3)
– from stage 2 to stage 1	(0.9)	3.2	–	2.3	(0.3)	1.3	–	1.0
– from stage 2 to stage 3	–	11.6	(20.6)	(9.0)	–	8.8	(15.7)	(6.9)
– from stage 3 to stage 1	(0.3)	–	2.1	1.8	(0.2)	–	2.0	1.8
– from stage 3 to stage 2	–	(1.8)	3.8	2.0	–	(1.1)	2.4	1.3
– remeasurements within existing stage	5.6	5.3	(18.2)	(7.3)	5.1	3.4	(4.0)	4.5
– post-model overlays	2.1	3.6	43.2	48.9	–	0.5	–	0.5
– write offs	–	–	(8.6)	(8.6)	–	–	(11.9)	(11.9)
– debt sales	–	–	–	–	–	–	–	–
– derecognition of stage 3 interest	–	–	33.9	33.9	–	–	33.8	33.8
– recoveries	–	–	(1.7)	(1.7)	–	–	(1.8)	(1.8)
– revaluations	–	–	4.4	4.4	–	–	4.2	4.2
– other movements	–	–	(3.6)	(3.6)	(0.4)	(1.7)	2.9	0.8
Total amount recorded in impairment charges	(2.3)	(1.2)	(11.7)	(15.2)	(1.6)	(10.0)	(29.2)	(40.8)
Movements through allowance account:								
– write offs	–	–	9.7	9.7	–	–	3.1	3.1
– derecognition of stage 3 interest	–	–	(33.9)	(33.9)	–	–	(33.8)	(33.8)
– other changes	–	–	4.3	4.3	–	–	(0.8)	(0.8)
Allowance account at 31 December	(18.2)	(27.0)	(306.8)	(352.0)	(15.9)	(25.8)	(275.2)	(316.9)
Reported amounts receivable from customers at 31 December	373.5	197.8	220.9	792.2	335.1	143.5	176.8	655.4
Reported amounts receivable from customers at 1 January	335.1	143.5	176.8	655.4	335.9	97.1	162.5	595.5

1 During 2023, an error in the ECL model was identified, and management has raised a prior period restatement for this item. Remediation of this had an impact of £9.3m decrease of the allowance account opening position at 1 January 2022.

13 Amounts receivable from customers continued

Total vehicle finance interest and fee income from customers of £152.3m (2022: £140.6m) comprises of £150.3m (2022: £137.7m) interest income and £2.0m (2022: £2.9m) of other income.

Other changes within gross receivables include the capitalisation of broker costs.

Included within vehicle finance receivables is £2.1m (2022: £2.8m) in relation to receivables classified as purchased or originated as credit impaired under IFRS 9.

Vehicles are held as collateral against a vehicle finance conditional sale agreement until it is repaid in full. The impact of holding the collateral of £350.4m (2022: £453.4m) on the allowance account as at 31 December 2023 was £54.3m (2022: £54.7m), representing 85% (2022: 88%) of the balance.

Vehicle finance gross receivables are stated net of unearned finance income of £364.5m (2022: £337.5m).

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £0.3m (2022: £0.4m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

A breakdown of the in-model and post-model overlays for vehicle finance is shown below:

Vehicle finance	2023 £m	2022 (restated) £m
Core model	**403.4**	319.4
New model (under)/overlays (note (a))	**(47.0)**	–
Post-model (under)/overlays	**(4.4)**	(2.5)
Total allowance account	**352.0**	316.9

	2023 £m	2022 £m
Post-model (under)/overlays		
Fraud (note (b))	**(5.2)**	(3.0)
Cost of living (note (c))	**–**	0.5
Borrowers in financial difficulty (note (d))	**0.8**	–
Total post-model (under)/overlays	**(4.4)**	(2.5)
Total (under)/overlays	**(51.4)**	(2.5)

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

(d) Borrowers in financial difficulty
An overlay has been recognised for a selection of customer accounts that are deemed to be borrowers in financial difficulty.

A breakdown of the gross receivable by internal credit risk rating is shown below:

	2023				2022			
Vehicle finance	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good	**127.9**	**46.3**	**–**	**174.2**	145.9	20.6	–	166.5
Satisfactory	**229.9**	**87.3**	**–**	**317.2**	174.1	59.7	–	233.8
Lower quality	**32.5**	**29.5**	**–**	**62.0**	30.1	38.6	–	68.7
Below standard	**1.4**	**61.7**	**527.7**	**590.8**	0.9	50.4	452.0	503.3
Total	**391.7**	**224.8**	**527.7**	**1,144.2**	351.0	169.3	452.0	972.3

Internal credit risk rating is based on the internal credit score of a customer at the balance sheet date.

Notes to the financial statements continued

13 Amounts receivable from customers continued

Amounts receivable from customers for personal loans can be reconciled as follows:

Personal loans	2023 Stage 1 £m	2023 Stage 2 £m	2023 Stage 3 £m	2023 Total £m	2022 Stage 1 £m	2022 Stage 2 £m	2022 Stage 3 £m	2022 Total £m
Gross carrying amount								
At 1 January	78.1	2.1	5.3	85.5	29.9	1.8	2.0	33.7
Originations	109.4	–	–	109.4	90.0	–	–	90.0
Net transfers and changes in credit risk:								
– from stage 1 to stage 2	(22.1)	22.1	–	–	(3.1)	3.1	–	–
– from stage 1 to stage 3	(10.0)	–	10.0	–	(18.7)	–	18.7	–
– from stage 2 to stage 1	5.8	(5.8)	–	–	0.4	(0.4)	–	–
– from stage 2 to stage 3	–	(12.5)	12.5	–	–	(1.7)	1.7	–
– from stage 3 to stage 1	0.2	–	(0.2)	–	0.1	–	(0.1)	–
– from stage 3 to stage 2	–	0.1	(0.1)	–	–	–	–	–
Write offs	–	–	(18.2)	(18.2)	–	–	(6.2)	(6.2)
Repayments	(81.3)	(1.2)	(1.9)	(84.4)	(32.5)	(1.1)	(10.2)	(43.8)
Interest and fee income	24.0	0.7	1.2	25.9	12.0	0.4	0.7	13.1
Other movements	–	–	(0.7)	(0.7)	–	–	(1.3)	(1.3)
At 31 December	104.1	5.5	7.9	117.5	78.1	2.1	5.3	85.5
Allowance account								
At 1 January	(5.0)	(0.7)	(3.5)	(9.2)	(3.5)	(0.8)	(1.3)	(5.6)
Originations	(8.4)	–	–	(8.4)	(5.1)	–	–	(5.1)
Movements through income statement:								
Drawdowns and net transfers and changes in credit risk:								
– from stage 1 to stage 2	5.2	(8.7)	–	(3.5)	0.6	(0.7)	–	(0.1)
– from stage 1 to stage 3	2.2	–	(5.9)	(3.7)	2.4	–	(3.5)	(1.1)
– from stage 2 to stage 1	(0.9)	1.9	–	1.0	–	(0.1)	–	(0.1)
– from stage 2 to stage 3	–	5.3	(7.0)	(1.7)	–	(0.4)	0.4	–
– from stage 3 to stage 1	–	–	–	–	–	–	–	–
– from stage 3 to stage 2	–	–	–	–	–	–	–	–
– remeasurement with existing stage	(0.4)		0.6	0.2	0.6	–	0.1	0.7
– post-model overlays	(0.3)	(0.3)	(0.8)	(1.4)	0.8	0.2	0.1	1.1
– write offs	–	–	(7.9)	(7.9)	–	–	(4.2)	(4.2)
– debt sales	–	–	2.0	2.0	–	–	–	–
– derecognition of stage 3 interest	–	–	1.1	1.1	–	–	0.1	0.1
– recoveries	–	–	1.9	1.9	–	–	0.9	0.9
– revaluations	–	–	–	–	–	–	–	–
– other movements	1.3	0.1	(1.9)	(0.5)	(0.8)	1.1	(1.0)	(0.7)
Total movements through income statement	(1.3)	(1.7)	(17.9)	(20.9)	(1.5)	0.1	(7.1)	(8.5)
Movements through allowance account:								
– write offs	–	–	18.2	18.2	–	–	6.3	6.3
– debt sale proceeds	–	–	(2.0)	(2.0)	–	–	–	–
– derecognition of stage 3 interest	–	–	(1.1)	(1.1)	–	–	(0.1)	(0.1)
– other	–	–	(0.1)	(0.1)	–	–	(1.3)	(1.3)
Allowance account at 31 December	(6.3)	(2.4)	(6.4)	(15.1)	(5.0)	(0.7)	(3.5)	(9.2)
Reported amounts receivable from customers at 31 December	97.8	3.1	1.5	102.4	73.1	1.4	1.8	76.3
Reported amounts receivable from customers at 1 January	73.1	1.4	1.8	76.3	26.4	1.0	0.7	28.1

Total personal loans interest and fee income from customers of £25.9m (2022: £13.1m) comprises solely of interest income.

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £0.4m (2022: £0.2m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

13 Amounts receivable from customers continued

A breakdown of the in-model and post-model overlays for personal loans is shown below:

Personal loans	2023 £m	2022 £m
Core model	13.1	8.6
New model (under)/overlays (note (a))	2.0	–
Post-model (under)/overlays	–	0.6
Total allowance account	**15.1**	**9.2**

	2023 £m	2022 £m
Post-model (under)/overlays:		
Cost of living (note (b))	–	0.3
Other	–	0.3
Total post-model (under)/overlays	–	0.6
Total (under)/overlays	2.0	0.6

(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.

A breakdown of the gross receivable by internal credit risk rating is shown below:

	2023				2022			
Personal loans	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good	73.1	0.6	–	73.7	62.3	0.6	–	62.9
Satisfactory	31.0	4.9	–	35.9	15.8	1.5	–	17.3
Lower quality	–	–	7.9	7.9	–	–	5.3	5.3
Total	**104.1**	**5.5**	**7.9**	**117.5**	78.1	2.1	5.3	85.5

Low-quality receivables relate to defaulted accounts and are therefore assigned as stage 3. Satisfactory receivables consist of accounts that are above a prescribed PD cut-off, dependent on the customer's credit score. High-quality receivables consist of accounts that are below a prescribed PD cut-off, dependent on the customer's credit score.

Notes to the financial statements continued

13 Amounts receivable from customers continued

The movement in directly attributable acquisition costs included within amounts receivable from customers can be analysed as follows:

Group	2023 Credit cards £m	2023 Vehicle finance £m	2023 Personal loans £m	2023 Second charge mortgages £m	2023 Group £m	2022 Credit cards £m	2022 Vehicle finance £m	2022 Personal loans £m	2022 Second charge mortgages £m	2022 Group £m
Brought forward	30.3	44.3	1.3	–	75.9	29.4	32.4	0.2	–	62.0
Capitalised	15.1	37.6	1.5	0.1	54.3	11.9	30.2	1.8	–	43.9
Amortised	(13.1)	(25.9)	(1.6)	–	(40.6)	(11.0)	(18.3)	(0.7)	–	(30.0)
Carried forward	32.3	56.0	1.2	0.1	89.6	30.3	44.3	1.3	–	75.9

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

Impairment charge on amounts receivable from customers	Group 2023 £m	Group 2022 £m
Credit cards	130.0	16.8
Vehicle finance	15.2	40.8
Personal loans	20.9	8.5
Total impairment charge	166.1	66.1

The average effective interest rate for the year ended 31 December 2023 was 23.9% for credit cards (2022: 25%), 27% for vehicle finance (2022: 29%) and 25.8% for personal loans (2022: 28%).

The average period to maturity of the amounts receivable from customers within vehicle finance is 35 months (2022: 35 months) and 1.7 years for personal loans (2022: 1.7 years). Within credit cards, for the majority of customers, there is no fixed term for repayment other than a general requirement for customers to make a monthly minimum repayment towards their outstanding balance. This is currently the greater of 3% of the amount owed plus any fees and interest charges in the month and £10.

14 Trade and other receivables

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Other receivables	8.8	25.6	9.5	23.0
Stock	1.8	1.6	–	–
Finance lease receivable (note (a))	6.3	6.2	–	–
Amounts placed on deposit by Group undertaking	–	–	15.0	90.0
Amounts owed by Group undertakings	–	–	887.0	1,083.0
Prepayments and accrued income	39.0	17.2	3.4	1.9
Total trade and other receivables	55.9	50.6	914.9	1,197.9

Amounts placed on deposit by Group undertaking represents funds placed on deposit via Vanquis Bank with the Bank of England. On a Group basis these amounts are presented within cash and cash equivalents.

There are £nil amounts past due in respect of trade and other receivables (2022: £nil).

Within the Company, an impairment provision of £78.3m (2022: £104.6m) is held against amounts owed by Group undertakings due in less than one year. This consists of performing loans of £887.0m (2022: £1,172.9m), categorised as stage 1 against which no provision is recognised, and £78.3m (2022: £104.7m) of loans categorised as stage 3 against which a provision of £78.3m (2022: £104.6m) has been recognised. Performing loans have no provision recognised as the loan entities have sufficient expected cash flow to service their obligations and sufficient realisable net assets to sell in the event of a default. Non-performing loans are close to fully provided as they have either little or no expected cash flow and are recognised at the realisable value of net assets. The Company has assessed the estimated credit losses for these intercompany loans. Due to the CCD companies entering voluntary liquidation, there has been a credit to the income statement of £26.3m in 2023 arising from the release of an intercompany impairment provision previously held, as the balances were settled prior to liquidation. In 2022 a £0.6m charge was recognised primarily relating to the liquidation of dormant companies and other provision movements (see note 33).

Stock represents cars held by vehicle finance where customer agreements have been terminated.

Amounts owed by Group undertakings are unsecured and repayable on demand or within one year, and generally accrue interest at rates linked to SONIA.

14 Trade and other receivables continued

(a) Finance lease receivable

In December 2022, the Group entered into a finance lease arrangement to sub-lease 50% of the existing floor space of its London office. As a result the Group now recognises a lease receivable, representing the amount of the Group's net investment outstanding in respect of the finance lease; 50% of the corresponding right of use asset was also derecognised (see note 17).

A maturity analysis of the amounts receivable under the finance lease is shown below:

	Group	
	2023 £m	2022 £m
Due within one year	—	—
Due between one and five years	3.9	2.9
Due in more than five years	2.9	3.9
Total	6.8	6.8
Unearned finance cost	(0.5)	(0.6)
Total lease receivable	6.3	6.2

Undiscounted lease payments analysed as:

	2023 £m	2022 £m
Recoverable after 12 months	6.8	6.8
Recoverable within 12 months	—	—
Total	6.8	6.8

Net investment in the lease analysed as:

	2023 £m	2022 £m
Recoverable after 12 months	6.4	6.3
Recoverable within 12 months	(0.1)	(0.1)
Total	6.3	6.2

The finance lease arrangement does not include variable payments. The average effective interest rate contracted approximates to 1.6% per annum.

No impairment provision has been recognised against the lease receivable.

15 Investments

	Group	
	2023 £m	2022 £m
Visa shares	5.4	10.7
Total investments	5.4	10.7

Visa 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 on 21 June 2016. In consideration for Vanquis Bank Limited's interest in Visa Europe Limited, Vanquis Bank Limited received cash consideration of €15.9m (£12.2m) on completion, preferred stock with an approximate value of €10.7m and deferred cash consideration of €1.4m which was received in 2019.

The valuation of the preferred stock has been determined using the common stock's value as an approximation as both classes of stock have similar dividend rights. However, adjustments have been made for: (i) illiquidity, as the preferred stock is not tradeable on an open market and can only be transferred to other Visa members; and (ii) future litigation costs which could affect the valuation of the stock prior to conversion.

As at 31 December 2023, the total fair value of £5.4m of Visa shares comprised preferred stock only. During the year, common stock (35,200 Class A Common shares) was fully sold on 24 February 2023 for $219.13 per share.

Notes to the financial statements continued

16 Property, plant and equipment

Group	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2023	8.6	23.2	31.8
Additions	1.6	1.7	3.3
Disposals	(1.9)	(3.0)	(4.9)
At 31 December 2023	8.3	21.9	30.2
Accumulated depreciation and impairment			
At 1 January 2023	2.8	20.7	23.5
Charged to the income statement	0.1	2.1	2.2
Disposals	(0.9)	(2.7)	(3.6)
At 31 December 2023	2.0	20.1	22.1
Net book value at 31 December 2023	6.3	1.8	8.1
Net book value at 1 January 2023	5.8	2.5	8.3

The loss on disposal of property, plant and equipment in 2023 amounted to £1.3m (2022: loss of £0.9m). The loss comprised proceeds received of £nil (2022: £nil) less the net book value of disposals of £1.3m (2022: £0.9m).

The charge to the income statement compromises depreciation.

Additions in 2023 and 2022 principally comprise expenditure in respect of the routine replacement of IT equipment.

Group	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2022	8.9	21.5	30.4
Additions	1.6	2.0	3.6
Disposals	(1.9)	(0.3)	(2.2)
At 31 December 2022	8.6	23.2	31.8
Accumulated depreciation and impairment			
At 1 January 2022	3.6	18.4	22.0
Charged to the income statement – continuing operations	0.1	2.7	2.8
Disposals	(0.9)	(0.4)	(1.3)
At 31 December 2022	2.8	20.7	23.5
Net book value at 31 December 2022	5.8	2.5	8.3
Net book value at 1 January 2022	5.3	3.1	8.4

16 Property, plant and equipment continued

Company	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2023	0.2	12.2	12.4
Additions	—	—	—
Disposals	—	—	—
At 31 December 2023	0.2	12.2	12.4
Accumulated depreciation			
At 1 January 2023	0.1	11.4	11.5
Charged to the income statement	—	0.2	0.2
Disposals	—	—	—
At 31 December 2023	0.1	11.6	11.7
Net book value at 31 December 2023	0.1	0.6	0.7
Net book value at 1 January 2023	0.1	0.8	0.9

The profit on disposal of property, plant and equipment in 2023 amounted to £nil (2022: £nil) and represented proceeds received of £nil (2022: £nil) less the net book value of disposals of £nil (2022: £nil).

Company	Leasehold land and buildings £m	Equipment and vehicles £m	Total £m
Cost			
At 1 January 2022	0.2	12.2	12.4
Additions	—	—	—
Disposals	—	—	—
At 31 December 2022	0.2	12.2	12.4
Accumulated depreciation			
At 1 January 2022	0.1	11.1	11.2
Charged to the income statement	—	0.3	0.3
Disposals	—	—	—
At 31 December 2022	0.1	11.4	11.5
Net book value at 31 December 2022	0.1	0.8	0.9
Net book value at 1 January 2022	0.1	1.1	1.2

17 Right of use assets

	Group		Company	
Group	2023 £m	2022 £m	2023 £m	2022 £m
Cost				
At 1 January	71.0	80.0	23.0	23.0
Additions and revaluations	1.8	—	0.9	—
Disposals	—	(9.0)	—	—
At 31 December	72.8	71.0	23.9	23.0
Accumulated depreciation and impairment				
At 1 January	38.6	32.1	10.3	7.7
Charged to the income statement – continuing operations	6.9	9.3	2.7	2.6
Impairment	4.1	—	—	—
Disposals	—	(2.8)	—	—
At 31 December	49.6	38.6	13.0	10.3
Net book value at 31 December	23.2	32.4	10.9	12.7
Net book value at 1 January	32.4	47.9	12.7	15.3

Notes to the financial statements continued

17 Right of use assets continued
Lease liabilities are disclosed in note 27.

The additions and revaluations in 2023 relate to a revaluation of a property lease and computer equipment which is leased by the Group.

The disposals in 2022 relate to a partial sub-lease of the Group's offices as discussed in note 14.

18 Acquisition of Snoop
The Group completed the acquisition of the entire share capital of Usnoop Limited, which trades as Snoop, on 7 August 2023 for consideration of £8.7m. Snoop is a money-saving financial technology company with customers across the UK.

The acquisition will provide Snoop with significant scale, allowing access to Vanquis Banking Group's 1.5 million customers who will benefit from the app, as well as the support to grow the Snoop proposition. The acquisition marks an important step for the Group as a specialist banking group allowing it to bring a money management and saving app into its customer proposition.

Costs of £3.0m associated with the acquisition including due diligence, legal, advisory and tax fees have been charged as an exceptional cost in the year.

An assessment of the fair values of the identifiable assets and liabilities of Snoop as at the acquisition date was performed and they are as follows:

	Book value on acquisition £m	Fair value adjustments £m	Recognised on acquisition £m
Intangible assets (note (a))	–	11.1	11.1
Deferred tax liabilities (note (b))	–	(2.8)	(2.8)
Cash and cash equivalents	0.2	–	0.2
Trade and other receivables	0.6	–	0.6
Trade and other payables	(1.6)	–	(1.6)
Net identifiable (liabilities)/assets acquired	(0.8)	8.3	7.5
Goodwill			1.2
Consideration			8.7

The fair value adjustments applied to Snoop's net assets comprise:

a) £11.1m attributed to intangible assets, recognising £10.1m of internally generated core platform and technology developed and used by the Snoop business, and £1.0m in relation to the 'Snoop' brand name, which is well recognised within the UK consumer bank/personal finance app market (see note 20); and

b) the tax effect of the fair value adjustments resulting in the recognition of a deferred tax liability of £2.8m assumed over the expected useful economic life of the intangible assets acquired.

The fair value of the consideration at the acquisition date consists of:

i) £3.1m of cash consideration;

ii) 2,588,253 of ordinary shares in Vanquis Banking Group plc with a nominal value of £0.5m and a market value of £3.3m. £0.5m has been recognised as an increase in share capital with the remaining £2.8m being recognised in share premium; and

iii) £2.3m of contingent consideration dependent on the performance of the acquiree by the end of 2026. This has been determined by an independent third party using a Monte Carlo simulation for determining the future revenues of the acquiree. The range of outcomes in the contingent consideration payable is not considered to be materially different.

The goodwill of £1.2m represents the difference between the consideration and the fair value of the net assets acquired. In accordance with the Group's accounting policies, goodwill is not amortised but is subject to an annual impairment review. None of the goodwill is expected to be deductible for corporation tax purposes.

Snoop has generated revenues of £0.4m and losses of £2.5m in the period from acquisition to 31 December 2023, which are included in the consolidated statement of comprehensive income for the year. If Snoop had been part of the Group for the 12 months to 31 December 2023, Group total income would be £489.6m and the statutory loss before tax would be £9.2m.

19 Goodwill

	Group 2023 £m	Group 2022 £m
Cost		
At 1 January	73.3	73.3
Additions	1.2	–
At 31 December	74.5	73.3
Accumulated impairment		
At 1 January and 31 December	2.1	2.1
Net book value at 31 December	72.4	71.2
Net book value at 1 January	71.2	71.2

Goodwill with a net book value of £71.2m relates to the acquisition of the vehicle finance product in August 2014. The addition to goodwill in the current year relates to the acquisition of Usnoop Limited and reflects the surplus of consideration over identifiable net assets acquired (see note 18). Goodwill is tested annually for impairment, or more frequently if there are any indications that goodwill might be impaired. The recoverable amount is determined from a value in use calculation. The key assumptions used in the value in use calculation relate to the discount rates and growth rates adopted. Management adopts pre-tax discount rates which reflect the time value of money and the risks specific to the vehicle finance business. The cash flow forecasts are based on the most recent financial budgets approved by the Group Board for the next five years and extrapolate cash flows for the following five years using a terminal growth rate of 2% (2022: 2%). The rate used to discount the forecast cash flows is 11.0% (2022: 11.0%); this represents the Company's risk-adjusted cost of capital. No reasonably foreseeable reduction in the assumptions would give rise to an impairment and therefore no further sensitivity analysis has been presented.

20 Other intangible assets

Group	2023 Acquisition intangibles £m	2023 Computer software £m	2023 Total £m	2022 Acquisition intangibles £m	2022 Computer software £m	2022 Total £m
Cost						
At 1 January	75.0	68.5	143.5	75.0	43.5	118.5
Additions	11.1	19.0	30.1	–	29.2	29.2
Disposals	–	(2.4)	(2.4)	–	(4.2)	(4.2)
At 31 December	86.1	85.1	171.2	75.0	68.5	143.5
Accumulated amortisation and impairment						
At 1 January	62.5	17.7	80.2	55.0	11.2	66.2
Charged to the income statement – continuing operations	7.9	10.6	18.5	7.5	8.5	16.0
Disposals	–	(1.9)	(1.9)	–	(2.0)	(2.0)
At 31 December	70.4	26.4	96.8	62.5	17.7	80.2
Net book value at 31 December	15.7	58.7	74.4	12.5	50.8	63.3
Net book value at 1 January	12.5	50.8	63.3	20.0	32.3	52.3

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 comprise £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.

Research and development expenditure recognised within operating costs during 2023 was £0.8m (2022: £1.0m).

Additions to computer software in the year of £19.0m (2022: £29.2m) comprise £18.9m (2022: £28.4m) of internally generated assets and £0.1m (2022: £0.8m) of externally purchased software.

The £18.9m (2022: £28.4m) of internally generated assets predominantly relates to the development of systems and applications for the credit cards and personal loans businesses.

The charge for continuing operations includes amortisation of £18.5m (2022: £16.0m).

Notes to the financial statements continued

21 Investment in subsidiaries

	Company 2023 £m	Company 2022 £m
Cost		
At 1 January	230.7	291.0
Additions	34.8	11.4
Disposals	(0.2)	(71.7)
At 31 December	265.3	230.7
Accumulated impairment losses		
At 1 January	23.3	65.6
Charge to the income statement	0.4	29.4
Disposals	–	(71.7)
At 31 December	23.7	23.3
Net book value at 31 December	241.6	207.4
Net book value at 1 January	207.4	225.4

Included within the £34.8m of additions is:

- the subscription of a further £34.4m of shares in Provident Financial Holdings Limited, as part of the pre-liquidation steps in relation to placing the CCD companies into members' voluntary liquidation. The disposals in 2023 are in relation to IFRIC 11 adjustment relating to the share options/awards provided to the subsidiary employees. Under IFRIC 11, the fair value of the share options/awards issued is required to be treated as capital contribution and an investment in the relevant subsidiary, net of any share options/awards that have vested; and
- the transfer of the full 100% ordinary share capital of Greenwood Personal Credit to the Company from another Group company equal to the Company's net asset value of £0.4m.

The movements in 2022 reflect the steps taken to make a number of dormant and non-trading companies solvent in advance of them entering members' voluntary liquidation.

Included within the £11.4m of additions in 2022 is:

- £10.3m in relation to capital injections into dormant or non-trading companies as part of the pre-liquidation steps taken. Dividends were also paid up to the Company and intercompany balances settled, resulting in an impairment charge of £29.4m in the year before the companies were disposed; and
- £1.1m (2022: £1.9m disposal) in relation to the IFRIC 11 adjustment.

An investment valuation review was performed at the balance sheet date; a £0.4m (2022: £29.4m) impairment charge has been recognised in the year. The directors consider the remaining carrying value of investments to be supported by their underlying assets and cash flow forecasts. The cost, accumulated impairment losses and carrying value of investments at 31 December 2023 are shown below:

Company	Cost £m	Accumulated impairment losses £m	Carrying value £m
Provident Financial Holdings Limited	231.1	–	231.1
Provident Financial Group Limited (previously Yes Car Credit (Holdings) Limited)	29.9	(22.6)	7.3
Other	4.3	(1.1)	3.2
Net book value at 31 December	265.3	(23.7)	241.6

The following are the subsidiary undertakings which, in the opinion of the directors, principally affect the profit or assets of the Group or are a guaranteeing subsidiary of the Group's certain borrowings. A full list of subsidiary undertakings will be annexed to the next annual return of the Company to be filed with the Registrar of Companies (see note 37). All subsidiaries are consolidated and held directly by the Company except for those noted below, which are held by wholly owned intermediate companies.

Company		Activity	Country of incorporation	Class of capital	% holding
Vanquis Bank	Vanquis Bank Limited	Financial services	England	Ordinary	100[1]
Moneybarn	Duncton Group Limited	Financial services	England	Ordinary	100[1]
	Moneybarn Group Limited	Financial services	England	Ordinary	100[1]
	Moneybarn No. 1 Limited	Financial services	England	Ordinary	100[1]
Central	Provident Financial Holdings Limited	Intermediate holding company	England	Ordinary	100

1 Shares held by wholly owned intermediate companies.

The above companies operate principally in their country of incorporation.

22 Retirement benefit asset

(a) Pension schemes – defined benefit

The retirement benefit asset reflects the difference between the present value of the Group's obligation to current and past employees to provide a defined benefit pension and the fair value of assets held to meet that obligation. As at 31 December 2023, the fair value of the assets exceeded the obligation and hence a net pension asset has been recorded.

The Group operates a defined benefit scheme: the Provident Financial Staff Pension Scheme. The scheme is of the funded, defined benefit type. It is now also closed to future accrual.

The scheme provides pension benefits which were accrued on a final salary and, more recently, on a cash balance basis. With effect from 1 August 2021, it was fully closed to future accrual and benefits are no longer linked to final salary, although accrued benefits are subject to statutory inflationary increases.

The scheme is a UK registered pension scheme under UK legislation. The scheme is governed by a Trust Deed and Rules, with trustees responsible for the operation and governance of the scheme. The trustees work closely with the Group on funding and investment strategy decisions. The most recent actuarial valuation of the scheme was carried out as at 1 June 2021 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee Benefits' has been based on the results of the 2021 valuation to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet date.

The Group is entitled to a refund of any surplus, subject to tax, if the scheme winds up after all benefits have been paid. As a result, the Group recognises surplus assets under IAS 19.

The Group is exposed to a number of risks, the most significant of which are as follows:

- Investment risk – the liabilities for IAS 19 purposes are calculated using a discount rate set with reference to corporate bond yields. If the assets underperform this yield a deficit will arise. The scheme has a long-term objective to reduce the level of investment risk by investing in assets that better match liabilities.
- Change in bond yields – a decrease in corporate bond yields will increase the liabilities, although this will be partly offset by an increase in matching assets.
- Inflation risk – some of the liabilities are linked to inflation. If inflation increases then liabilities will increase, although this will be partly offset by an increase in assets. As part of a long-term de-risking strategy, the scheme has increased its portfolio in inflation matched assets.
- Life expectancies – the scheme's final salary benefits provide pensions for the rest of members' lives (and for their spouses' lives). If members live longer than assumed, then the liabilities in respect of final salary benefits increase.

The net retirement benefit asset recognised in the balance sheet of the Group and the Company is as follows:

	Group and Company			
	2023		2022	
	£m	**%**	£m	%
Equities	**55.5**	**11**	58.4	11
Corporate bonds	**191.0**	**37**	216.4	42
Government bonds	**145.1**	**28**	143.0	28
Index linked government bonds	**110.9**	**22**	101.5	19
Other quoted securities	**9.5**	**2**	0.3	–
Cash and money market funds	**0.9**	**–**	1.1	–
Total fair value of scheme assets	**512.9**	**100**	520.7	100
Present value of funded defined benefit obligation	**(474.7)**		(490.0)	
Net retirement benefit asset recognised in the balance sheet	**38.2**		30.7	

The Company and the pension trustees have agreed a low-risk investment strategy which involves hedging the inflation and interest rate risks associated with the liabilities of the pension scheme, whilst also holding a modest allocation to growth funds, such as equities. This position is reviewed periodically by the trustees, who consult the Company as part of this process.

The valuation of the retirement benefit asset has increased from £30.7m at 31 December 2022 to £38.2m at 31 December 2023. A high-level reconciliation of the movement is as follows:

Group and Company	**2023 £m**	2022 £m
Pension asset as at 1 January	**30.7**	112.2
Cash contributions made by the Group	**0.8**	2.2
Return on assets being held to meet pension obligations in excess of discount rate	**(7.8)**	(366.2)
Change in demographic assumptions	**19.3**	5.4
(Decrease)/increase in discount rate used to discount future liabilities	**(7.4)**	279.1
Change in inflation rate used to forecast pensions	**1.1**	4.1
Actuarial/membership experience	**1.2**	(6.6)
Other	**0.3**	0.5
Pension asset as at 31 December	**38.2**	30.7

Notes to the financial statements continued

22 Retirement benefit asset continued

(a) Pension schemes – defined benefit continued

The amounts recognised in the income statement were as follows:

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Administration costs and taxes	**(1.1)**	(1.6)	**(1.1)**	(1.6)
Interest on scheme liabilities	**(23.0)**	(14.4)	**(23.0)**	(14.4)
Interest on scheme assets	**24.4**	16.5	**24.4**	16.5
Net credit recognised in the income statement	**0.3**	0.5	**0.3**	0.5

The net credit recognised in the income statement of the Group and the Company has been included within operating costs.

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

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Fair value of scheme assets at 1 January	**520.7**	898.8	**520.7**	898.8
Interest on scheme assets	**24.4**	16.5	**24.4**	16.5
Actuarial movement on scheme assets	**(7.8)**	(366.2)	**(8.7)**	(366.2)
Contributions by the Group/Company	**0.8**	2.2	**0.8**	2.2
Net benefits paid out	**(25.2)**	(30.6)	**(25.2)**	(30.6)
Fair value of scheme assets at 31 December	**512.9**	520.7	**512.0**	520.7

The Group contributions over 2024 are expected to be £0.8m.

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

	Group and Company 2023 £m	Group and Company 2022 £m
Present value of the defined benefit obligation at 1 January	**(490.0)**	(786.6)
Administration costs and taxes	**(1.1)**	(1.6)
Interest on scheme liabilities	**(23.0)**	(14.4)
Actuarial movement – experience	**1.2**	(6.6)
Actuarial movement – demographic assumptions	**19.3**	5.4
Actuarial movement – financial assumptions	**(6.3)**	283.2
Net benefits paid out	**25.2**	30.6
Present value of the defined benefit obligation at 31 December	**(474.7)**	(490.0)

The liabilities of the scheme are based on the current value of expected benefit payments over the next 80 years. The weighted average duration of the scheme liabilities is approximately 13 years (2022: 14 years).

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 is aware of this legal ruling and is 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.

22 Retirement benefit asset continued

(a) Pension schemes – defined benefit continued

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

	Group and Company	
	2023 %	2022 %
Price inflation – RPI	3.10	3.25
Price inflation – CPI	2.60	2.75
Rate of increase to pensions in payment	2.95	3.05
Inflationary increases to pensions in deferment	2.60	2.75
Discount rate	4.65	4.80

The pension increase assumption shown above applies to pensions increasing in payment each year in line with RPI up to 5%. Pensions accrued prior to 2000 are substantially subject to fixed 5% increases each year. In deferment increases prior to retirement are linked to CPI.

The mortality assumptions are based on the self-administered pension scheme (SAPS) series 3 tables (2022: SAPS series 3 tables):

- female non-pensioners: 105% of the 'Middle' table (2022: 105% of the 'Middle' table);
- male non-pensioners: 105% of the 'Middle' table (2022: 105% of the 'Middle' table);
- female pensioners: 102% of the 'Middle' table (2022: 102% of the 'Middle' table); and
- male pensioners: 99% of the 'All' table (2022: 99% of the 'All' table).

The above multipliers and table types were chosen following a study of the scheme's membership. Where the multiplier is greater than 100%, this reflects a shorter life expectancy within the scheme compared to average pension schemes, with the opposite being true where the multiplier is less than 100%. Also, the use of the 'Middle' table typically leads to slightly lower life expectancy compared to using the corresponding 'All' table.

Future improvements in mortality are based on the Continuous Mortality Investigation (CMI) 2022 model with a long-term improvement trend of 1.00% per annum with a 50% allowance for experience in 2022 and no allowance for experience in 2020 and 2021 in order to lessen the impact of excess deaths due to coronavirus on future assumed mortality. All other available parameters for the mortality improvements model were adopted at the default (core) level. Under these mortality assumptions, the life expectancies of members are as follows:

	Male		Female	
Group and Company	2023 years	2022 years	2023 years	2022 years
Current pensioner aged 65	21.2	21.7	22.9	23.3
Current member aged 45 from age 65	21.1	21.6	23.8	24.3

The table below shows the sensitivity on the defined benefit obligation (not including any impact on assets) of changes in the key assumptions. Depending on the scenario, there would also be compensating asset movements.

	Group and Company	
	2023 £m	2022 £m
Discount rate decreased by 0.5% (2022: 2%)	30.5	160.0
Inflation increased by 0.1%	2.7	3.0
Life expectancy increased by one year	19.5	19.0

The actual return on scheme assets compared to the expected return is as follows:

	Group and Company	
	2023 £m	2022 £m
Interest on scheme assets	24.4	16.5
Actuarial movement on scheme assets	(7.8)	(366.2)
Actual return on scheme assets	16.6	(349.7)

Actuarial gains and losses are recognised through other comprehensive income in the period in which they occur.

Notes to the financial statements continued

22 Retirement benefit asset continued

(a) Pension schemes – defined benefit continued

An analysis of the amounts recognised in the statement of other comprehensive income is as follows:

	Group and Company	
	2023 £m	2022 £m
Actuarial movement on scheme assets	**(7.8)**	(366.2)
Actuarial movement on scheme liabilities	**14.2**	282.0
Total movement recognised in other comprehensive income in the year	**6.4**	(84.2)
Cumulative movement recognised in other comprehensive income	**(148.3)**	(154.7)

The history of the net retirement benefit asset recognised in the balance sheet and experience adjustments for the Group is as follows:

	Group and Company				
	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Fair value of scheme assets	**512.9**	520.7	898.8	933.0	842.6
Present value of funded defined benefit obligation	**(474.7)**	(490.0)	(786.6)	(853.3)	(764.6)
Retirement benefit asset recognised in the balance sheet	**38.2**	30.7	112.2	79.7	78.0
Experience (losses)/gains on scheme assets:					
– amount (£m)	**(7.8)**	(366.2)	(20.2)	102.8	67.4
– percentage of scheme assets (%)	**(1.5)**	(70.3)	(2.2)	11.0	8.0
Experience (gains)/losses on scheme liabilities:					
– amount (£m)	**(1.2)**	6.6	10.3	(4.3)	(0.1)
– percentage of scheme liabilities (%)	**0.3**	1.3	1.3	(0.5)	–

(b) Pension schemes – defined contribution

The Group operates a Group Personal Pension Plan into which Group companies contribute a proportion of pensionable earnings of the member (typically ranging between 5.1% and 10.6%) dependent on the proportion of pensionable earnings contributed by the member through a salary sacrifice arrangement (typically ranging between 3% and 8%). The assets of the scheme are held separately from those of the Group and Company.

The Group also operates a separate pension scheme for auto-enrolment into which the Company and subsidiaries contribute a proportion of qualifying earnings of the member of 4%. The assets of the scheme are held separately from those of the Group or the Company. The pension charge in the consolidated income statement represents contributions paid by the Group in respect of these plans and amounted to £7.1m for the year ended 31 December 2023 (2022: £8.9m). Contributions made by the Company amounted to £2.2m (2022: £1.9m). £0.6m of contributions were payable to the fund at the year end (2022: £nil).

The Group contributed £nil in 2023 into individual personal pension plans in the year (2022: £nil).

23 Derivative financial instruments

The Group is counterparty to three derivative financial instruments.

The securitisation balance guarantee (front BGS) swap manages the market risk associated with movements in interest rates in the accounts of the securitisation. The front BGS is a bespoke over-the-counter interest rate swap that resizes in line with changes to the size and expected maturity profile of the loans in the securitisation. Only the interest rate risk on the portfolio is hedged; other risks such as credit risk are managed but not hedged.

The Group balance guarantee swap (back BGS) eliminates the front BGS on consolidation in the Group accounts. The front BGS manages a risk that exists in the SPV accounts, but does not exist upon consolidation. The back BGS was transacted at historical rates and in compensation the Group received cash consideration for taking on a liability.

The front and back BGS naturally hedge and no hedge accounting is applied. Hedge accounting was discontinued on the front BGS in September 2022 with the hedging adjustment amortising over the remaining life of the receivables. Until termination, the hedging arrangement was accounted for under IAS 39 under the portfolio hedging rules.

The Tier 2 swap is a vanilla unamortising swap that manages the Group's sensitivity to changes in interest rates arising from long-dated fixed-rate Tier 2 capital and short-dated Bank of England reserves.

The Tier 2 swap pays annually a floating rate of daily compounded SONIA and receives a fixed annual rate of 3.521% bi-annually. The swap matures in October 2026.

The Company has entered into eight internal retail deposit swaps with Vanquis Bank Limited during 2023. The rationale for entering into these swaps was to hedge interest rate risk on deposits of Vanquis Bank Limited. At a Group level the swaps are fully offset.

23 Derivative financial instruments continued

The Group has elected to apply fair value hedge accounting in the consolidated accounts under IAS 39. The effectiveness of the hedge is assessed prospectively using matched terms with a single scenario analysis. The swap has been specifically designed to match the underlying liability. Retrospectively, the swap only experiences ineffectiveness from different interpolation bases.

	Group		Company	
Fair value of derivatives	2023 £m	2022 £m	2023 £m	2022 £m
Securitisation balance guarantee swap	1.3	11.3	–	–
Group balance guarantee swap	(1.8)	(11.9)	(1.8)	(11.9)
Tier 2 swap	–	(3.4)	–	(3.4)
Internal retail deposit swaps	–	–	(0.2)	–

The internal retail deposit swaps held by the Company relate to an asset of £1.0m and liability of £1.2m.

	Group		Company	
Notional value of derivatives	2023 £m	2022 £m	2023 £m	2022 £m
Securitisation balance guarantee swap	304.7	353.8	–	–
Group balance guarantee swap	304.7	353.8	304.7	353.8
Tier 2 swap	200.0	200.0	200.0	200.0
Internal retail deposit swaps	–	–	380.0	–

	Group		Company	
Fair value adjustment for hedged risk	2023 £m	2022 £m	2023 £m	2022 £m
Securitisation balance guarantee swap (hedge accounting terminated in 2022)	(3.2)	(7.9)	–	–
Tier 2 swap	1.0	4.6	1.0	4.6

The unamortised fair value adjustment for the discontinued portfolio hedge of £3.2m (2022: £7.9m) is included within amounts receivable from customers (see note 13).

The fair value adjustment for the Tier 2 swap of £1.0m (2022: £4.6m) is included within bank and other borrowings (see note 28).

	Group		Company	
Hedge ineffectiveness	2023 £m	2022 £m	2023 £m	2022 £m
Securitisation balance guarantee swap (hedge accounting terminated in 2022)	–	(1.7)	–	–
Tier 2 swap	0.1	0.1	0.1	0.1
Total	0.1	(1.6)	0.1	0.1

Hedge ineffectiveness is recognised within interest expense.

The total Group hedge ineffectiveness in 2023 was £0.1m (2022: £1.6m credit). The only hedging relationship in the Company relates to Tier 2 swap with £0.1m ineffectiveness charge in the year (2022: £0.1m).

Had hedge accounting not been applied, the Group would recognise a total credit to the income statement of £3.6m (2022: £4.4m) and the Company would recognise a total charge of £3.6m (2022: £3.6m).

24 Deferred tax

Deferred tax is a future tax liability or asset resulting from temporary differences between the accounting value of assets and liabilities and their value for tax purposes or from tax losses carried forward at the reporting date.

Deferred tax arises primarily in respect of: (a) property, plant and equipment which is depreciated on a different basis for tax purposes (accelerated capital allowances); (b) the Group's retirement benefit asset; (c) Vanquis Bank's investment in the preference shares in Visa Inc which are recognised at fair value for accounting purposes but which are taxed only on disposal; (d) the opening balance sheet adjustments to restate the IAS 39 balance sheet to an IFRS 9 basis for which tax deductions are available over 10 years; (e) tax losses carried forward to be relieved against profits in future periods; and (f) other temporary differences including: (i) deductions for employee share awards which are recognised differently for tax purposes; (ii) certain cost provisions for which tax deductions are only available when the costs are paid; (iii) the opening balance sheet adjustment in respect of the change of accounting treatment of directly attributable acquisition costs in Vanquis Bank which is taxable over 10 years; (iv) the opening balance sheet adjustment in respect of the adoption of IFRS 16 'Leases' which is deductible over the average period of the relevant leases; and (v) the balance guarantee swap entered into as part of the vehicle finance securitisation.

In addition, a deferred tax liability is recognised in respect of the acquisition of vehicle finance relating primarily to the intangible asset in respect of vehicle finance broker relationships which are amortised in future periods but for which tax deductions are not available. A deferred tax liability also arose on the acquisition of Snoop relating to the intangible asset in respect of software development costs which are amortised in future periods but for which tax deductions are not available.

Notes to the financial statements continued

24 Deferred tax continued

In 2021, changes were enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023. At 31 December 2021, deferred tax balances were remeasured at 25%, and in the case of credit cards and loans, at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (8%) of 33% to the extent that the temporary differences on which deferred tax had been calculated were expected to reverse, or the tax loss was expected to be utilised, after 1 April 2023.

In 2022, further changes were enacted which, with effect from 1 April 2023, reduced the bank corporation tax surcharge rate from 8% to 3% and increased the bank corporation tax surcharge allowance, being the threshold below which banking profits are not subject to the surcharge, from £25m to £100m.

To the extent the temporary differences on which deferred tax has been calculated are expected to reverse after 1 April 2023, deferred tax balances at 31 December 2022 and movements in deferred tax balances during the year were re-measured at 25% and, in the case of credit cards and personal loans, at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (3%) of 28% except to the extent the temporary differences reverse when profits from credit cards and personal loans are expected to below the bank surcharge threshold, in which case deferred tax balances were measured at the combined rate of 25%. Deferred tax balances at 31 December 2023 in respect of credit cards and loans have been re-measured at 25% to the extent that the temporary differences to which they relate are expected to reverse when profits from credit cards and loans are expected to be below the surcharge threshold.

A tax charge of £1.3m (2022: charge of £3.2m) represents the income statement adjustment to deferred tax as a result of these changes and an additional deferred tax credit of £0.1m (2022: credit of £5.0m) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income. Of the tax charge of £1.3m (2022: charge of £3.2m) taken to the income statement, £1.3m (2022: £3.2m) related to continuing operations and £nil (2022: £nil) to discontinued operations.

The movement in the deferred tax balance during the year can be analysed as follows:

	Group		Company	
Asset/(liability)	**2023 £m**	2022 £m	**2023 £m**	2022 £m
At 1 January	**14.5**	6.9	**(5.3)**	(22.6)
Charge to the income statement	**(2.3)**	(10.2)	**(0.9)**	(3.6)
Acquisition of Snoop	**(2.8)**	–	**–**	–
(Charge)/credit on other comprehensive income prior to impact of change in UK tax rate	**(1.5)**	16.0	**(1.5)**	16.0
Impact of change in UK tax rate:				
– (charge)/credit to the income statement	**(1.3)**	(3.2)	**–**	(0.1)
– (charge)/credit to other comprehensive income	**(0.1)**	5.0	**(0.1)**	5.0
At 31 December	**6.5**	14.5	**(7.8)**	(5.3)

	2023						
Group – asset/(liability)	**Accelerated capital allowances £m**	**Visa shares £m**	**Tax losses £m**	**IFRS 9 £m**	**Retirement benefit obligations £m**	**Other temporary differences £m**	**Total £m**
At 1 January	**1.6**	**(3.0)**	**0.6**	**26.3**	**(7.7)**	**(3.3)**	**14.5**
(Charge)/credit to the income statement	**(0.1)**	**1.2**	**(0.6)**	**(4.6)**	**(0.3)**	**2.1**	**(2.3)**
Acquisition of Snoop	**–**	**–**	**–**	**–**	**–**	**(2.8)**	**(2.8)**
Credit/(charge) on other comprehensive income prior to change in UK tax rate	**–**	**–**	**–**	**–**	**(1.5)**	**–**	**(1.5)**
Impact of change in UK tax rate:							
– (charge)/credit to the income statement	**(0.1)**	**0.4**	**–**	**(2.1)**	**–**	**0.5**	**(1.3)**
– credit/(charge) to other comprehensive income	**–**	**–**	**–**	**–**	**(0.1)**	**–**	**(0.1)**
At 31 December	**1.4**	**(1.4)**	**–**	**19.6**	**(9.6)**	**(3.5)**	**6.5**

There was no deferred tax asset or liability in relation to discontinued operations at 1 January 2023 and 2022 and 31 December 2023 and 2022.

24 Deferred tax continued

Group – asset/(liability)	Accelerated capital allowances £m	Visa shares £m	Tax losses £m	IFRS 9 £m	Retirement benefit obligations £m	Other temporary differences £m	Total £m
	2022						
	Continuing operations						
At 1 January	1.9	(3.0)	3.7	35.0	(28.0)	(2.7)	6.9
Charge to the income statement	(0.1)	(0.4)	(3.1)	(4.9)	(0.5)	(1.2)	(10.2)
Credit on other comprehensive income prior to change in UK tax rate	–	–	–	–	16.0	–	16.0
Impact of change in UK tax rate:							
– (charge)/credit to the income statement	(0.2)	0.4	–	(3.8)	(0.2)	0.6	(3.2)
– credit to other comprehensive income	–	–	–	–	5.0	–	5.0
At 31 December	1.6	(3.0)	0.6	26.3	(7.7)	(3.3)	14.5

Deferred tax assets on losses and other temporary differences

At 31 December 2023, there were £32.0m of pre-acquisition carried forward UK tax losses in Snoop for which a deferred tax asset has not been recognised as there are restrictions that apply to the utilisation of pre-acquisition tax losses and therefore the offset against future profits is not sufficiently certain at this stage. No deferred tax asset has been recognised in respect of the Group's capital losses carried forward of £127.4m (2022: £133.1m) as it is not probable that future chargeable gains will be realised against which these losses can be utilised.

An analysis of the deferred tax liability for the Company is set out below:

Company – asset/(liability)	2023 Accelerated capital allowances £m	2023 Tax losses £m	2023 Other temporary differences £m	2023 Retirement benefit obligations £m	2023 Total £m	2022 Accelerated capital allowances £m	2022 Tax losses £m	2022 Other temporary differences £m	2022 Retirement benefit obligations £m	2022 Total £m
At 1 January	**0.4**	**0.5**	**1.5**	**(7.7)**	**(5.3)**	0.4	3.6	1.4	(28.0)	(22.6)
(Charge)/credit to the income statement	**(0.1)**	**(0.5)**	**–**	**(0.3)**	**(0.9)**	–	(3.1)	–	(0.5)	(3.6)
Credit/(charge) on other comprehensive income prior to impact of change in UK tax rate	**–**	**–**	**–**	**(1.5)**	**(1.5)**	–	–	–	16.0	16.0
Impact of change in UK tax rate:										
– credit/(charge) to the income statement	**–**	**–**	**–**	**–**	**–**	–	–	0.1	(0.2)	(0.1)
– Credit/(charge) to other comprehensive income	**–**	**–**	**–**	**(0.1)**	**(0.1)**	–	–	–	5.0	5.0
At 31 December	**0.3**	**–**	**1.5**	**(9.6)**	**(7.8)**	0.4	0.5	1.5	(7.7)	(5.3)

Notes to the financial statements continued

25 Trade and other payables

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Trade payables	7.5	6.0	–	–
Amounts owed to Group undertakings	–	–	228.7	287.6
Other payables including taxation and social security	5.0	4.6	1.2	1.4
Accruals	31.6	52.2	5.5	15.3
Total trade and other payables	**44.1**	**62.8**	**235.4**	**304.3**

The amounts owed to Group undertakings are unsecured and accrue interest at rates linked to SONIA. Included within the amounts owed to Group undertakings is £208.6m (2022: £272.8m) of funding provided from the vehicle finance securitisation via Provident Financial Holdings Limited.

Included within accruals are £4.8m (2022: £1.2m) of Finance Ombudsman Service (FOS) case fees for amounts payable on cases referred to FOS.

26 Provisions

	Group									
	2023					2022				
Provisions	Scheme £m	ROP £m	Customer compliance £m	Others £m	Total £m	Scheme £m	Others £m	Customer compliance £m	Others £m	Total £m
At 1 January	1.2	2.0	1.4	0.6	5.2	53.5	2.1	3.4	13.1	72.1
Created in the year	–	–	10.7	0.3	11.0	2.6	–	1.1	–	3.7
Reclassified in the year	–	–	–	0.6	0.6	–	–	1.6	–	1.6
Utilised in the year	(0.2)	–	(8.4)	(0.2)	(8.8)	(54.9)	(0.1)	(1.5)	(7.5)	(64.0)
Released in the year	–	(2.0)	(0.2)	–	(2.2)	–	–	(3.2)	(5.0)	(8.2)
At 31 December	**1.0**	**–**	**3.5**	**1.3**	**5.8**	1.2	2.0	1.4	0.6	5.2

	Company			
	2023		2022	
Provisions	Scheme £m	Total £m	Scheme £m	Total £m
At 1 January	0.1	0.1	3.5	3.5
Created in the year	–	–	2.6	2.6
Reclassified in the year	–	–	–	–
Utilised in the year	(0.1)	(0.1)	(6.0)	(6.0)
Released in the year	–	–	–	–
At 31 December	**–**	**–**	0.1	0.1

The Scheme of Arrangement (the Scheme): Group: £1.0m (2022: £1.2m); Company: £nil (2022: £0.1m)

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.

Other provisions predominantly include:

ROP provision: £nil (2022: £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 the year.

Customer compliance: £3.5m (2022: £1.4m)

The customer compliance provision relates to general customer compliance matters and includes an element to cover spurious, speculative complaints submitted by claims management companies (see page 135 for further detail).

Other: £1.3m (2022: £0.6m)

This predominantly relates to onerous contracts which originally related to CCD and the dilapidations provisions.

27 Lease liabilities

A maturity analysis of the lease liabilities is shown below:

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Due within one year	**10.7**	11.1	**3.7**	4.4
Due between one and five years	**21.2**	28.7	**5.3**	8.7
Due in more than five years	**12.7**	14.2	**6.4**	5.7
Total	**44.6**	54.0	**15.4**	18.8
Unearned finance cost	**(3.7)**	(4.7)	**(1.8)**	(2.1)
Total lease liabilities	**40.9**	49.3	**13.6**	16.7

Right of use assets are disclosed in note 17.

Lease payments for the Group of £11.2m (2022: £10.3m) include: (i) capital repayments of £10.2m (2022: £9.0m); (ii) interest of £1.0m (2022: £1.2m); and (iii) short-term lease cash outflows of £nil (2022: £0.1m). At 31 December 2023, the Group is also committed to £nil (2022: £nil) for short-term leases. Total cash outflows for the Company amounted to £4.4m (2022: £2.6m) and include: (i) capital repayments of £4.0m (2022: £2.2m); and (ii) interest of £0.4m (2022: £0.4m).

28 Borrowings

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Retail deposits	**1,950.5**	1,100.6	**–**	–
Bank and other borrowings	**583.5**	820.0	**206.7**	370.4
Total	**2,534.0**	1,920.6	**206.7**	370.4
Fair value adjustment for hedged risk	**(1.0)**	(4.6)	**(1.0)**	(4.6)
Total reported borrowings	**2,533.0**	1,916.0	**205.7**	365.8

(a) Facilities and borrowings

A breakdown of borrowings is shown below:

	Group	
	2023 £m	2022 £m
Retail deposits:	**1,924.9**	1,092.2
– accrued interest	**25.6**	8.4
Total retail deposits (note (b))	**1,950.5**	1,100.6
Bank and other borrowings:		
– senior bonds (note (e))	**–**	103.5
– vehicle finance securitisation (note (f))	**200.0**	275.0
– retail bonds (note (g))	**–**	60.0
– Tier 2 (note (h))	**200.0**	200.0
– TFSME (note (i))	**174.0**	174.0
– bank overdrafts	**1.5**	1.0
– accrued interest	**10.8**	10.8
– arrangement fees	**(2.8)**	(4.3)
Total bank and other borrowings	**583.5**	820.0
Total borrowings	**2,534.0**	1,920.6

Notes to the financial statements continued

28 Borrowings continued

(b) Retail deposits

Vanquis Bank Limited is a PRA-regulated bank and is majority funded through retail deposits. As at 31 December 2023, £1,950.5m (2022: £1,100.6m) of primarily term deposits and some notice and easy access account deposits had been taken. The deposits in issue at 31 December 2023 have been issued at rates of between 0.1% and 6%.

A reconciliation of the movement in retail deposits is set out below:

Group	2023 £m	2022 £m
At 1 January	1,100.6	1,018.5
New funds received	1,100.0	330.0
Maturities	(529.6)	(400.5)
Retentions	313.4	155.5
Cancellations	(68.6)	(13.4)
Interest	34.7	10.5
At 31 December	**1,950.5**	1,100.6

(c) Maturity profile borrowings

The maturity of borrowings, together with the maturity of facilities, is as follows:

	2023		2022	
Group	Borrowing facilities available £m	Borrowings £m	Borrowing facilities available £m	Borrowings £m
Repayable:				
On demand (uncommitted)	1.5	1.5	1.0	1.0
In less than one year	1,115.4	1,115.4	966.6	916.6
Between one and two years	803.8	803.8	307.0	307.0
Between two and five years	379.7	379.7	481.1	481.1
In more than five years	200.0	200.0	200.0	200.0
Accrued interest	–	36.4	–	19.2
Arrangement fees	–	(2.8)	–	(4.3)
Total Group	**2,500.4**	**2,534.0**	1,955.7	1,920.6

Borrowings are stated after deducting £2.8m (2022: £4.3m) of unamortised arrangement fees and the addition of accrued interest of £36.4m (2022: £19.2m).

	2023		2022	
Company	Borrowing facilities available £m	Borrowings £m	Borrowing facilities available £m	Borrowings £m
Repayable:				
On demand (uncommitted)	–	–	–	–
In less than one year	–	–	163.5	163.5
Between one and two years	–	–	–	–
Between two and five years	–	–	–	–
In more than five years	200.0	200.0	200.0	200.0
Accrued interest	–	8.2	–	9.3
Arrangement fees	–	(1.5)	–	(2.4)
Total Company	**200.0**	**206.7**	363.5	370.4

As at 31 December 2023, the weighted average period to maturity of the Group's committed facilities, including retail deposits, was 1.8 years (2022: 2.0 years) and for the Company's committed facilities was 8.0 years (2022: 5.2 years). Excluding retail deposits, the weighted average period to maturity of the Group's committed facilities was 3.7 years (2022: 2.9 years).

28 Borrowings continued

(d) Interest rate and currency profile of borrowings

The interest rate exposure on borrowings is as follows:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Fixed	2,157.2	1,471.0	206.7	370.4
Floating	376.8	449.6	–	–
Total	2,534.0	1,920.6	206.7	370.4

All borrowings in 2023 and 2022 are in sterling; therefore, there is no foreign exchange exposure in the current or prior year.

(e) Senior public bonds

On 4 June 2018, the Group issued £250m of five-year fixed-rate bonds carrying a semi-annual coupon of 8.25%. The remaining £103.5m of bonds were repaid in 2023.

(f) Vehicle finance securitisation

The Group renegotiated the bilateral securitisation facility in July 2023, the facility has a 12-month amortisation period (if not re financed) commencing in January 2025 and an ultimate maturity date in January 2026.

(g) Retail bonds

The £60m retail bond issued in 2015 with a rate of 5.125% on the Order Book for Retail Bonds (ORB) platform established by the London Stock Exchange was repaid on its maturity date in October 2023.

(h) Tier 2

On 7 October 2021, the Group issued Tier 2 subordinated bonds for a total amount of £200m. The bonds have a 10.25-year maturity that is callable at the Group's discretion between 5 and 5.25 years, and that pays a coupon of 8.875%. The issuance was written from the Group's £2bn EMTN Programme.

(i) TFSME

In January 2021, Vanquis Bank Limited, via a special purpose entity, issued a series of asset backed floating rate notes as part of the securitisation of credit card receivables. The senior notes issued in the transaction have been rated AAAsf/Aaa(sf)/AAAsf by Fitch Ratings, Kroll Bond Rating Agency and Standard & Poor's, respectively, and the bonds are listed on the London Stock Exchange. The majority of the senior rated notes have been placed as collateral with the Bank of England to support borrowing of £174m from the Bank of England Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) during 2021, at a rate of 21bps over bank rate.

(j) Undrawn committed borrowing facilities

The undrawn committed borrowing facilities at 31 December were as follows:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Expiring within one year	–	50.0	–	–
Expiring within one to two years	–	–	–	–
Expiring in more than two years	–	–	–	–
Total undrawn committed borrowing facilities	–	50.0	–	–

The Group and Company have no undrawn committed borrowing facilities at the end of 2023. In 2022 the Group had undrawn borrowing facilities of £50m, expiring within one year and the Company had £nil of undrawn committed facilities.

Notes to the financial statements continued

28 Borrowings continued

(k) Weighted average interest rates and periods to maturity

The weighted average interest rate and the weighted average period to maturity of the Group and Company's fixed-rate borrowings are as follows:

	Group				Company			
	2023		2022		2023		2022	
	Weighted average interest rate %	Weighted average period to maturity years	Weighted average interest rate %	Weighted average period to maturity years	Weighted average interest rate %	Weighted average period to maturity years	Weighted average interest rate %	Weighted average period to maturity years
Sterling	5.0	1.8	4.1	2.3	8.9	8.0	8.1	5.2

(l) Fair values

The fair values of the Group and Company's borrowings are compared to their book values as follows:

	Group 2023		Company 2023	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Retail deposits	1,950.5	1.916.2	–	–
Bank loans and overdrafts	1.5	1.5	–	–
Securitisation	200.2	200.8	–	–
Tier 2	205.7	184.1	205.7	184.1
TFSME	175.1	175.1	–	–
Total	2,533.0	2,477.7	205.7	184.1

	Group 2022		Company 2022	
	Book value £m	Fair value £m	Book value £m	Fair value £m
Retail deposits	1,100.6	1,068.7	–	–
Bank loans and overdrafts	1.0	1.0	–	–
Senior public bonds	104.0	104.6	104.0	104.6
Retail bonds	60.6	60.0	60.6	60.0
Securitisation	274.9	286.6	–	–
Tier 2	201.2	187.5	201.2	187.5
TFSME	173.7	173.7	–	–
Total	1,916.0	1,882.1	365.8	352.1

All the above numbers include interest, fees and fair value adjustment for hedged risk.

29 Financial instruments

(a) Classification and measurement

The following table sets out the carrying value of the Group's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

	2023			
Group	Items held at FVTPL £m	Amortised cost £m	Non-financial assets/liabilities £m	Total £m
Assets				
Cash and cash equivalents	–	743.3	–	743.3
Amounts receivable from customers	–	2,171.9	–	2,171.9
Trade and other receivables	–	15.1	40.8	55.9
Investments held at fair value through profit and loss	5.4	–	–	5.4
Current tax asset	–	–	8.1	8.1
Property, plant and equipment	–	–	8.1	8.1
Right of use assets	–	–	23.2	23.2
Goodwill	–	–	72.4	72.4
Other intangible assets	–	–	74.4	74.4
Retirement benefit asset	–	–	38.2	38.2
Derivative financial instruments	1.3	–	–	1.3
Deferred tax assets	–	–	6.5	6.5
Total assets	6.7	2,930.3	271.7	3,208.7
Liabilities				
Trade and other payables	–	44.1	–	44.1
Provisions	–	–	5.8	5.8
Lease liabilities	–	40.9	–	40.9
Retail deposits	–	1,950.5	–	1,950.5
Bank and other borrowings	–	582.5	–	582.5
Derivative financial instruments	1.8	–	–	1.8
Total liabilities	1.8	2,618.0	5.8	2,625.6

The carrying value for all financial assets represents the maximum exposure to credit risk.

	2022			
Group	Items held at FVTPL £m	Amortised cost £m	Non-financial assets/liabilities £m	Total £m
Assets				
Cash and cash equivalents	–	464.9	–	464.9
Amounts receivable from customers	–	1,905.4	–	1,905.4
Trade and other receivables	–	29.2	21.4	50.6
Investments held at fair value through profit and loss	10.7	–	–	10.7
Current tax asset	–	–	–	–
Property, plant and equipment	–	–	8.3	8.3
Right of use assets	–	–	32.4	32.4
Goodwill	–	–	71.2	71.2
Other intangible assets	–	–	63.3	63.3
Retirement benefit asset	–	–	30.7	30.7
Derivative financial instruments	11.3	–	–	11.3
Deferred tax assets	–	–	14.5	14.5
Total assets	22.0	2,399.5	241.8	2,663.3
Liabilities				
Trade and other payables	–	62.8	–	62.8
Provisions	–	–	5.2	5.2
Lease liabilities	–	49.3	–	49.3
Retail deposits	–	1,100.6	–	1,100.6
Bank and other borrowings	–	815.4	–	815.4
Derivative financial instruments	15.3	–	–	15.3
Total liabilities	15.3	2,028.1	5.2	2,048.6

Notes to the financial statements continued

29 Financial instruments continued

(a) Classification and measurement continued

Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

	2023			
Company	Items held at FVTPL £m	Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets				
Cash and cash equivalents	–	14.7	–	14.7
Trade and other receivables	–	911.5	3.4	914.9
Property, plant and equipment	–	–	0.7	0.7
Right of use assets	–	–	10.9	10.9
Other intangible assets	–	–	1.7	1.7
Investment in subsidiaries	–	–	241.6	241.6
Retirement benefit asset	–	–	38.2	38.2
Derivative financial instruments	1.0	–	–	1.0
Total assets	1.0	926.2	296.5	1,223.7
Liabilities				
Trade and other payables	–	235.4	–	235.4
Provisions	–	–	–	–
Lease liabilities	–	13.6	–	13.6
Bank and other borrowings	–	205.7	–	205.7
Derivative financial instruments	3.0	–	–	3.0
Current tax liabilities	–	–	3.1	3.1
Deferred tax liabilities	–	–	7.8	7.8
Total liabilities	3.0	454.7	10.9	468.6

	2022			
Company	Items held at FVTPL £m	Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets				
Cash and cash equivalents	–	4.1	–	4.1
Trade and other receivables	–	1,196.0	1.9	1,197.9
Property, plant and equipment	–	–	0.9	0.9
Right of use assets	–	–	12.7	12.7
Other intangible assets	–	–	2.3	2.3
Investment in subsidiaries	–	–	207.4	207.4
Retirement benefit asset	–	–	30.7	30.7
Total assets	–	1,200.1	255.9	1,456.0
Liabilities				
Trade and other payables	–	304.3	–	304.3
Provisions	–	–	0.1	0.1
Lease liabilities	–	16.7	–	16.7
Bank and other borrowings	–	365.8	–	365.8
Derivative financial instruments	15.3	–	–	15.3
Deferred tax liabilities	–	–	5.3	5.3
Total liabilities	15.3	686.8	5.4	707.5

(b) Fair values of financial assets and liabilities held at fair value

The Group and Company hold certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy on the degree to which the fair value is observable.

29 Financial instruments continued

(b) Fair values of financial assets and liabilities held at fair value continued

The following financial assets and liabilities are held at fair value:

	Group						Company					
	2023			2022			2023			2022		
	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m	Level 1 £m	Level 2 £m	Level 3 £m
Investments held at fair value through P&L:												
– Visa Inc shares	–	–	**5.4**	6.1	–	4.6	–	–	–	–	–	–
Derivative held at fair value through P&L:												
– securitisation balance guarantee swap	–	–	**1.3**	–	–	11.3	–	–	–	–	–	–
– Group balance guarantee swap	–	–	**(1.8)**	–	–	(11.9)	–	–	**(1.8)**	–	–	(11.9)
– Tier 2 swap	–	–	–	–	(3.4)	–	–	–	–	–	(3.4)	–
– Internal retail deposit swaps	–	–	–	–	–	–	–	**(0.2)**	–	–	–	–
Total	–	–	**4.9**	6.1	(3.4)	4.0	–	**(0.2)**	**(1.8)**	–	(3.4)	(11.9)

Level 1 fair value measurements are those derived from quoted market prices in active markets for identical assets and liabilities. The Group holds Visa Class A Common Stock in Level 1, which was converted from the preferred stock after the sixth anniversary conversion event. The common stock (35,200 Class A Common shares) was fully sold on 24 February 2023 for $219.13 per share.

Level 2 fair value measurements are those derived from inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly. The Tier 2 Swap and internal deposit swaps, which are over-the-counter vanilla swaps that are not publicly traded, are classified as Level 2 instruments as their valuation can be easily reproduced with publicly available information.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Group holds Visa preferred stock and the balance guarantee swap in Level 3.

The SPV and Group balance guarantee swaps are classed as Level 3 instruments as, whilst the swaps are linked to SONIA, they have a non-standard repayment curve that is tailored to match the expected repayment profile of the vehicle finance receivables. This is a combination of the remaining contractual term and an assumption about prepayment rates. Both of these are deemed to be unobservable inputs with the prepayment rate being the significant input.

Transfers between the different levels of the fair value hierarchy would be made when the inputs used to measure the fair value no longer satisfy the conditions required to be classified in a certain level within the hierarchy. There has been a transfer of £6.1m of Visa Inc shares from Level 3 to Level 1 in 2022, following the conversion and subsequent sale of Class A Common shares.

A 5% movement on the prepayment rate would not have a material impact on the Group's and Company's profit before tax.

Visa Inc shares

The valuation has been determined using a combination of observable and non-observable inputs. As the common stock share price of Visa Inc is readily available, this input is deemed to be observable. However, certain assumptions have been made in respect of the illiquidity adjustment to the share price and the likelihood of future litigation costs. These inputs are therefore deemed to be a significant unobservable input.

The following table sets out their movement during the year:

	Group	
	2023 £m	2022 £m
At 1 January	**10.7**	9.1
Gain recognised in income statement	**0.9**	1.6
Disposal of investment	**(6.2)**	–
At 31 December	**5.4**	10.7

The illiquidity adjustment for the shares still held has been estimated at around 6% and the expected future litigation costs have been estimated at around 15% of the Visa Inc share price. These assumptions are consistent with 2022.

The higher the illiquidity and future litigation costs the lower the fair value. The sensitivity to the unobservable inputs, in isolation, is set out in the table below:

	Group	
	2023 £m	2022 £m
Illiquidity +/-1%	**0.1**	0.1
Future litigation costs +/-1%	**0.1**	0.1

Notes to the financial statements continued

29 Financial instruments continued

(b) Fair values of financial assets and liabilities held at fair value continued

Interest rate swap

The Group is counterparty to three external swaps, two of which were entered into in 2022. Three swaps are detailed below:

– Tier 2 swap: transacted to manage the interest rate risk on the Tier 2 capital;

– SPV balance guarantee swap: transacted to manage the interest rate risk on the vehicle finance securitisation in the SPV's accounts; and

– Group balance guarantee swap: transacted to reverse the interest rate risk position in the Group accounts created by the SPV balance guarantee swap.

The Group balance guarantee swap was transacted at historical rates and, in compensation, the Group received cash consideration for taking on a liability.

The following table sets out the movement during the year:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
At 1 January	(4.0)	3.1	(15.3)	–
Additions at historical rates	–	(11.8)	–	(11.8)
Fair value gain/(loss) recognised in income statement	3.5	4.7	13.3	(3.5)
At 31 December	(0.5)	(4.0)	(2.0)	(15.3)

The fair value gain recognised in the Group's income statement of £3.5m (2022: £4.7m) is before the application of hedge accounting. The effect of applying hedge accounting reduced the gain to £1.1m (2022: £1.6m). The fair value loss recognised in the Company's income statement of £13.3m (2022: £3.6m) is before the application of hedge accounting. The effect of applying hedge accounting resulted in a gain of £9.7m (2022: £0.1m).

The Company accounts do not include the securitisation balance guarantee swap, therefore do not benefit from natural hedging that is achieved on consolidation.

(c) Fair values of financial assets and liabilities not held at fair value

The table below shows the fair value of financial assets and liabilities not presented at fair value in the balance sheet:

	2023		2022	
Group	Fair value £m	Book value £m	Fair value £m	Book value £m
Assets				
Cash and cash equivalents	743.3	743.3	464.9	464.9
Amounts receivable from customers	2,780.5	2,171.9	2,485.8	1,905.4
Trade and other receivables	55.9	55.9	50.6	50.6
Total assets	3,579.7	2,971.1	3,001.3	2,420.9
Liabilities				
Retail deposits	1,916.2	1,950.5	1,068.7	1,100.6
Bank and other borrowings	561.5	582.5	813.4	815.4
Trade and other payables	44.1	44.1	62.8	62.8
Lease liabilities	40.9	40.9	49.3	49.3
Total liabilities	2,562.7	2,618.0	1,994.2	2,028.1

	2023		2022	
Company	Fair value £m	Book value £m	Fair value £m	Book value £m
Assets				
Cash and cash equivalents	14.7	14.7	4.1	4.1
Trade and other receivables	914.9	914.9	1,197.9	1,197.9
Total assets	929.6	929.6	1,202.0	1,202.0
Liabilities				
Bank and other borrowings	184.1	205.7	352.1	365.8
Trade and other payables	235.4	235.4	304.3	304.3
Lease liabilities	13.6	13.6	16.7	16.7
Total liabilities	433.1	454.8	673.1	686.8

29 Financial instruments continued

(c) Fair values of financial assets and liabilities not held at fair value continued

Key considerations in the calculation of fair values of those financial assets and liabilities not presented at fair value in the balance sheet are set out on the next page. Where there is no significant difference between carrying value and fair value no additional information has been presented.

The fair value of amounts receivable from customers has been derived by discounting expected future cash flows (net of collection costs) at the credit risk-adjusted discount rate at the balance sheet date. They are categorised within Level 3 as the expected future cash flows and discount rate are deemed to be significant unobservable inputs.

The fair value of retail deposits has been calculated by discounting the expected future cash flows at the relevant market interest rate yield curves prevailing at the balance sheet date and they are categorised within Level 3 of the fair value hierarchy as the expected future cash flows are deemed to be significant unobservable inputs.

Within bank and other borrowings, the Tier 2 capital, senior public bonds and retail bonds are classed as Level 1 as they are valued within quoted market prices. The TFSME is a floating rate instruments with a fair value equivalent to book value. The fair value of the securitisation was calculated using a discounted cash flow and is classed as Level 3. Whilst it uses publicly available information for the discount rate, the cash flow forecast is not publicly available.

30 Share capital

Group and Company		2023 Issued and fully paid	2022 Issued and fully paid
Ordinary shares of 20 8/11p each	– £m	53.2	52.6
	– number (m)	256.5	253.8

The movement in the number of shares in issue during the year was as follows:

Group and Company	2023 m	2022 m
At 1 January	253.8	253.7
Shares issued pursuant to the exercise/vesting of options and awards	0.1	0.1
Shares issued on acquisition of Snoop	2.6	–
At 31 December	256.5	253.8

The shares issued pursuant to the exercise/vesting of options and awards comprised 54,638 ordinary shares (2022: 140,448) with a nominal value of £11,325 (2022: £29,111) and an aggregate consideration of less than £0.1m (2022: £0.1m).

On 7 August 2023, 2,588,523 ordinary shares with a nominal value of £536,747 were issued as part of the consideration paid in the acquisition of Snoop.

Vanquis Banking Group plc sponsors the Provident Financial plc 2007 Employee Benefit Trust (EBT) which is a discretionary trust established for the benefit of the employees of the Group. The Company has appointed SG Kleinwort Hambros Trust Company (CI) Limited to act as trustee of the EBT. The trustee has waived the right to receive dividends on the shares it holds. As at 31 December 2023, the EBT held 1,869,980 (2022: 2,946,015) shares in the Company with a cost of £0.4m (2022: £0.6m) and a market value of £2.4m (2022: £5.6m). The shares have been acquired by the EBT to meet obligations under the Provident Financial Deferred Bonus Plan, the Restricted Share Plan and the Company Share Option Plan.

31 Share-based payments

The Group issues share options and awards to employees as part of its employee remuneration packages. The Group operates five equity-settled share schemes: the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP), the Company Share Option Plan (CSOP), employees' savings-related share option schemes typically referred to as Save As You Earn schemes (SAYE), and the Deferred Bonus Plan (DBP).

When an equity-settled share option or award is granted, a fair value is calculated based on the share price at grant date, the probability of the option/award vesting, the Group's recent share price volatility, and the risk associated with the option/award. A fair value is calculated based on the value of awards granted and adjusted at each balance sheet date for the probability of vesting against performance conditions.

The fair value of all options/awards is charged to the income statement on a straight-line basis over the vesting period of the underlying option/award.

During 2023, awards/options have been granted under the RSP/CSOP, DBP, LTIS and SAYE (UK) schemes (2022: awards/options have been granted under the RSP/CSOP and SAYE (UK) schemes).

Notes to the financial statements continued

31 Share-based payments continued

(a) Equity-settled schemes

The charge to the income statement in 2023 for equity-settled schemes was £4.6m for the Group (2022: £5.1m) and £2.4m for the Company (2022: £2.9m).

The fair value per award/option granted and the assumptions used in the calculation of the equity-settled share-based payment charges for the Group and the Company are as follows:

	2023				2022		
Group	RSP/CSOP	DBP/PSP	LTIS	SAYE	RSP/CSOP	DBP/PSP	SAYE
Grant date	8 Sep 2023 & 11 Apr 2023	11 Apr 2023	8 Sep 2023	3 Oct 2023	7 Apr 2022	7 Apr 2022	5 Oct 2022
Share price at grant date (£)	1.17 & 2.31	2.31	1.17	1.19	2.89	2.89	1.75
Exercise price (£)	–	–	–	0.87	–	–	1.43
Vesting period (years)	3	3	4	3 and 5	3	3	3 and 5
Expected volatility	–	–	–	52.0%–56.7%	–	–	60.7%–61.9%
Award/option life (years)	3	3	4	Up to 5	3	3	Up to 5
Expected life (years)	3	3	4	Up to 5	3	3	Up to 5
Risk-free rate	–	–	–	4.7%–4.9%	–	–	4.1%–4.2%
Expected dividends expressed as a dividend yield	–	–	–	3.4%–6.9%	–	–	8.6%–10.9%
Fair value per award/option (£)	0.75 & 1.84	1.84	0.75	0.25–0.26	2.59	2.59	0.43–0.51

The expected volatility is based on historical volatility over the last three or five years depending on the length of the option/award. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero coupon UK Government bonds of a similar duration to the life of the share option.

A reconciliation of award/share option movements during the year is shown below:

	RSP/CSOP		DBP		LTIS		SAYE	
Group	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January 2023	5,106,736	–	586,104	–	8,407	–	2,980,151	1.77
Awarded/granted	4,593,575	–	315,661	–	2,821,336	–	4,739,225	0.87
Lapsed	(2,055,397)	–	–	–	(8,407)	–	(1,869,066)	1.73
Vested	(313,610)	–	(237,193)	–	–	–	–	–
Exercised	(851,703)	–	–	–	–	–	(54,638)	1.82
Outstanding at 31 December 2023	6,479,601	–	664,572	–	2,821,336	–	5,795,672	1.04
Exercisable at 31 December 2023	12,870	–	–	–	–	–	38,292	1.65

31 Share-based payments continued

(a) Equity-settled schemes continued

Group	RSP/CSOP Number	RSP/CSOP Weighted average exercise price £	DBP/PSP Number	DBP/PSP Weighted average exercise price £	LTIS Number	LTIS Weighted average exercise price £	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January 2022	3,588,001	—	322,991	—	840,192	—	2,935,310	2.15
Awarded/granted	2,376,546	—	348,911	—	—	—	1,447,968	1.43
Lapsed	(857,811)	—	—	—	(831,785)	—	(1,303,236)	2.24
Vested	—	—	(85,798)	—	—	—	—	—
Exercised	—	—	—	—	—	—	(99,891)	1.83
Outstanding at 31 December 2022	5,106,736	—	586,104	—	8,407	—	2,980,151	1.77
Exercisable at 31 December 2022	—	—	—	—	—	—	20,427	2.04

The amounts included in the RSP/CSOP table reflect the total amount of shares awarded under both schemes.

Share awards outstanding under the LTIS at 31 December 2023 had an exercise price of £nil (2022: £nil) and a weighted average remaining contractual life of 3.8 years (2022: 0.2 years). Share options outstanding under the SAYE schemes at 31 December 2023 had exercise prices ranging from 87p to 323p (2022: 143p to 501p) and a weighted average remaining contractual life of 1.8 years (2022: 1.8 years). Share awards outstanding under the DBP schemes at 31 December 2023 had an exercise price of £nil (2022: £nil) and a weighted average remaining contractual life of 1.4 years (2022: 1.43 years). Share awards outstanding under the RSP at 31 December 2023 have an exercise price of £nil (2022: £nil) and a weighted average remaining contractual life of 1.7 years (2022: 1.7 years). Share awards outstanding under the CSOP schemes at 31 December 2023 had exercise prices ranging from 75p to 334p (2022: 241p to 334p) and a weighted average remaining contractual life of 1.7 years (2022: 1.7 years).

Company	RSP/CSOP Number	RSP/CSOP Weighted average exercise price £	DBP/PSP Number	DBP/PSP Weighted average exercise price £	LTIS Number	LTIS Weighted average exercise price £	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January 2023	3,110,201	—	429,067	—	—	—	510,019	1.74
Awarded/granted	3,099,161	—	315,661	—	—	—	888,996	0.87
Lapsed	(1,360,464)	—	—	—	—	—	(362,957)	1.67
Vested	(117,589)	—	(172,863)	—	—	—	—	—
Exercised	(445,254)	—	—	—	—	—	(17,032)	1.82
Outstanding at 31 December 2023	4,286,055	—	571,865	—	—	—	1,019,026	1.10
Exercisable at 31 December 2023	—	—	—	—	—	—	—	—

Company	RSP/CSOP Number	RSP/CSOP Weighted average exercise price £	DBP/PSP Number	DBP/PSP Weighted average exercise price £	LTIS Number	LTIS Weighted average exercise price £	SAYE Number	SAYE Weighted average exercise price £
Outstanding at 1 January 2022	1,851,182	—	242,170	—	533,449	—	331,032	2.05
Awarded/granted	1,545,768	—	256,204	—	—	—	338,746	1.43
Lapsed	(299,197)	—	—	—	(533,449)	—	(159,759)	2.00
Vested	—	—	(69,307)	—	—	—	—	—
Transferred	12,448	—	—	—	—	—	—	—
Exercised	—	—	—	—	—	—	—	—
Outstanding at 31 December 2022	3,110,201	—	429,067	—	—	—	510,019	1.74
Exercisable at 31 December 2022	—	—	—	—	—	—	—	—

Notes to the financial statements continued

31 Share-based payments continued

(a) Equity-settled schemes continued

Share options outstanding under the SAYE schemes at 31 December 2023 had exercise prices ranging from 87p to 323p (2022: 143p to 323p) and a weighted average remaining contractual life of 1.4 years (2022: 2.2 years). Share awards outstanding under the DBP/PSP schemes at 31 December 2023 had an exercise price of £nil (2022: £nil) and a weighted average remaining contractual life of 1.8 years (2022: 1.5 years). Share awards outstanding under the RSP schemes at 31 December 2023 had an exercise price of £nil (2022: £nil) and a weighted average remaining contractual life of 1.7 years (2022: 1.7 years). Share awards outstanding under the CSOP schemes at 31 December 2023 had exercise prices ranging from 75p to 334p (2022: 241p to 334p) and a weighted average remaining contractual life of 1.7 years (2022: 1.7 years).

32 Other reserves

Group	Profit retained by subsidiary £m	Capital redemption reserve £m	Share-based payment reserve £m	Total other reserves £m
At 1 January 2022	0.8	3.6	5.4	9.8
Share-based payment charge (note 31)	–	–	5.1	5.1
Transfer of share-based payment reserve on vesting of share awards	–	–	(2.5)	(2.5)
At 31 December 2022	0.8	3.6	8.0	12.4
At 1 January 2023	**0.8**	**3.6**	**8.0**	**12.4**
Share-based payment charge (note 31)	**–**	**–**	**4.6**	**4.6**
Transfer of share-based payment reserve on vesting of share awards	**–**	**–**	**(4.9)**	**(4.9)**
At 31 December 2023	**0.8**	**3.6**	**7.7**	**12.1**

The capital redemption reserve represents profits on the redemption of preference shares arising in prior years, together with the capitalisation of the nominal value of shares purchased and cancelled, net of the utilisation of this reserve to capitalise the nominal value of shares issued to satisfy scrip dividend elections.

The share-based payment reserve reflects the corresponding credit entry to the cumulative share-based payment charges made through the income statement as there is no cash cost or reduction in assets from the charges. When options and awards vest, that element of the share-based payment reserve relating to those awards and options is transferred to retained earnings.

Company	Capital redemption reserve £m	Share-based payment reserve £m	Total other reserves £m
At 1 January 2022	3.6	5.4	9.0
Share-based payment charge (note 31)	–	2.9	2.9
Transfer of share-based payment reserve on vesting of share awards	–	(1.4)	(1.4)
Share-based payment movement in investment in subsidiaries	–	1.1	1.1
At 31 December 2022	3.6	8.0	11.6
At 1 January 2023	**3.6**	**8.0**	**11.6**
Share-based payment charge (note 31)	**–**	**2.5**	**2.5**
Transfer of share-based payment reserve on vesting of share awards	**–**	**(2.6)**	**(2.6)**
Share-based payment movement in investment in subsidiaries	**–**	**(0.2)**	**(0.2)**
At 31 December 2023	**3.6**	**7.7**	**11.3**

Company distributable reserves include: (i) retained earnings, adjusted to reflect the unrealised gain on the retirement benefit asset; (ii) share-based payment reserve, net of deferred tax and the IFRIC 11 adjustment; and (iii) merger reserve. The distributable reserves do not include distributable reserves currently held within subsidiary companies.

33 Related party transactions

The Company recharges the pension scheme referred to in note 22 with a proportion of the costs of administration and professional fees incurred by the Company. The total amount recharged during the year was £0.4m (2022: £0.3m) and the Company amount payable to the pension scheme at 31 December 2023 was £0.2m (2022: £0.2m).

Details of the transactions between the Company and its subsidiary undertakings, which comprise management recharges and interest charges on intra-group balances, along with any balances outstanding at 31 December, are set out below:

	2023			2022		
Company	Management recharge £m	Interest credit £m	Outstanding balance £m	Management recharge £m	Interest credit £m	Outstanding balance £m
Vanquis Bank	34.1	(2.6)	37.4	19.9	1.0	114.2
Moneybarn	14.4	–	–	8.5	–	–
CCD	–	–	–	–	–	25.2
Provident Financial Holdings	–	(55.6)	651.7	–	(56.6)	778.0
Other central companies	(15.5)	0.2	62.4	(12.6)	0.3	72.6
Total related party transactions	33.0	(58.0)	751.5	15.8	(55.3)	990.0

The outstanding balance represents the gross intercompany balance receivable to/(payable by) the Company.

During 2022 funds were placed on deposit via Vanquis Bank with the Bank of England. The amount as at 31 December 2023 of £15m (2022: £90m) is included in the amounts receivable from Vanquis Bank.

The outstanding balance represents the gross intercompany balance receivable to/(payable by) the Company. The amounts receivable from Vanquis Bank include £15m (2022: £90m) in relation to amounts placed on deposit via Vanquis Bank, with the Bank of England, the year-end management recharges and Group relief on trading losses which were settled shortly after the year end by Vanquis Bank.

The following facilities are provided from the Company via Provident Financial Holdings (PFH), the intermediate holding company, to its subsidiaries: (i) £684m facility provided to Moneybarn No. 1 Limited and an upwards funding facility of £396m provided from Moneybarn No. 1 Limited to PFH; and (ii) £85m facility to PFG Corporate Services Limited. £50m and £114m facilities were provided directly to PFH from the Company. The intercompany loans accrue interest at the Company's monthly weighted average cost of funds plus a margin.

The net credit (2022: charge) to the income statement for both intercompany and investment provisions in 2023 is £25.9m (2022: £28.8m).

Dividends were received totalling £0.4m in 2023 as part of the CCD pre-liquidation steps before they were placed into members' voluntary liquidation. In 2022 £20.2m of dividends were received in relation to non-trading and dormant companies as part of similar steps. Additionally, in 2022, PFH approved and paid dividends to the Company totalling £95.1m and PFH received equivalent dividends from Vanquis Bank.

There are no transactions with directors other than those disclosed in the Directors' Remuneration Report.

34 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.

Notes to the financial statements continued

35 Reconciliation of (loss)/profit after taxation to cash (used in)/generated from operations

		Group		Company	
	Note	2023 £m	2022 £m	2023 £m	2022 £m
(Loss)/profit after taxation		**(6.0)**	77.4	**34.5**	64.1
Adjusted for:					
– tax charge/(credit)	7	**1.6**	22.0	**3.7**	(4.0)
– finance costs	4	**113.4**	65.0	**57.3**	35.7
– finance income		**(30.3)**	(7.5)	**(90.6)**	(57.2)
– dividends received	33	**–**	–	**(0.4)**	(115.3)
– share-based payment charge	31	**4.6**	5.1	**2.5**	2.9
– retirement benefit (credit)/charge	22	**(0.3)**	(0.5)	**(0.3)**	(0.5)
– amortisation of intangible assets	20	**18.5**	16.0	**0.4**	–
- exceptional impairment of ROU asset		**4.1**	–	**–**	–
– provisions created in the year	26	**11.0**	3.7	**–**	2.6
– provisions released in the year	26	**(0.2)**	–	**–**	–
– exceptional release of provisions	26	**(2.0)**	(8.2)	**–**	–
– provisions utilised in the year	26	**(8.8)**	(64.0)	**(0.1)**	(6.0)
– depreciation of property, plant and equipment and right of use assets	16	**9.1**	12.1	**2.9**	2.9
– loss on disposal of property, plant and equipment	16	**1.3**	0.9	**–**	–
– loss on disposal of intangible assets	20	**0.5**	2.2	**0.5**	–
– provision for investment impairment		**–**	–	**0.4**	29.4
– provision for intercompany impairment		**–**	–	**(26.3)**	(1.8)
– hedge ineffectiveness	23	**–**	–	**–**	(1.1)
– proceeds from derivatives		**–**	11.8	**–**	11.8
– fair value movements on Visa shares	15	**(1.1)**	(1.6)	**–**	–
– contributions into the retirement benefit scheme	22	**(0.8)**	(2.2)	**(0.8)**	(2.2)
Changes in operating assets and liabilities:					
– amounts receivable from customers		**(261.8)**	(226.3)	**–**	–
– trade and other receivables		**(5.8)**	(22.8)	**344.7**	(55.5)
– trade and other payables		**(22.0)**	(31.2)	**(80.4)**	(12.4)
Cash (used in)/generated from operations		**(175.0)**	(148.1)	**248.0**	(106.6)

The increase in amounts receivable from customers of £261.8m (2022: £226.3m) includes the non-cash movement in the impairment provision as set out below.

Group	2023 £m	2022 £m
Cash movement in amounts receivable from customers	**(231.1)**	(217.2)
Non-cash provision movement – allowance account	**(30.7)**	(9.1)
Net movement in amounts receivable from customers	**(261.8)**	(226.3)

35 Reconciliation of profit/(loss) after taxation to cash (used in)/generated from operations continued

The table below details changes in the Group and Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

	2023								
		Cash changes		Non-cash changes					
Group	1 January 2023 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Included within overdrafts £m	Derivatives £m	Lease additions and disposals £m	31 December 2023 £m
Total borrowings (note 28)	(1,916.0)	(576.7)	–	(1.5)	(34.7)	(0.5)	(3.6)	–	(2,533.0)
Lease liabilities (note 27)	(49.3)	–	11.2	–	(1.0)	–	–	(1.8)	(40.9)
Total	(1,965.3)	(576.7)	11.2	(1.5)	(35.7)	(0.5)	(3.6)	(1.8)	(2,573.9)

	2022								
		Cash changes		Non-cash changes					
Group	1 January 2022 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Included within overdrafts £m	Derivatives £m	Lease additions and disposals £m	31 December 2022 £m
Total borrowings (note 28)	(1,863.7)	(41.6)	–	(7.4)	(10.5)	2.6	4.6	–	(1,916.0)
Lease liabilities (note 27)	(58.9)	–	10.8	–	(1.2)	–	–	–	(49.3)
Total	(1,922.6)	(47.4)	10.8	(7.4)	(4.3)	2.6	4.6	–	(1,963.7)

	2023								
		Cash changes		Non-cash changes					
Company	1 January 2023 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Derivatives £m	Included within overdrafts £m	Lease additions and disposals £m	31 December 2023 £m
Total borrowings (note 28)	(365.8)	163.5	–	(0.8)	1.0	(3.6)	–	–	(205.7)
Lease liabilities (note 27)	(16.7)	–	4.4	–	(0.4)	–	–	(0.9)	(13.6)
Total	(382.5)	163.5	4.4	(0.8)	0.6	(3.6)	–	(0.9)	(219.3)

	2022							
		Cash changes		Non-cash changes				
Company	1 January 2022 £m	Financing cash flows £m	Lease payments £m	Amortised fees £m	Interest paid £m	Derivatives £m	Included within overdrafts £m	31 December 2022 £m
Total borrowings (note 28)	(395.3)	30.0	–	(1.5)	(3.6)	4.6	–	(365.8)
Lease liabilities (note 27)	(18.9)	–	2.6	–	(0.4)	–	–	(16.7)
Total	(414.2)	30.0	2.6	(1.5)	(4.0)	4.6	–	(382.5)

36 Post-balance sheet events

There were no post balance sheet events to disclose.

Notes to the financial statements continued

37 Details of subsidiary undertakings

The subsidiary undertakings of the Group at 31 December 2023 are shown below. The Company is the parent or ultimate parent of all subsidiaries and they are all 100% owned by the Group.

Company name	Company number
Registered at No. 1 Godwin Street, Bradford BD1 2SU:	
Provident Financial Holdings Limited	13061852
Provident SPV Limited[1]	12988335
Vanquis Bank Limited[1]	2558509
N&N Simple Financial Solution Limited[1]	3803565
Cheque Exchange Limited[1]	2927947
Provident Investments Limited	4541509
PFG Corporate Services Limited[1]	13423666
Provfin Limited[1]	1879771
Provident Yes Car Credit Limited	4253314
Provident Financial Group Limited	194214
Yes Car Credit Limited	3459042
Aquis Cards Limited	7036307
Provident Financial Trustees (Performance Share Plan) Limited	4625062
Provident Personal Credit Limited[,2]	00146091
Provident Financial Management Services Limited[1,2]	00328933
Greenwood Personal Credit Limited[1,2]	00125150
HT Greenwood Limited[1,2]	00954387

Company name	Company number
Registered at Athena House, Bedford Road, Petersfield, Hampshire GU32 3LJ:	
Moneybarn No. 1 Limited[1]	4496573
Duncton Group Limited[1]	6308608
Moneybarn Group Limited[1]	4525773
Moneybarn Limited[1]	2766324
Registered at 10 Norwich Street, London EC4A 1BD:	
Usnoop Limited[1]	11797870
Registered at 1 Bridgewater Place, Water Lane, Leeds, West Yorkshire, LS11 5QR:	
Provident Limited[2]	00575965
Provident Print Limited[2]	02211204
Provident Family Finance Limited[2]	00912244
Provfin Investments Limited[2]	00953919
Provfin No.1 Limited[2]	00642504
Moneybarn No.4 Limited[1,2]	08582214
Registered at C/O Dwf LLP, 2 Semple Street, Edinburgh EH3 8BL:	
Lawson Fisher Limited	SC004758

1 Companies whose immediate parent is not Vanquis Banking Group plc.
2 As part of the continued rationalisation of the Group these companies have been placed into members voluntary liquidation.

The following companies act as a vehicle to allow the securitisation of the Moneybarn customer receivables and Vanquis Bank Limited's TFSME. These companies are not owned by Vanquis Banking Group plc but form part of the consolidated Group due to meeting the requirements of IFRS 10 'Consolidated Financial Statements'.

Company name	Company number
Registered at 5th Floor, 100 Wood Street, London, England EC2V 7EX:	
Moneybarn Financing Limited	12323134

Company name	Company number
Registered at 5th Floor, 5 Churchill Place, London, England E14 5HU:	
Oban Cards 2021-1 Holdings Limited	12754762
Oban Cards 2021-1 PLC	12757121
Oban Cards Receivables Trustee Limited	12756504

The following subsidiaries are taking an audit exemption and are therefore exempt from the requirement to the audit of accounts under section 479A of the Companies Act 2006.

Company name	Company number
Provident Investments Limited	4541509
N&N Simple Financial Solution Limited	3803565
Provfin Limited	1879771
Provident Yes Car Credit Limited	4253314
Provident Financial Group Limited	194214
Duncton Group Limited	6308608
Moneybarn Group Limited	4525773
Cheque Exchange Limited	2927947
Lawson Fisher Limited	SC004758

On 21 December 2023, the Company sold 12 of their subsidiaries, First Tower (LP) 1 - 12 for consideration equal to their net asset values.

Alternative performance measures

In addition to statutory results and KPIs reported under International Financial Reporting Standards (IFRS), the Group provides certain alternative performance measures (APMs). These APMs are used internally by management and are also deemed helpful in understanding the Group's performance. These non-statutory measures should not be considered as replacements for IFRS measures.

Definitions, numerical reconciliations and relevance of APMs presented within this report are set out below. The definition of these non-statutory measures may not be comparable to similarly titled measures reported by other companies. All the below APMs are on a continuing operations basis.

APM	Method of calculation	Relevance
Adjusted profit before tax	A reconciliation of adjusted profit before tax from statutory (loss)/profit for the year attributable to equity shareholders is provided on the income statement; see page 124.	Adjusted profit before tax for continuing operations excludes the impact of amortisation of acquisition intangibles and exceptional items and is used to provide further clarity on the ongoing, underlying financial performance of the divisions and Group.
Net interest margin (NIM)	Interest income less interest expense for the 12 months ended 31 December as a percentage of average gross receivables.	This measure shows the returns generated from customers to allow comparison to other banks and banking groups.

	2023 £m	2022 £m
Interest income	556.0	491.5
Interest expense	(113.4)	(58.8)
Net interest income	442.6	432.7
Average gross receivables	2,325.0	2,039.4
NIM (%)	19.0%	21.2%

APM	Method of calculation	Relevance
Risk-adjusted margin	Total income less impairment charges for the 12 months ended 31 December as a percentage of average gross receivables.	This measure shows the returns from customers after impairment charges.

	2023 £m	2022 £m
Total income	488.8	480.7
Impairment	(166.1)	(66.1)
Risk-adjusted income	322.7	414.6
Average gross receivables	2,325.0	2,039.4
Risk-adjusted margin (%)	13.9%	20.3%

APM	Method of calculation	Relevance
Asset yield	Interest income received from customers for the 12 months ended 31 December as a percentage of average gross receivables.	This measure shows the returns generated from customer receivables to allow comparison to other banks and banking groups.

	2023 £m	2022 £m
Interest income	556.0	491.5
Less: Non-customer interest income	(30.0)	(7.5)
Customer interest income	526.0	484.0
Average gross receivables	2,325.0	2,039.4
Asset yield (%)	22.6%	23.7%

Alternative performance measures continued

APM	Method of calculation	Relevance
Cost of funds [1]	Interest expense including allocation to discontinued operations, less non funding items, as a percentage of average funding balances. Average funding balances are defined as average principal balances owed to lenders, excluding tier 2 debt capital and capitalised fees for the 13 months ended 31 December 2023.	This measure shows the cost of funding the business (primarily our customer receivables) to allow comparison to other banks and banking groups.

	2023 £m	2022 £m
Interest expense	113.4	58.8
Less: Interest on tier 2	(17.7)	(17.8)
Less: Swap interest	(3.2)	1.2
Less: Fees and IFRS 16 interest	(3.2)	(4.1)
Add back: Discontinued operations	–	6.2
Funding interest	89.3	44.3
Funding balances (average)	2,025.3	1,567.5
Cost of funds (%)	4.4%	2.8%

APM	Method of calculation	Relevance
Cost of risk	Impairment charges for the 12 months ended 31 December as a percentage of average gross receivables.	This measure shows the cost of impairment charges on customer receivables to allow comparison to other banks and banking groups.

	2023 £m	2022 £m
Impairment charges	(166.1)	(66.1)
Average gross receivables	2,325.0	2,039.4
Cost of risk (%)	7.1%	3.2%

APM	Method of calculation	Relevance
Average gross receivables	Average of gross customer interest earning balances for the 13 months ended 31 December.	This is used to smooth the seasonality of receivables across the divisions in calculating performance KPIs.

	2023 £m	2022 £m
Credit cards	1,416.9	1,331.9
Vehicle finance	784.7	656.6
Personal loans	123.1	50.9
Second charge mortgages	0.3	–
Total average gross receivables	2,325.0	2,039.4

APM	Method of calculation	Relevance
Cost:income ratio	Operating costs, excluding exceptional items, as a percentage of total income for the 12 months ended 31 December.	This ratio is a measure of the efficiency of the Group's cost base.

	2023 £m	2022 £m
Total income	488.8	480.7
Operating costs	(297.8)	(288.0)
Cost:income ratio	60.9%	59.9%

APM	Method of calculation	Relevance
Adjusted basic earnings per share (EPS)	Profit after tax, excluding the amortisation of acquisition intangibles and exceptional items, divided by the weighted average number of shares in issue (see note 8 for more details).	This is used to assess the Group's operational performance from continuing operations per ordinary share. It removes the effect of amortisation of acquisition intangibles and exceptional items.
Adjusted return on required equity (RORE)	Adjusted profit after tax for the 12 months ended 31 December as a percentage of the Group's average PRA regulatory capital requirement including PRA buffers for the 13 months ended 31 December.	This demonstrates how well the Group's returns are reinvested and is an indicator of its growth potential.

	2023 £m	2022 £m
Adjusted profit before tax	24.9	126.6
Tax charge	(7.7)	(29.4)
Adjusted profit after tax	17.2	97.2
Average equity requirement	425.5	438.1
RORE	4.0%	22.2%

APM	Method of calculation	Relevance
Adjusted return on tangible equity (ROTE)	Adjusted profit after tax net of fair value gains for the 12 months ended 31 December as a percentage of average adjusted tangible equity for the 13 months ended 31 December. Adjusted tangible equity is stated as equity after deducting the Group's pension asset, net of deferred tax, and the fair value of derivative financial instruments, net of deferred tax less intangible assets and goodwill.	This demonstrates how well the Group's returns are generated from its tangible equity, removing the impact of whether development has occurred through organic or inorganic growth.

	2023 £m	2022 £m
Adjusted profit before tax	24.9	126.6
Tax charge	(7.7)	(29.4)
Net fair value gains	(4.7)	(3.7)
Tax on net fair value gains	1.2	0.7
Adjusted profit after tax net of fair value gains	13.7	94.2
Average tangible equity		
Average equity as per balance sheet	585.2	617.8
Average pension asset	(28.5)	(75.9)
Average deferred tax on pension asset	7.1	19.0
Average derivative financial instruments	8.2	(2.6)
Average deferred tax on derivative financial instruments	(2.1)	0.7
Average adjusted equity	569.9	559.0
Average intangible assets	(67.7)	(55.8)
Average goodwill	(71.7)	(71.2)
Average tangible equity	430.5	432.0
ROTE	3.2%	21.8%

APM	Method of calculation	Relevance
Funding headroom	Committed bank and debt facilities less borrowings on those facilities and amounts committed to further syndicated bank facility reduction, plus available cash and liquid resources (see note 28 for more details).	This represents the difference between the total amount of committed contractual debt facilities provided by banks, bond holders and other lenders and the amount of funds drawn on those facilities plus cash held on deposit.
Liquidity	Liquidity is the sum of all liquid resources held by Vanquis Bank Limited in the Bank of England reserve account, cash held with the relationship banks (net of restricted funds) and available undrawn committed borrowing facilities (in 2022).	
Customer satisfaction	The rate at which surveyed customers were satisfied (or more than satisfied) with the service they have been provided.	
Common Equity Tier 1 (CET1) ratio	The ratio of the Group's CET1 to the Group's risk-weighted assets measured in accordance with the CRR (see page 140 for more details).	The CET1 ratio is a key measure of whether a firm has adequate CET1 to cover the risks associated with its assets.
Total capital ratio (TCR)	The ratio of the Group's total regulatory capital (own funds) to the Group's risk-weighted assets measured in accordance with the CRR.	The total capital ratio is a key measure of whether a firm has adequate total regulatory capital to cover the risks associated with its assets.
Regulatory capital	Common Equity Tier 1 (CET1) capital is the sum of the Group's equity as calculated in accordance with IFRS, an accrued foreseeable dividend and regulatory adjustments. Tier 2 is the sum of capital instruments meeting the criteria for Tier 2 as set out in the Capital Requirements Regulation (CRR). Total available regulatory capital is the sum of these two elements for the Group (as the Group does not hold any additional Tier 1 instruments). The calculation is set out under capital risk management on page 140.	

1 Management has discontinued the use of interest margin in the current year and replaced this with cost of funds. Cost of funds provides a more appropriate measure and calculation of funding the Groups business than the previous measure.
2 In the current year management took the decision to no longer present Return on equity (ROE) or Return on assets (ROA) as they no longer consider them to be appropriate measures of the Group's performance.

Information for shareholders

Share price
The Company's shares are listed on the London Stock Exchange under share code 'VANQ'. The share price is quoted daily in a number of national newspapers and is available on the Group's website at www.vanquisbankinggroup.com.

Tax on dividends
Please refer to HMRC guidance regarding the taxation of dividends paid by the Company.

Registrar
The Company's registrar is:

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Shareholder helpline
For information relating to your shares call:

+44 (0)371 664 0300

Website helpline
For information on using our website call:

+44 (0)371 664 0391

Calls to 0371 are charged at the standard geographic rate and will vary by provider.

Calls outside the United Kingdom are charged at the applicable international rate.

We are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Link Signal Shares
Link Asset Services offers a share portal service which enables registered shareholders to manage their shareholdings quickly and easily online. Once registered for this service, you will have access to your personal shareholding and a range of services including: setting up or amending dividend bank mandates, proxy voting and amending personal details. For further information visit www.signalshares.com.

Link Dividend Reinvestment Plan
Link Asset Services offers a Dividend Reinvestment Plan whereby shareholders can acquire further shares in the Company by using their cash dividends to buy additional shares. For further information contact Link Asset Services:

Telephone: 0371 664 0381
(from within the UK)

Calls are charged at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00am and 5.30pm, Monday to Friday excluding public holidays in England and Wales.

Telephone: +44 371 664 0381
(from outside the UK)

Special requirements
A PDF version of the full Annual Report and Financial Statements is available on our website.

Advisors
Independent auditor
Deloitte LLP
4 Brindley Place
Birmingham
B1 2HZ

Company advisors and stockbrokers
Barclays
2 Churchill Place
Canary Wharf
London
E14 5RB

Numis Securities Limited
10 Paternoster Square
London
EC4M 7DX

Shore Capital
Cassini House
55-59 St. James's Street
London
SW1A 1LD

Fenchurch Advisory Partners LLP
110 Bishopsgate
London
EC2N 4AY

Solicitors
Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ

Herbert Smith Freehills LLP
Exchange House
12 Primrose Street
London
EC2A 2EG

Addleshaw Goddard LLP
Milton Gate
60 Chiswell Street
London
EC1Y 4AG

TLT LLP
1 Redcliff Street
Bristol
BS1 6TP

Company details
Registered office and contact details:

Vanquis Banking Group PLC
No. 1 Godwin Street
Bradford
West Yorkshire
England
BD1 2SU

Telephone:
+44 (0)1274 351 351

Fax:
+44 (0)1274 730 606

Website:
www.vanquisbankinggroup.com

Company number
668987

FSC
www.fsc.org
MIX
Paper from
responsible sources
FSC® C001785

WORLD
LAND
TRUST™
CARBON BALANCED PAPER
www.carbonbalancedpaper.com
CBP024118

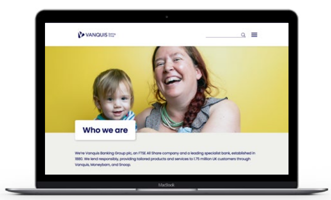
Produced by

designportfolio

Vanquis Banking Group plc's commitment to environmental issues is reflected in this Annual Report, which has been printed on Magno Satin, an FSC® certified material. This document was printed by Park Communications using its environmental print technology, which minimises the impact of printing on the environment, with 99% of dry waste diverted from landfill. Both the printer and the paper mill are registered to ISO 14001.

Vanquis Banking Group
No. 1 Godwin Street
Bradford
BD1 2SU
United Kingdom
+44 (0)1274 351 351

www.vanquisbankinggroup.com
Company number 668987



View and download the online version here:
www.vanquisbankinggroup.com/shareholder-hub/annual-report-2023