Vanquis Banking Group FY 2024 Results

Analyst and Investor Conference Call Speech

Ian McLaughlin, Chief Executive Officer

Dave Watts, Chief Financial Officer

Ian McLaughlin, Chief Executive Officer

Good morning, everyone, I am Ian McLaughlin, Chief Executive of Vanquis Banking Group.
Welcome to our 2024 full year results webcast.
As usual, I am joined by our Chief Financial Officer, Dave Watts - Dave, welcome.

Dave Watts, Chief Financial Officer: Thank you, Ian and good morning, everyone.

Ian McLaughlin, Chief Executive Officer

So, as you can see on slide 2, I am going to kick off with a summary of 2024. Dave will then build on my comments and take you through our performance in more detail and update on the financial guidance we are sharing this morning. I will then come back to outline why the management team, the Board, and I are confident we have the right foundations and strategy in place that will ensure we successfully deliver on our plans for 2025 and beyond.

We will then be happy to take your questions. So, if I can take you to slide 4.

Strategic transformation of the bank on track

2024 – a pivotal year for the bank, despite headwinds

We have:

1. Implemented changes required for sustainable performance.
2. Refreshed our strategy, enhanced our customer proposition and simplified the organisation.
3. Managed new business growth.
4. Delivered more transformation cost savings than committed.
5. Seen customers remain resilient, with improving underlying credit quality.

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2024 was a pivotal year in the turnaround of Vanquis - and the strategic transformation of the bank is well progressed. We did face significant challenges – both from industry-wide headwinds and from some company-specific issues that were identified and then resolved. But we have made meaningful changes that are already showing through in our results and that leave us well positioned for long-term, sustainable profitability.

Resolving the issues that needed to be addressed did come at a financial cost. However, after completing the comprehensive balance sheet review that we undertook and discussed at our half year results, we are now confident that we have a much cleaner, and much less risky business from which we will grow profitably. While we moderated new business growth by more than we'd originally planned to in 2024, we are now back to growth and expect that to continue through 2025 and beyond.

At this stage of a turnaround, demonstrating cost discipline is critical and we delivered ahead of what we had committed to on cost savings – achieving just over £64 million in savings by the end of 2024 against our original commitment of £60 million. We have already completed the actions to deliver the further £15 million of cost savings that we committed to this year so are in a very strong position there. On top of that, we will deliver an additional £23 to £28 million of savings through the Gateway technology transformation programme. (I'll talk about Gateway in more detail later.)
Add all that up and you get to around £100 million of transformation cost savings by the time we have executed this phase of our strategic plan.

2024 Performance vs. Commitments

Financial performance impacted by challenges, but achieved guidance from 1H24 results

	Guidance and Commitments	Performance
Net Interest Margin (NIM)[16] (Including Second Charge Mortgages (2CM))	>18%	18.4% (18.9% excluding 2CM)
Adjusted cost: income ratio[20]	62-65%	65.9% (64.2% ex. fraud costs transfer*)
Adjusted Return on Tangible Equity (ROTE)[9]	Loss for 2024	Loss (7.0)%
Tier 1 ratio[10]	18.5–19.5%	18.8%
Retail funding (% of all funding)[13]	>85%	92.1%

* Adjusted operating costs include a full year representation of £6.0m of fraud costs from impairment in Q424. Excluding this, adjusted cost: income ratio would have been 64.2%.

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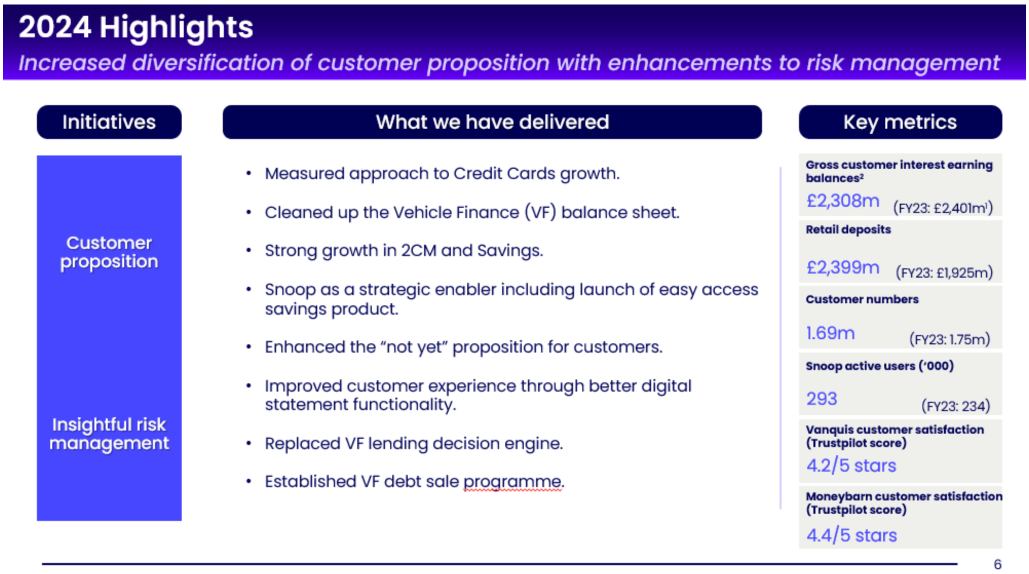
Turning now to slide 5 and a summary of our financial performance for the year. Having reset guidance at our half year results, our adjusted performance in the second half was in line with the commitments that we made.

Our net interest margin, at 18.4%, benefited from the repricing activities that we took in both Credit Cards and Vehicle Finance. Higher growth in Second Charge Mortgages, is a good thing, but as we've previously noted, given its lower risk profile, is written at a lower NIM than the rest of our book. Excluding Second Charge Mortgages, our NIM increased 30 basis points year on year to 18.9%

After allowing for a reallocation of fraud costs, our adjusted cost: income ratio at 64.2% was within the guided range of 62 to 65%.

The adjusted return on tangible equity for the year was negative 7%, equating to a loss before tax of £34.8 million. The Vehicle Finance receivables review, other one-off items and increased complaint costs were meaningful drivers of this loss – all of which we covered with you at our half-year results. These impacts meant that we were prudent with our management of growth, and our interest earning balances ended down the year 4%. However, this trend reversed in the fourth quarter where we saw our balances grow again, up 2% compared to the end of September.

Our Tier 1 capital ratio ended the year at 18.8%, so within our guided range, and our capital levels support our growth plans. And finally, our retail funding increased significantly to more than 92% of our total group funding. This is a core strength of Vanquis now.



Turning now to some of the operational highlights across our five key initiatives that we have discussed with you previously. I will start with "Customer Proposition" and "Insightful Risk Management" as you can see there on slide 6.

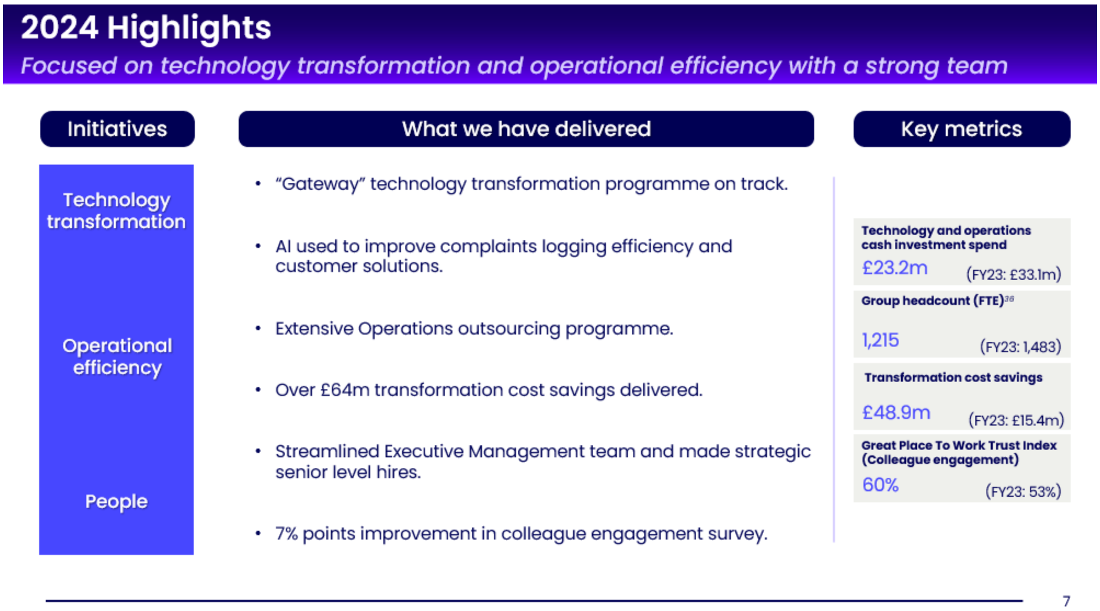
Within Credit Cards, we adopted a measured approach to growth during the year. We've conducted detailed vintage analysis of our cards book and are now focusing on acquiring, retaining and developing our most engaged customers. We've exited unprofitable origination channels and implemented a much more robust approach to pricing based on this improved analysis of the risk profile of our customer cohorts.

In Vehicle Finance, the review we conducted has given us a much clearer understanding of the credit profile of this portfolio. And we've meaningfully diversified our overall product propositions through growth in Second Charge Mortgages and expansion in our Savings range. On Savings, we are now offering customers more flexibility, with retail notice accounts and easy-access products, including an innovative new savings product through Snoop.

Speaking of Snoop, it continues to be a strategic enabler for us. As well as good growth in customer numbers, we are deploying the Snoop team and technology across the wider Vanquis business. Active Snoop users are up 25%, with 13% of Vanquis customers now also active users – that's doubled year on year, and they are now benefiting from savings and budgeting tools and the new Snoop credit score feature. Snoop is also a core component of our "not yet" customer proposition.

Just to remind you – our "not yet" proposition refers to our strategy of identifying potential customers who may not be immediately eligible for our products, but who could be in the future. So, instead of declining them outright, we are focusing on finding ways to support them with money management tools through Snoop, or through referrals to previously announced partnerships with trusted partners like H&T Pawnbrokers and, more recently, Fair Finance. By providing options to help them improve their financial wellbeing and resilience, we build loyalty with them and create long-term customer relationships.

Digitisation of our customer proposition is essential, and we have a lot more to do in this area. The launch of the new mobile app in mid-2025 will really enhance digital customer engagement, but to two examples of what we have started in 2024, are the enhanced digital statement functionality for our customers and the integration of Snoop's bill switching capability into the Vanquis app. As well as making us more efficient, these sort of initiatives underpin customer satisfaction and this is reflected in our 4.2 out of 5 Trustpilot score for Vanquis and 4.4 out of 5 for Moneybarn. Both of these represent a "Great" rating for the brands - clearly showing that our customers genuinely value what we do for them.



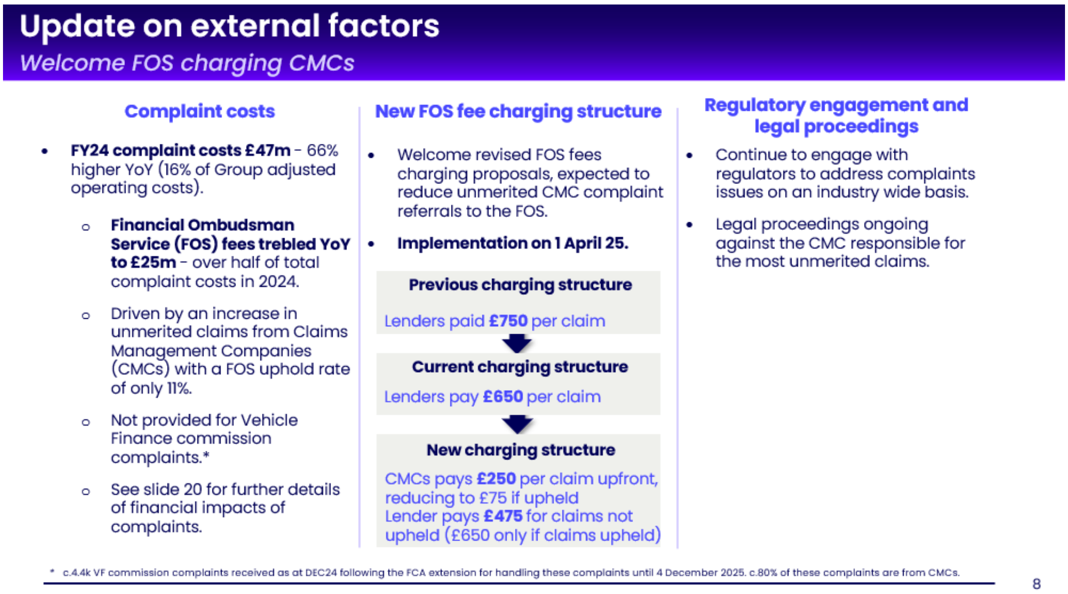
Turning now to our remaining three key initiatives – so "Technology Transformation", "Operational Efficiency" and the "People" agenda as you can see on slide 7.

Importantly, as I said earlier, "Gateway" (our technology transformation programme) is on track. We're rolling out this programme in carefully planned phases and delivery to date includes putting in place a single customer contact centre platform; and the migration of all colleagues across the Group onto one IT platform, which enables easier collaboration and better customer outcomes.

Artificial Intelligence is a key part of our technology agenda too, and Gateway enables this. I'll give you two examples of what we already have live. We've automated our complaints logging using AI and that means we have meaningfully reduced handling costs and the backlog of complaints, which were down over 60% year-on-year; and we've developed AI-driven customer solutions through our Snoop open banking proposition, providing personalised insights to help our customers save money and improve their overall financial well-being.

Turning to our People agenda: as we exited 2024, we have completed an extensive outsourcing programme which now gives us access to a skilled team of 900 people in South Africa, and we can flex this capacity as required. This allowed us to reduce our UK headcount by 18%, lowering staff costs by £25 million year-over-year. (That cost saving is included in the total cost save numbers that I referenced earlier). We have streamlined our ExCo from 13 to 9, but we also made 22 senior-level hires and internal promotions into leadership roles across key business areas for us like credit, products and risk.

Despite the scale of transformation delivered in 2024 and the tough decisions we've had to make that have impacted our people, our colleague engagement has improved. Our 'Great Place to Work Trust Index', which we conducted near the end of the year and which measures colleague engagement, increased from 53 to 60%. We have a way to go still but that is a significant step forward in what was a very intense and challenging year for our people. We were also pleased to be ranked in the top decile of the "Financial Times UK Best Employer Survey" for 2024. We know we've more to do, but these are encouraging indicators.



Before I hand to Dave to run you through the financial performance in more detail for 2024, I did want to comment directly on two external factors that you know have been an overhang for us.

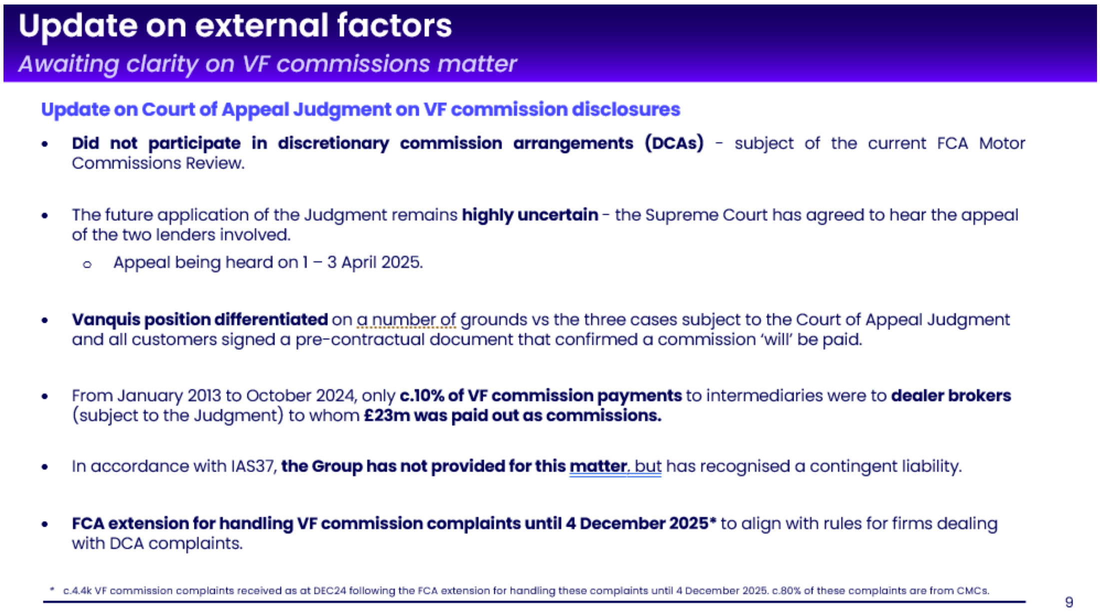
Let me start with the latest on complaints - you can see this on slide 8. We have previously updated that complaint costs have been a material drag on the financial performance of Vanquis through 2024. At an eye-watering £47.4 million, the cost of complaints increased 66% year-on-year and represented 16% of the overall Group adjusted cost base. Within this, FOS fees tripled year-over-year to £25 million, representing over half of our total complaint costs.

The key driver of this, as we've described before, was the flood of unmerited claims from CMCs (claims management companies), which is clear from the numbers - only 11% of complaints submitted to the FOS by CMCs were actually upheld against Vanquis last year. So, while roughly 9 in 10 CMC submitted FOS complaints were deemed unmerited and not upheld, we still had to pay the £650 fee for all 10 out of 10, plus having to absorb our own administration costs. That is not how this system is meant to work. As well as dramatically increasing our costs, this slows us up in dealing with genuine complaints and that is bad for customers. This is wrong and it needs to be fixed.

As part of that fix, we welcome the new FOS fee charging proposals for CMCs, which come into effect on 1 April this year. We expect this change to meaningfully reduce the volumes of unmerited complaints that CMCs submit, given the £250 charge per claim that they will then carry. While we do applaud the FOS introducing the £250 CMC charge, it is not enough as we, the lender, will still continue to pay a fee of £475 for each claim even when it is not upheld against us.

We ultimately believe the FOS plays an important role in resolving customer disputes, but we need to ensure that the mechanics of how this works are fair for all involved. We will continue to engage with regulators to address complaint issues on an industry wide basis, including the fair and proper assessment of CMC activities and their regulatory compliance.

Also, to note we are progressing our Court case against TMS Legal - the CMC responsible for the highest number of unmerited claims against us. We will provide a progress update on this later in the year.



Turning to the second overhang, which since the end of October has been the Court of Appeal Judgment with respect to motor finance commission disclosures. The latest position for Vanquis is summarised for you on slide 9.

There are three very important points that I want to draw out on this. Firstly, I want to stress again that Vanquis never operated discretionary commission arrangements. As a result, we're not in scope of the current FCA Motor Commissions Review.

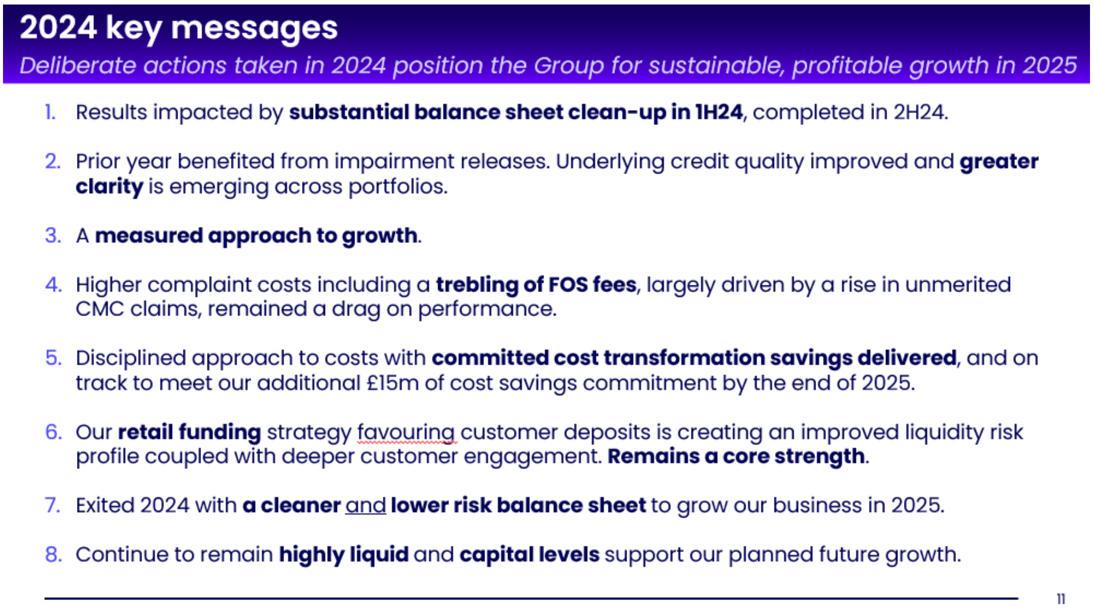
Secondly, in relation to the Court of Appeal ruling and the pending Supreme Court appeal process, we believe that our position is substantially differentiated on a number of grounds compared to the three cases that were the subject of the CoA Judgment. This includes the fact all of our customers signed a pre-contractual document that confirmed a commission "will" be paid. Not "might be paid", not "may be", but "will be".

Thirdly, 90% of our Vehicle Finance volumes were through independent brokers who were not directly linked to the car dealership and therefore fall outside the scope of the CoA Judgment on unfair relationships. That obviously leaves 10% of our business which was through 'dealer brokers' who are in scope of the Court of Appeal Judgment. The total commission payments potentially in scope, which were paid out by Vanquis to 'dealer brokers' from the start of 2013 to October 2024, totalled £23m.

Given this and the levels of uncertainty, the Group has not provided for this matter but has recognised a contingent liability in line with the accounting standard and agreed with our auditors and Board.

In conclusion, we hope for more certainty on the future application of the Judgment from the Supreme Court in the summer but in the meantime, I hope that is helpful clarification on the actual Vanquis position.

Right, I will come back to close, but for now, I will hand over to Dave, who will run through the 2024 financials and update you on our financial guidance.



Dave Watts, Chief Financial Officer

Thank you, Ian. I am going to build on, some of the key points, that Ian has made. Slide 11 summarises my headlines, for 2024, before I go into more detail, later.

Our financial performance was adversely impacted by the balance sheet review undertaken in 2024. This review accounted for £24 million pounds of the loss recorded in the first half of the year, and £7 million pounds of the loss recorded in the second half of the year as the review was completed. When looking at year-on-year performance, I would like to remind you that 2023 saw £75 million pounds of impairment provision releases.

Underlying credit quality has improved year-on-year. With the balance sheet review now complete greater clarity on our portfolios has emerged, providing us with confidence in our growth plans from a credit risk perspective.

Complaint costs were a material drag. However, focused cost management and over delivery, on transformation cost savings meant adjusted operating costs were 1% lower year-on-year.
A key highlight is our successful retail funding strategy. This now comprises over 92% of our total funding.

Around 40% of our retail funding is in notice and easy-access accounts, improving our pricing flexibility as interest rates change.

Our actions in 2024 have delivered a cleaner, lower-risk, balance sheet with strong liquidity and capital positions to support our planned growth in 2025 and beyond.

FY24 Group performance

Performance reflects the operational turnaround of the business

Receivables	DEC24 £m	DEC23[1] £m	Change %
Gross customer interest earning balances[2]	2,308	2,401	(4)%
Gross receivables[7]	2,416	2,739	(12)%
Net receivables[8]	2,155	2,159	-

Income Statement	FY24 £m	FY23[1] £m	Change %
Net interest income	420.0	442.6	(5)%
Non-interest income	38.5	46.2	(17)%
Total income	**458.5**	**488.8**	**(6)%**
Impairment charges	(191.0)	(165.5)	15%
Risk-adjusted income	**267.5**	**323.3**	**(17)%**
Adjusted operating costs[3]	(302.3)	(306.0)	(1)%
Adjusted (loss)/profit before tax[4]	**(34.8)**	**17.3**	
Adjusting items[5]	(101.5)	(29.3)	
Statutory loss before tax	**(136.3)**	**(12.0)**	
Tax credit	17.0	0.3	
Statutory loss after tax	**(119.3)**	**(11.7)**	

One-off items[6]	1H24 £m	2H24 £m	FY24 £m	FY23[1] £m
Vehicle Finance receivables review	**(12.8)**	**(6.8)**	**(19.6)**	**(7.6)**
Other one-off items:				
Fixed and intangible asset write-off	(8.8)	-	**(8.8)**	-
Property dilapidations	(5.0)	-	**(5.0)**	-
Sundry balances	2.3	(0.6)	**1.7**	-
One-off items	**(11.5)**	**(0.6)**	**(12.1)**	**-**
Total one-off items	**(24.3)**	**(7.4)**	**(31.7)**	**(7.6)**

- **Gross customer interest earning balances** reduction reflected volume management in unsecured products partially offset by 2CM growth.
- **Stable net receivables** given greater proportion of Stage 1 VF receivables and lower-risk 2CM growth.
- **Cleaner, derisked balance sheet** following VF receivables review and addressing one-off items (£31.7m adjusted loss before tax impact).
- **Net interest income** impacted by higher funding costs and lower balances, partially offset by repricing and increased Liquid Asset Buffer (LAB) income.
- **Impairment charges** impacted by VF receivables review and non-repeat of £74.5m of prior year releases. Underlying credit quality improved.
- **Adjusted operating costs** reduced, with transformation cost savings partially offset by higher complaints and one-off items.
- **Adjusted loss before tax** also impacted by a £18.8m YoY rise in complaint costs driven by a three-fold increase in FOS fees to £24.8m, largely from a rise in unmerited CMC claims.
- **Statutory loss before tax** included £(101.5)m of adjusting items, incorporating a £(71.2)m goodwill write-off (no capital impact).
  - Goodwill write-off related to strategic capital allocation decisions in the near-term.

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As shown on Slide 12, our 2024 results were materially impacted by the operational turnaround of the business.

Adjusted loss before tax was £34.8 million pounds; £26.8 million pounds in the first half of the year, reducing to £8 million pounds in the second half. Statutory loss before tax was £119.3 million pounds. This included a £71.2 million pounds goodwill write-off related to the Moneybarn business.

This goodwill write-off has no capital impact and is unrelated to either the Vehicle Finance receivables review or the Court of Appeal Judgment. This simply reflects our near-term focus on growing Second Charge Mortgages and Credit Cards, while we develop new Vehicle Finance solutions on our Gateway infrastructure.

FY24 Group key performance metrics

Profitability metrics impacted by the operational turnaround, with strong balance sheet metrics

	FY24 £m	FY23[1] £m	Change %
Selected key metrics			
Asset yield[14]	22.7%	22.1%	0.6%
Net interest margin (NIM)[16]	**18.4%**	**18.6%**	**(0.2)%**
Total income margin (TIM)[17]	20.1%	20.6%	(0.5)%
Cost of risk[18]	(8.4)%	(7.0)%	1.4%
Risk-adjusted margin (RAM)[19]	11.7%	13.6%	(1.9)%
Adjusted cost: income ratio[20]	**65.9%**	**62.6%**	**3.3%**
Average tangible equity (£)	377	418	(10)%
Adjusted ROTE[9]	**(7.0)%**	**1.9%**	
Adjusted earnings per share (EPS) (p)[21]	(9.7)	4.5	
Dividend per share (p)	-	6.0	(100)%
	DEC24 £m	**DEC23[1] £m**	**Change %**
Capital, liquidity, funding and balance sheet metrics			
Tier 1 ratio[10]	**18.8%**	**19.9%**	**(1.1)%**
Risk weighted assets (RWA)[41]	1,835	1,976	(7)%
High quality liquid assets (HQLA) (£m)[11]	947	682	39%
Liquidity coverage ratio (LCR)[39]	359%	1,263%	
Retail deposits	2,399	1,925	25%
Retail funding (% of all funding)[13]	**92.1%**	**83.7%**	**8.4%**
Tangible net asset value (TNAV)	359	394	(9)%
TNAV per share (p)[22]	140	155	(10)%

- **Asset yield** increased from Credit Cards and VF repricing to improve profitability of certain customer cohorts.
- **NIM** impacted by growth in 2CM, partially offset by repricing.
- **Excluding 2CM, NIM** increased to 18.9% (2023: 18.6%).
- **Adjusted ROTE** impacted by the VF receivables review, one-off items and higher complaint costs.
- **Tier 1 capital ratio** reduction due to the statutory loss, partially offset by a 7% RWA reduction.
- **Liquidity and funding** remained strong, with increased retail funding and early settlement of all TFSME debt.
- **Retail deposits** growth driven by more flexible notice and easy access accounts.

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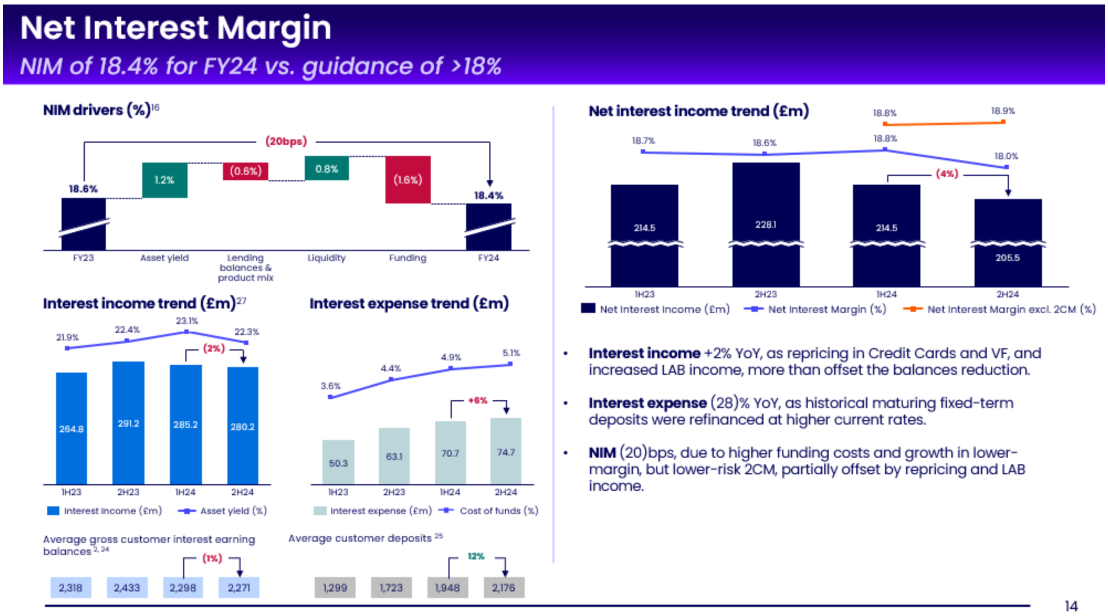
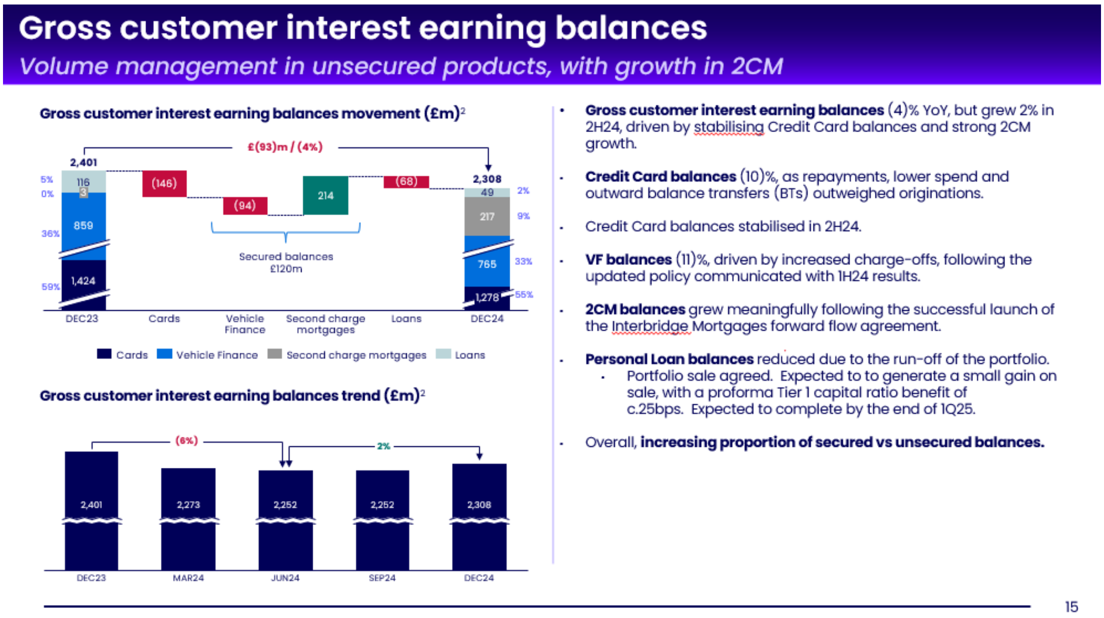
Our key performance metrics are set out on Slide 13. The adjusted loss after tax of £24.8 million pounds drove a Return on Tangible Equity of negative 7%. On the plus side asset yield, increased by 60 basis points, year-on-year.

Net Interest Margin, or NIM, only reduced by 20 basis points to 18.4%, despite the dilution from growing lower-margin, lower-risk Second Charge Mortgages. Excluding this, NIM increased by 30 basis points to 18.9%.



The key NIM drivers are set out on Slide 14. Asset yield improvement added 1.2% while higher income, from the Liquid Asset Buffer, added 0.8%. A 4% reduction in gross interest-earning balances coupled with a higher proportion of Second Charge Mortgages reduced NIM by 0.6%, while increased funding costs reduced NIM by 1.6%.

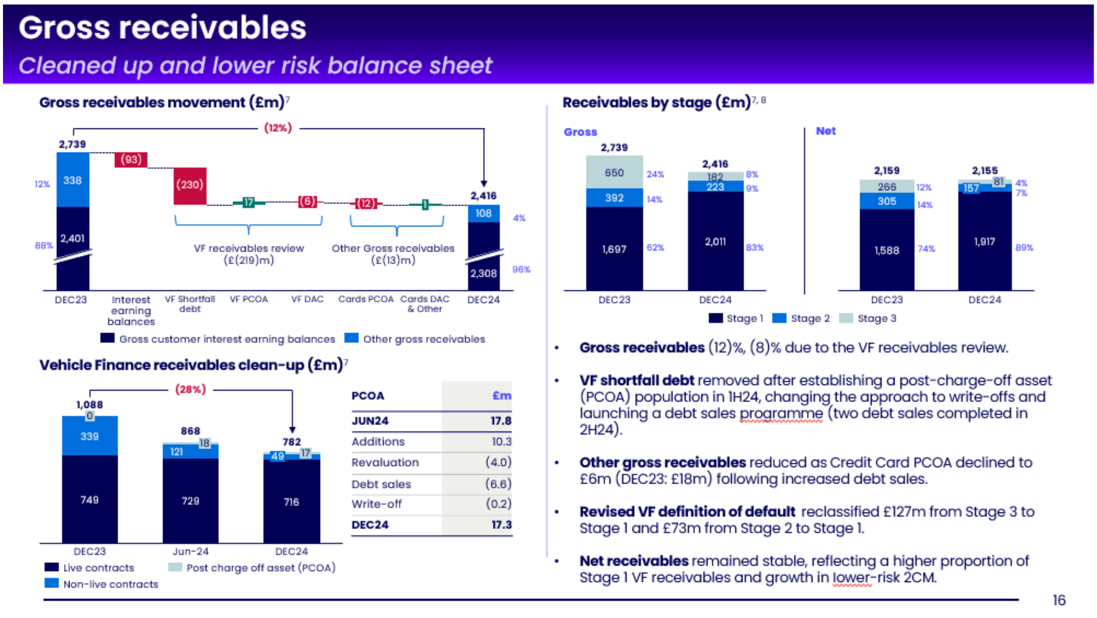
Net interest income reduced by 4% in the second half of 2024 compared to the first half. NIM increased marginally, half on half, when stripping out the dilutive impact of Second Charge Mortgage growth.



Slide 15 details our gross customer, interest-earning balances which reduced 4% year-on-year. Credit Card balances reduced by 10%, mainly in the first half of 2024, but stabilized in the second half due to proactive growth actions. Vehicle Finance balances reduced by 11% due to increased Stage 3 charge-offs, following the receivables review that we have already talked about.

Personal loan balances declined by £68 million pounds as the portfolio ran off. The Group has now agreed a sale of the Personal Loans portfolio. This is expected to generate a small gain on sale and a Tier 1 capital ratio benefit of circa 25 basis points. This sale is expected to complete by the end of the month.

Second Charge Mortgage balances grew by £214 million pounds, mainly in the second half of the year. This followed the expansion of long-term forward-flow arrangements, agreed with our partners in May. Overall, we ended the year with receivables growing and a higher proportion in secured products.



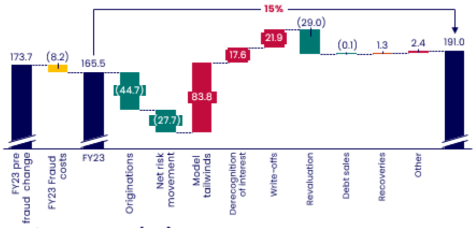
Slide 16 highlights the clean-up and the reducing risk profile of the balance sheet. Gross receivables fell 12% year-on-year, mainly due to the £219 million pound reduction from the Vehicle Finance receivables review. A new Vehicle Finance charge-off policy has been implemented. Two debt sales were completed in the second half of the year, and further debt sales are planned in 2025. This progress is in line with the established Credit Card debt sales programme, where further sales have reduced the Credit Card post-charge-off asset to only £6 million pounds.

You should note that, while Vehicle Finance gross receivables fell 28% in the year, ‘live’ contract balances declined just 4%. This compares with the 86% decline for ‘non-live’ contract balances. Across the portfolios, the mix of receivables has improved with a much higher share in Stage 1 and significantly fewer receivables in Stages 2 and 3. The improved quality of receivables is most notable in Vehicle Finance, due to the actions already covered but also due to a revised definition of default that re-classified approximately £200 million pounds of receivables to Stage 1. Overall net receivables have remained flat year-on-year, as a lower Expected Credit Loss provision is required on Stage 1 balances which have increased.

Impairment charges

Underlying credit quality improvements, with prior years benefiting from provision releases

Impairment charge movement (£m)



Impairment charge (£m)

	FY24 £m	FY23[1] £m	Change %
Originations	45.7	90.4	(49)%
Net risk movement	150.3	178.0	(16)%
PMA & model redevelopment[29]	9.3	(74.5)	(112)%
Derecognition of Stage 3 interest[28]	(22.5)	(40.1)	(44)%
Write-offs[31]	57.1	35.2	62%
Revaluation of PCOA[32]	(25.0)	4.0	
Debt sales[30]	(17.5)	(17.4)	1%
Recoveries	(6.1)	(7.4)	(18)%
Other[33]	(0.3)	(2.7)	(39)%
Impairment charge	**191.0**	**165.5**	**15%**
Cost of risk[18]	8.4%	7.0%	1.4%

- **Non-repeat of provision releases** following profitable tailwinds from IFRS9 model enhancements and PMA releases in 2023 (£74.5m) and earlier years.
- **Lower origination charges** due to reduced, better-quality new business volumes.
- **Credit risk** in the underlying back-book improved with positive stage migrations.
- **Reduced Stage 3 interest derecognition** and **higher write-offs** reflected the new VF PCOA policy, lowering the risk profile of the portfolio.
- **FY24 Revaluation of PCOA** included the creation of the new VF PCOA policy at 1H24.
- Following the VF receivables review and clearer understanding of the portfolios, **expected cost of risk** by product is:
  - Credit Cards: 10-14%
  - Vehicle Finance: 4-6%
  - 2CM: <1%

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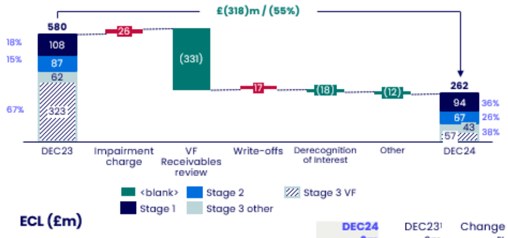
Slide 17 summarises the year-on-year, impairment charge movement. Impairment rose 15% due to the non-repeat of IFRS9 model enhancements and other provision releases totaling £75 million pounds in 2023. Impairment from new originations fell 49% driven by lower, new business volumes and higher-quality balances.

'Back-book' credit risk improved leading to positive Stage migrations and further impairment reductions. Following the clean-up actions taken in 2024 we now have a clearer understanding of our portfolios, giving us more confidence to guide on the expected cost of risk by product, as set out on the slide.

Expected Credit Losses (ECL)

Lower ECL required following the VF receivables review

ECL movement (£m)



ECL (£m)

	DEC24 £m	DEC23[1] £m	Change %
ECL brought forward	**580**	**604**	**(4)%**
Impairment charge	191	166	15%
Impairment charge movements not impacting ECL:			
VF receivables review	(331)	-	-
Write-off[31]	(209)	(226)	(7)%
Derecognition of Stage 3 interest[28]	23	40	(43)%
Other[33]	8	(4)	
ECL carried forward	**262**	**580**	**(55)%**
Gross receivables[7]	2,416	2,739	(12)%
Net receivables[8]	2,155	2,159	-
Coverage ratio[23]	10.8%	21.2%	(10.4)%

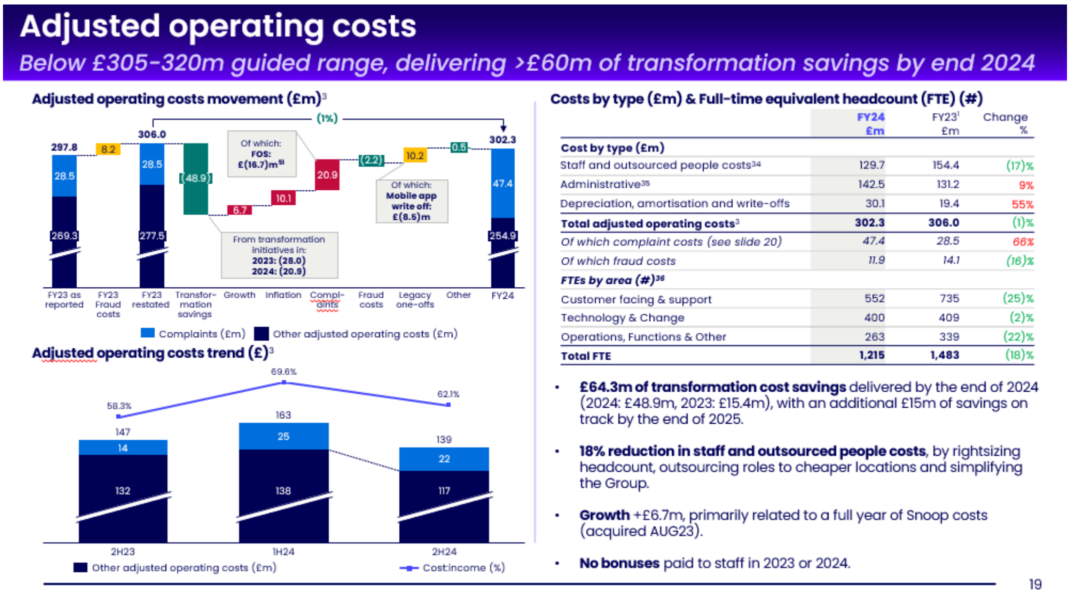
Gross receivables and coverage ratios by stage

	Gross receivables[7]			Coverage ratio[23]		
	DEC24 £m	DEC23[1] £m	Change %	DEC24 %	DEC23[1] %	Change %
Credit Cards	***1,310***	***1,475***	***(11)%***	***12.2***	***13.4***	**(1.2)%**
Stage 1	*1,136*	*1,200*	*(5)%*	*6.4*	*7.1*	(0.7)%
Stage 2	*100*	*161*	*(38)%*	*44.8*	*35.7*	9.1%
Stage 3	*74*	*114*	*(35)%*	*57.1*	*48.1*	9.0%
Vehicle Finance	***832***	***1,144***	***(27)%***	***11.6***	***32.2***	**(20.6)%**
Stage 1	*607*	*391*	*55%*	*3.0*	*4.6*	(1.6)%
Stage 2	*120*	*225*	*(47)%*	*17.9*	*12.0*	5.9%
Stage 3	*105*	*528*	*(80)%*	*53.8*	*61.2*	(7.4)%
Total	**2,416**	**2,739**	**(12)%**	**10.8**	**21.2**	**(10.4)%**
Stage 1	2,011	1,697	19%	4.7	6.4	(1.7)%
Stage 2	223	392	(43)%	30.1	22.2	7.9%
Stage 3	182	650	(72)%	55.2	59.1	(3.9)%

- **VF Stage 3 ECL** reduced to 21% of total ECL (DEC23: 56%).
- **Other Stage 3 ECL** fell due to increased Credit Card debt sales.
- **Total coverage ratio** reduced given lower Stage 2 and 3 gross receivables, and greater clarity on the ECL of VF and Credit Cards.
- Comfortable with current coverage ratios based on a clearer understanding of the portfolios.

18

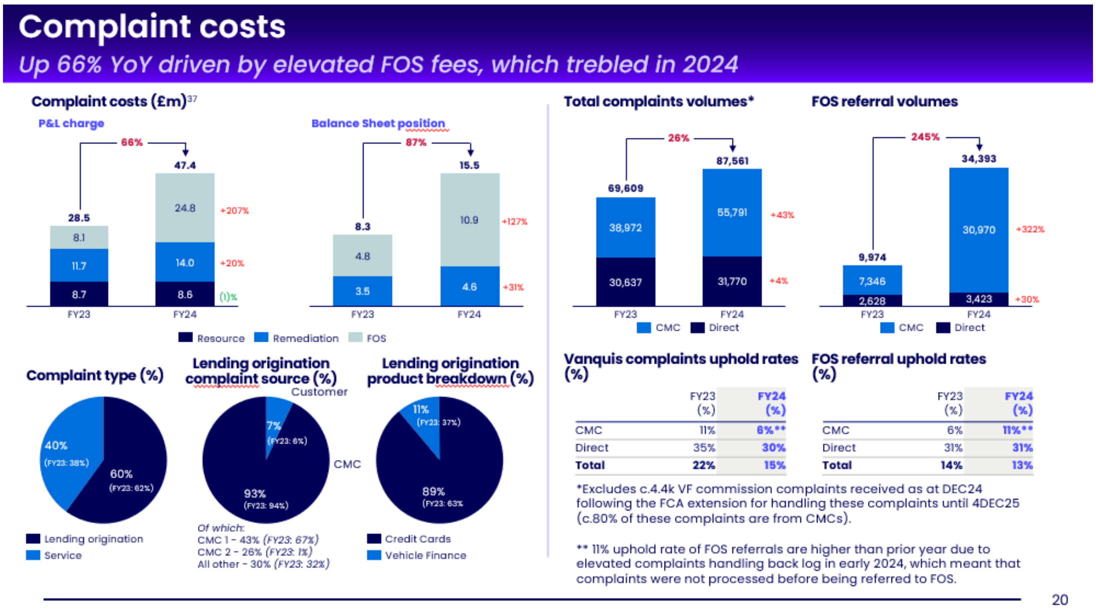
Slide 18 highlights a 55% reduction in Expected Credit Losses, despite higher year-on-year impairment charges. The Vehicle Finance receivables review reduced Expected Credit Losses by £331 million pounds, including £266 million pounds from Stage 3 balances. This, along with the mix effect of higher growth in Second Charge Mortgages, has broadly halved the Group coverage ratio to 10.8% at December 2024. The decline reflects fewer Stage 2 and Stage 3 receivables in both Vehicle Finance and Credit Cards, the latter due to increased debt sales. Fundamentally, we are comfortable with the resulting levels of coverage with Credit Cards at 12.2% and Vehicle Finance, at 11.6%.



	FY24 £m	FY23[1] £m	Change %
Cost by type (£m)			
Staff and outsourced people costs[34]	129.7	154.4	(17)%
Administrative[35]	142.5	131.2	9%
Depreciation, amortisation and write-offs	30.1	19.4	55%
Total adjusted operating costs[3]	**302.3**	**306.0**	(1)%
Of which complaint costs (see slide 20)	47.4	28.5	66%
Of which fraud costs	11.9	14.1	(16)%
FTEs by area (#)[36]			
Customer facing & support	552	735	(25)%
Technology & Change	400	409	(2)%
Operations, Functions & Other	263	339	(22)%
Total FTE	**1,215**	**1,483**	(18)%

Turning to adjusted operating costs on Slide 19. Full year 2024 costs were £302.3 million pounds, below the guided range and 1% lower year-on-year when adjusted for the fraud cost reclassification.

£48.9 million pounds of transformation cost savings were recognised in 2024, bringing the total to £64.3 million pounds, including £15.4 million pounds from 2023. Further actions already taken in 2024 will support the committed delivery of an additional £15 million pounds of cost savings by the end of 2025. These savings helped lower second half costs versus first half, improving the cost:income ratio – a trend we expect to continue into 2025. Staff related cost savings drove most of the reduction in the year, with costs and headcount down 17 and 18% respectively. Capacity to deliver has been retained as roles have been outsourced to cheaper locations, while the operating model of the Group has been simplified. These cost savings have offset inflation, full year Snoop costs, one-off items, and complaint costs, which I will cover on the next slide.



Slide 20 illustrates in detail the material impact of complaint costs and specifically elevated FOS fees, that Ian has already highlighted. Total complaint volumes rose by 26%, with CMC-driven cases up 43%. CMC complaints made up 93% of all lending origination cases, with two firms accounting for 70% of the volume. The most striking point to note is the increase in FOS referrals. These spiked 245% to over 34,000, of which 90% were from CMCs, yet their uphold rate was just 11%, highlighting the unmerited nature of most claims.

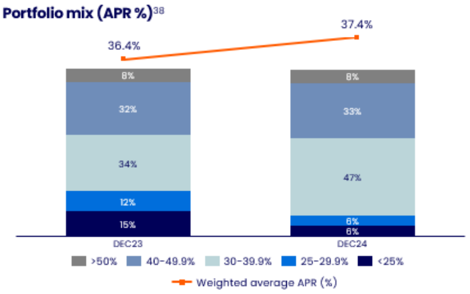
It is this surge in CMC complaints that has seen FOS fees triple to nearly £25 million pounds. Despite higher volumes customer remediation costs only rose by £2.3 million pounds, while resource costs fell due to operational efficiencies. The FOS's new CMC charging from the 1st of April should curb unmerited claims, and therefore lower cost of complaints in 2025.

Credit Cards

Proactive volume management. Positioned for profitable growth in 2025

	FY24 £m	FY23[1] £m	Change %
Interest income[27]	406.3	371.0	10%
Interest expense	(79.6)	(51.6)	54%
Net interest income	**326.7**	**319.4**	**2%**
Non-interest income	35.3	43.8	(19)%
Total income	**362.0**	**363.2**	**-**
Impairment charges	(123.9)	(125.5)	(1)%
Risk-adjusted income	**238.1**	**237.7**	**-**
Receivables and key metrics			
Gross customer interest earning balances[2]	1,278	1,424	(10)%
Avg. gross customer interest earning balances[24]	1,313	1,416	(7)%
Gross receivables[7]	1,310	1,475	(11)%
Expected Credit Losses	(160)	(197)	(19)%
Net receivables[8]	1,150	1,278	(10)%
Asset yield (%)[14]	27.9	24.7	3.2%
Net interest margin (%)[16]	24.9	22.6	2.3%
Cost of risk (%)[18]	(9.4)	(8.9)	0.5%
Risk adjusted margin (%)[19]	18.1	16.8	1.3%
RWAs[41]	944	1,049	(10)%
Customers ('000)	1,267	1,376	(8)%
Average balance (£)	990	1,019	(3)%
Average customer limit (£)	2,156	2,005	8%

Portfolio mix (APR %)[38]



- **Asset yield** +3.2% to 27.9% driven by **weighted average APR** +1.0% to 37.4%, reflecting higher yielding portfolio mix and repricing.
- **Gross customer interest earning balances** (10)%, as higher repayments, lower spend and outward BTs more than offset originations. Balances stabilised in 2H24.
- **Customer numbers** (8)%, following a review of cohorts by risk profile, vintage and acquisition channel to ensure future sustainable profitability of the portfolio.
- **Product expansion** delivered in JAN25.

21

Let's turn to the performance of the individual products, starting with Credit Cards on slide 21. Detailed vintage analysis showed older cohorts were high-quality and more profitable, while 2018 to 2023 business was significantly less profitable. The insight that this analysis has provided is ensuring that we are in a better position to grow higher returning segments going forward.

In the second half of 2024 we focused on sustainable, profitable growth through disciplined portfolio management and optimized pricing strategies. This focus has increased asset yield by 3.2% to 27.9% and has raised the weighted average APR to 37.4%. The 10% reduction in interest-earning balances reflected increased repayments, but also proactive credit risk management, with a focus on growing higher-margin segments and portfolio quality.

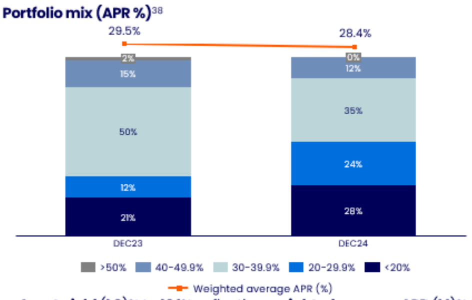
In summary, we are now well-positioned for more profitable growth in 2025 and beyond, with continued focus on optimising customer mix and risk-based pricing.

Vehicle Finance (VF)

FY24 impacted by Stage 3 receivables review, enabling future optimisation of the portfolio

	FY24 £m	FY23[1] £m	Change FY vs FY%
Interest income[27]	133.1	150.3	(11)%
Interest expense	(38.5)	(28.7)	34%
Net interest income	**94.6**	**121.6**	**(22)%**
Non-interest income	-	2.0	(100)%
Total income	**94.6**	**123.6**	**(23)%**
Impairment charges	(60.4)	(20.4)	196%
Risk-adjusted income	**34.2**	**103.2**	**(67)%**
Receivables and key metrics			
Gross customer interest earning balances[2]	765	859	(11)%
Avg. gross customer interest earning balances[24]	825	836	(1)%
Gross receivables[7]	832	1,144	(27)%
Expected Credit Losses	(96)	(368)	(74)%
Net receivables[8]	735	776	(5)%
Asset yield (%)[14]	16.1	18.0	(1.9)%
Net interest margin (%)[16]	11.5	14.5	(3.0)%
Cost of risk (%)[18]	(7.3)	(2.4)	4.9%
Risk adjusted margin (%)[19]	4.1	12.3	(8.2)%
RWAs[41]	615	683	(10)%
Customers ('000)	110	112	(2)%
Average loan value (£)	6,573	6,493	1%

Portfolio mix (APR %)[38]



- **Asset yield** (1.9)% to 16.1%, reflecting **weighted average APR** (1.1)% to 28.4%, due to reduced higher-margin Stage 3 balances and credit tightening, partially offset by repricing.
- Weighted average APR improved in 4Q24 despite growth in better quality customers, with new business APR returning to c.29.5%.
- **Gross customer interest earning balances** (11)%, as an updated charge-off policy reclassified Stage 3 impaired loans to PCOA, resulting in a clearer cost of risk outlook.
- **VF commissions matter** had no material impact in 4Q24, with originations continuing via broker channels.

22

As we have already covered, the Vehicle Finance performance in 2024, shown on Slide 22, was significantly impacted by the necessary receivables review. The asset yield reduced by 1.9% to 16.1% as higher-margin, non-performing Stage 3 balances reduced. Credit tightening shifted the mix toward near-prime, lower-APR products, lowering the weighted average APR despite repricing actions. The APR improved in the fourth quarter, with new business returning to 2023 APR levels.

Impairment increased by £40 million pounds year-on-year, due to the receivables review and the non-repeat of prior-year provision releases, while underlying credit quality improved. A new lending decision engine will help us to better target higher-margin customers.

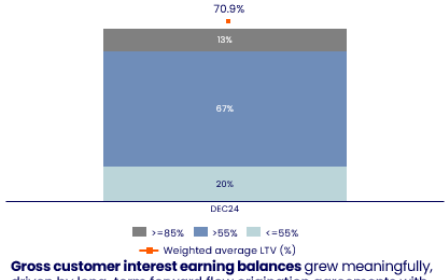
It is important to note that the Court of Appeal judgment on commission disclosures had no material impact on the business in the fourth quarter. Customer buying behaviour has remained unchanged, despite the explicit disclosure of the commission amount.

Second Charge Mortgages (2CM)

Strong growth in a growing market, following successful expanded launch in MAY24

	FY24 £m	FY23 £m
Interest income[27]	4.8	0.4
Interest expense	(2.9)	(0.2)
Net interest income	**1.9**	**0.2**
Non-interest income	-	-
Total income	**1.9**	**0.2**
Impairment charges	(0.2)	-
Risk-adjusted income	**1.7**	**0.2**
Receivables and key metrics		
Gross customer interest earning balances[2]	217	2.7
Avg. gross customer interest earning balances[24]	69	0.4
Gross receivables[7]	226	2.8
Expected Credit Losses	(0.2)	(0.0)
Net receivables[8]	225	2.8
Asset yield (%)[14]	7.0	
Net interest margin (%)[16]	2.8	
Cost of risk (%)[18]	(0.3)	
Risk adjusted margin (%)[19]	2.5	
RWAs[41]	93	12
Customers ('000)	3.7	0.1
Average origination loan value (£'000)	59.1	53.6

Loan to value (LTV) (%)



- **Gross customer interest earning balances** grew meaningfully, driven by long-term forward flow origination agreements with partners. Growth expected be at a similar monthly run rate in 2025.
- **Low cost of risk** given secured lending and weighted average LTV of c.70%.
- Most customers using 2CM for **debt consolidation.**
- **Asset yield** expected to be marginally higher once the portfolio matures.
- **Capital efficient**, being a secured product with a lower risk weighting.

23

As you can see on Slide 23, Second Charge Mortgages grew strongly after the expanded launch in May. Interest-earning balances reached £217 million pounds by the end of the year. With a weighted average Loan-To-Value of circa 70%, the cost of risk remains low. As the portfolio matures, we would expect the reported 7% asset yield to increase marginally. Being a secured product, the RWA density is lower. Having quickly become a market leader in this product, through our origination partnerships, we are excited by the potential for this business with the overall market growing healthily.

Liquidity & Funding

Increased deposit funding, creating improved liquidity profile and customer engagement

Liquidity (£m)

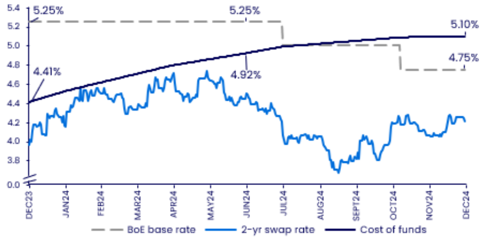
	DEC24 £m	DEC23 £m	Change %
HQLA[11]	947	682	39%
LCR[39]	359%	1,263%	
Excess HQLA over LCR[12]	667	627	6%

Funding (£m)[40]

	DEC24 £m	%	DEC23 £m	%
Fixed-term products	1,415	54.3%	1,883	81.9%
Retail notice accounts	608	23.3%	42	1.8%
Easy access accounts	376	14.4%	-	-
Retail Deposits	**2,399**	**92.1%**	**1,925**	**83.7%**
Vehicle Finance securitisation	200	7.7%	200	8.7%
Term Funding Schemes for SMEs (TFSME)	-	-	174	7.6%
Indexed Long Term Repo (ILTR)	5	0.2%	-	-
Total committed facilities	**2,604**		**2,299**	

- **Over 96% of retail deposit balances covered** by the Financial Services Compensation Scheme (FSCS).
- **Vehicle Finance securitisation extended** 18 months to JUN26.
- **TFSME fully repaid** early utilising strength of retail deposit franchise.
- **Established ILTR capability** with the Bank of England (BoE).

Group cost of funds[15] vs benchmark interest rates (%)[26]



- **Highly liquid** with surplus held in the BoE reserve account.
- First deployment of **LAB** into higher-returning UK Gilts in 1Q25 (c.£75m purchased).
- **Cost of funds** rose above base rate as historical maturing fixed-term products, although reducing in volume, were refinanced at current higher rates.
- **Growth in notice and easy access accounts** are closer aligned to BoE base rate, but will lower funding costs over time and enable faster repricing.

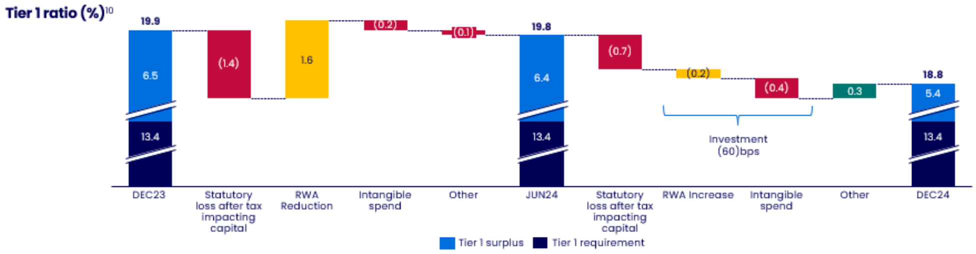
24

As we have already highlighted, Slide 24 illustrates that liquidity and funding are core strengths of Vanquis. The bank remains highly liquid with £667 million pounds of excess high quality, liquid assets at the end of the year. We are looking to improve returns from the Liquid Asset Buffer and have purchased approximately £75 million of UK gilts so far in 2025.

We completed the full early repayment of £174 million pounds of TFSME funding during the year. Retail deposit funding grew by 25% to £2.4 billion pounds increasing to over 92% of total funding. The changing mix of retail deposits will give us more flexibility to reprice with base rate changes and should help drive a lower cost of funds. We believe we are now reaching the peak of funding costs for the Group and would expect the cost of funds to reduce in 2025.

Tier 1 capital

DEC24 ratio of 18.8%, which increased from 18.7% as at SEP24

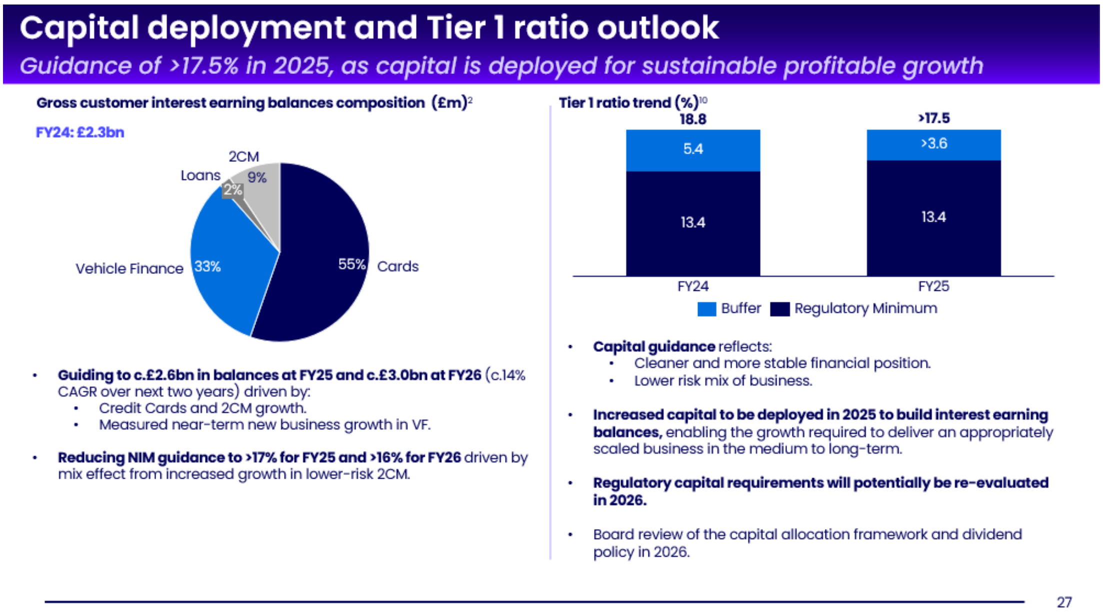


	DEC23	Statutory loss after tax impacting capital	RWA Reduction	Intangible spend	Other	JUN24	Statutory loss after tax impacting capital	RWA Increase	Intangible spend	Other	DEC24
Tier 1 Capital (£m)	393	(29)		(4)	(1)	359	(12)		(8)	5	344
RWAs (£m)	1,976		(163)			1,813		22			1,835
Surplus Tier 1 Capital (£m)	129					116					99

- **Tier 1 ratio 5.4% above the 13.4% regulatory minimum (£99m surplus)**, despite 120bps impact of VF receivables review.
- **Reduced statutory loss after tax in 2H24 (70bps impact)** versus 1H24 (140bps).
- **No impact from goodwill and intangibles write-off**, and intangibles amortisation, as deducted from capital.
- **RWA reduction of 140bps despite stable net receivables,** driven by growth in lower RWA density 2CM.
- **2H24 investment to drive future profitability (60bps impact)** from RWA growth and technology intangibles spend.
- **Potential capital optimisation opportunities** exist (non-utilised AT1 capacity and excess Tier 2 capital issued).

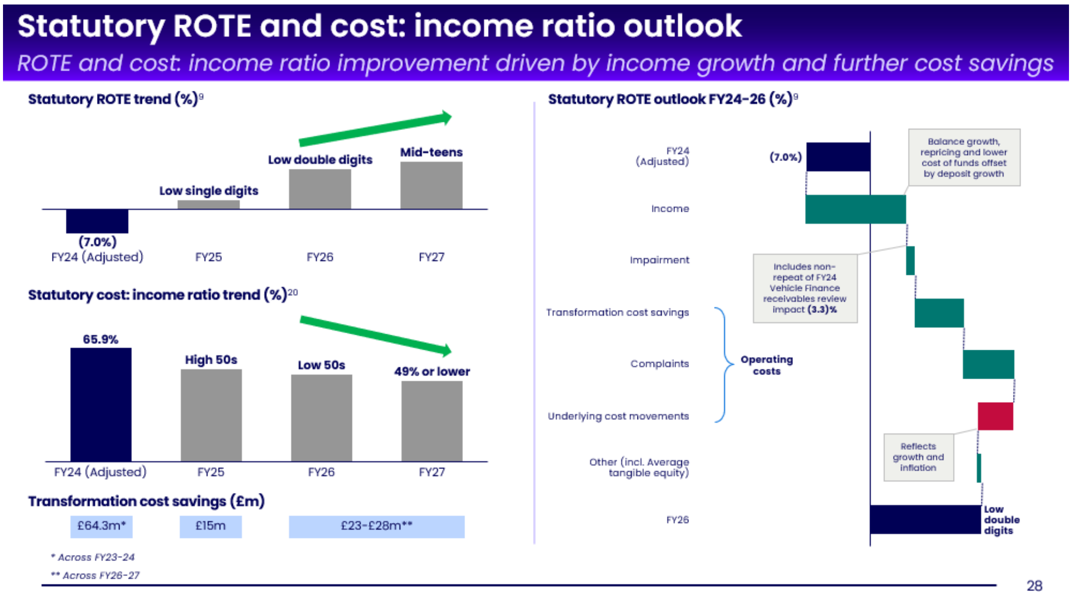
25

As shown on Slide 25, the Group ended the year with a Tier 1 capital ratio of 18.8%, up from 18.7% in September. This equates to a near £100 million pounds surplus over our disclosed regulatory requirement. The year-on-year reduction was mainly due to the statutory loss after tax, which drove a 210 basis points reduction. First half RWA reductions improved the ratio by 160 basis points; however, second half RWA growth reduced the ratio by 20 basis points. This second half growth, coupled with capitalised technology investments, represented 60 basis points of capital deployment which we expect to continue into 2025 and into 2026.



Turning now to our updated financial guidance starting on Slide 27. We expect gross customer interest earning balances to grow to around £2.6 billion pounds by the end of 2025, and to around £3 billion pounds by the end of 2026. This is at the lower end of our previously guided range in March 2024, which was before the negative impacts of the subsequent Vehicle Finance receivables review. The mix of growth is expected to result in a NIM of greater than 17% in 2025, and greater than 16% in 2026. This is lower than the previous guidance, driven by the higher than originally planned growth in Second Charge Mortgages.

We are also updating our Tier 1 capital ratio guidance to greater than 17.5%, which is lower than the previously guided range of 18.5 to 19.5%. This has been driven by the Group's stronger and more stable financial position, following the 2024 balance sheet clean-up and a lower-risk business mix. We know we need to grow to drive sustainable, long-term profitability. Therefore, capital needs to be deployed to drive growth in 2025 and in 2026. This capital level has been set after a thorough assessment of the Board's risk appetite, and our regulatory requirements. We expect our capital requirements to be re-evaluated in 2026 with the implementation of Basel 3.1 and the Small Domestic Deposit Taker regime. Our future capital level will also be influenced by the Board review of the capital allocation framework and dividend policy in 2026.



Our primary financial objective is unchanged. This is to improve our ROTE over the next two years and into 2027, as shown on Slide 28. We continue to guide to a low, single digits ROTE in 2025, while delivering a low double digits ROTE in 2026. Our medium-term goal remains to deliver a mid-teens ROTE. This has been slightly delayed due to the depth of the turnaround in 2024 and our planned growth trajectory over the next two years, which means we now expect to achieve this goal in 2027.

Linked to this we now expect to deliver our previously guided cost: income ratio of 49% or lower in 2027. This is after reducing the ratio to the high 50s in 2025 and low 50s in 2026. Our cost: income ratio and ROTE improvements are expected to be driven by both income growth and cost savings, as you can see on the right-hand side of this slide.

We expect ROTE improvement from income growth to come from a combination of interest-earning lending growth, repricing, and a lower cost of funds – partially offset by higher deposit balances. Cost improvement will be through a combination of already committed transformation cost savings and the expectation of lower complaint costs, partially offset by growth and inflationary cost increases.

Guidance summary

*All guidance will be on a statutory reported basis going forward**

	FY24 Performance		Statutory Reported Guidance	
	Adjusted	Statutory	FY25	FY26
Gross customer interest earning balances[2]	£2.3bn		c.£2.6bn	c.£3.0bn
ROTE[9]**	(7.0)%	(31.7)%	Low single digits	Low double digits
NIM (incl. Second Charge Mortgages)[16]	18.4%		>17%	>16%
Cost: income ratio[20]***	65.9%	88.1%	High 50s	Low 50s
Tier 1 ratio[10]	18.8%		>17.5%	

* Adjusted performance expected to be much closer aligned with statutory reported performance. FY24 adjusted performance excluded exceptional costs, amortisation of acquisition intangibles and goodwill write-off.
** Guiding to mid-teens ROTE in FY27.
*** Guiding to a cost: income ratio 49% or lower in FY27.

29

The key points of our updated guidance are summarised on Slide 29. Most importantly I would like to highlight that previous guidance was on an adjusted basis excluding transformation and other exceptional costs, amortisation of acquisition intangibles, and goodwill write-off.

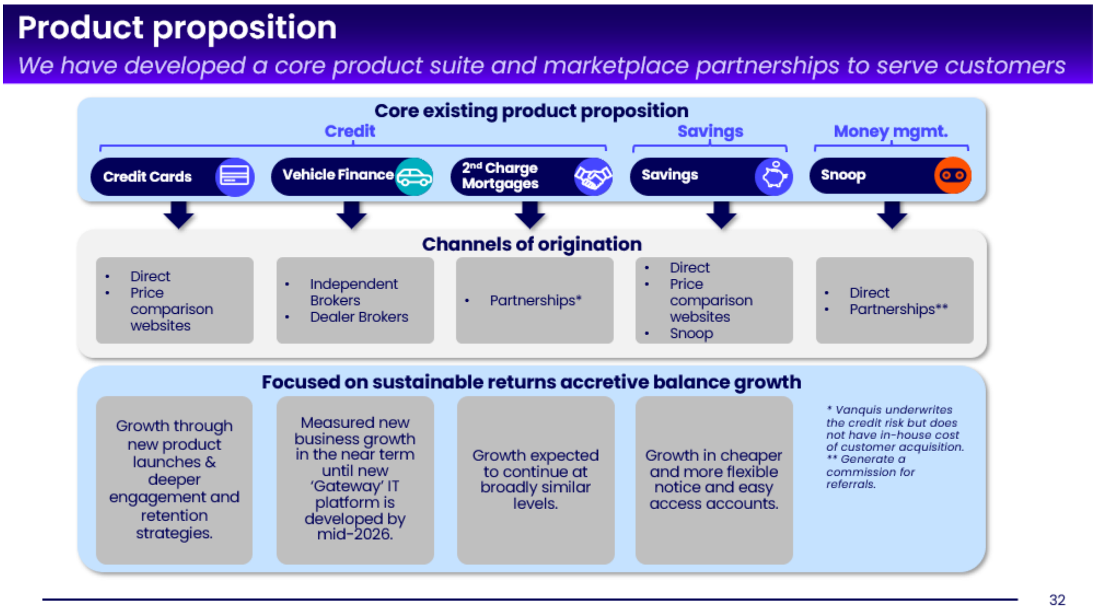
Today's guidance is all on a statutory reported basis, as we expect these 'below the line' impacts to be much less material going forward. The move to statutory reporting is an indication that we believe the significant impact of the operational turnaround, from a financial perspective, is now behind us.

With that, I will hand you back to Ian who will talk you through the strategic agenda to deliver this improved financial performance over the coming years. Thank you.

Ian McLaughlin, Chief Executive Officer

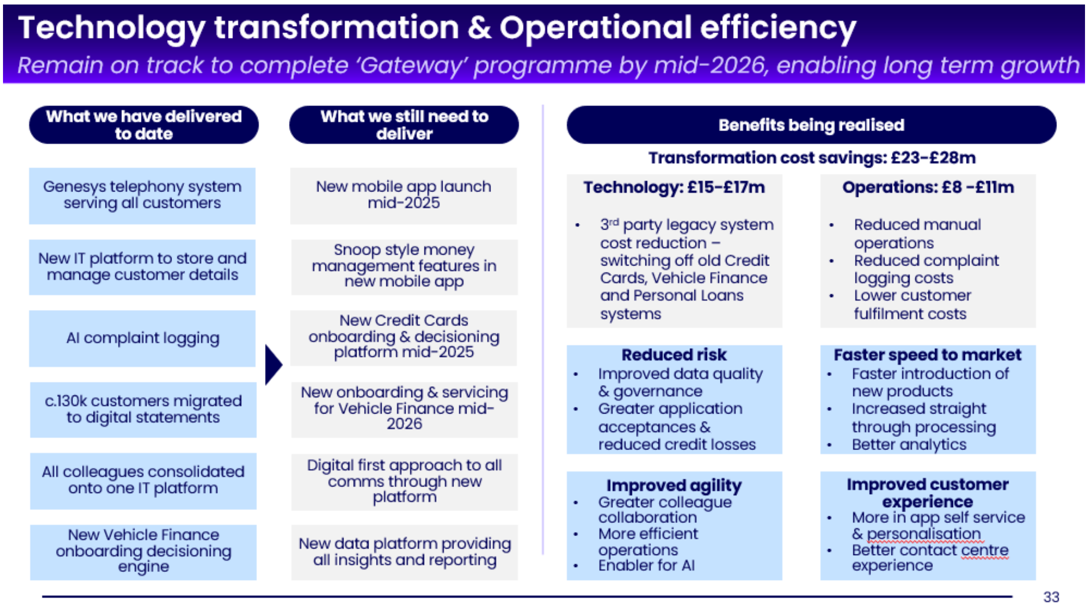
Thank you, Dave, for that detailed run through. To summarise and conclude, I won't dwell on slide 31, but I do want to look forward with you to where Vanquis is going – our strategy that includes our purpose, our proposition and our key initiatives remains unchanged from what we shared last March. We will continue to execute against it.

We plan to become the most trusted and inclusive specialist bank in the UK and believe that the opportunity to meet the banking needs of the underserved UK adult population is extensive and important. It is important to the government's agenda for growth, and it is even more important for the customers themselves.



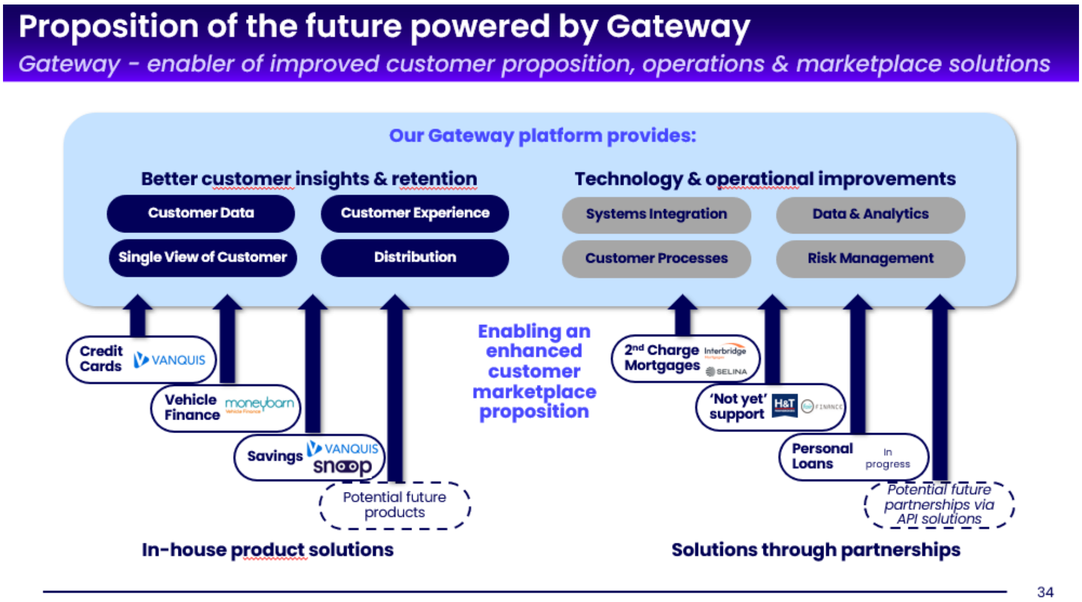
Slide 32 summarises how we meet those needs – we have the foundations in place now. Our core existing product proposition across Savings, Credit and Money Management. You will be familiar with this. We have a balanced mix of asset and liability products and serve our customers through various channels. We are focused on long-term, sustainable profitability and on optimising our deployment of capital across the portfolios.

In Credit Cards, growth will be driven by product expansion, deeper engagement, and retention. We actually launched four new offerings to customers at the start of this year as part of this and initial take up has been really encouraging. In Vehicle Finance, the Gateway programme will deliver a new IT platform that will be complete by mid-2026, and we plan on measured new business growth in Vehicle Finance in the meantime. As mentioned before, and as Dave has explained, the launch of our Second Charge Mortgage proposition has been successful, and you should expect balance growth to continue at a broadly similar rate going forward. And finally, in Savings you will see an ongoing shift from fixed-term products to retail notice and easy access accounts via both Vanquis and the Snoop savings platform.



I have already talked to the progress being made on our technology transformation programme, Gateway. This is fundamental to the execution of our strategy over the next two years, and to the long-term growth and success of the bank. We remain on track to complete the programme in mid-2026. A huge thanks to all our teams that are working flat out to deliver this.

On slide 33 you can see that phased rollouts have delivered significant progress so far, with more enhancements to come. Beyond cost savings in Technology and Operations, this strengthens risk management, accelerates product delivery, enhances operational efficiency, and most importantly improves customer experience.



Slide 34 I thought would be helpful for you as it summaries what the Vanquis proposition of the future looks like once Gateway is fully implemented. Not only will this drive much better customer insights, retention, and operational improvements, but it will be the enabler for the true roll-out of our "marketplace" proposition. It will allow us to develop new product solutions and get them to customers much more quickly. We will not need, or perhaps want, to build all the products that our customers need on our own systems and balance sheet.

Gateway will allow us to expand our partnership network to offer solutions to customers in an agile way – personal insurance would be a good example – where we will be able to connect trusted partners to our customer platform using APIs, but we will still own the customer relationship. As you can see, I am very excited about the potential that Gateway will unlock for Vanquis.

Group well positioned for growth

Focused on creating long-term shareholder value

Three key priorities:

1. Sustainably grow balances and optimise mix to maximise return on capital deployed.
2. Deliver Gateway technology transformation programme.
3. Further develop our products, ensuring customers remain at the heart of everything we do.

Our purpose
'Delivering caring banking so our customers can make the most of life's opportunities'

35

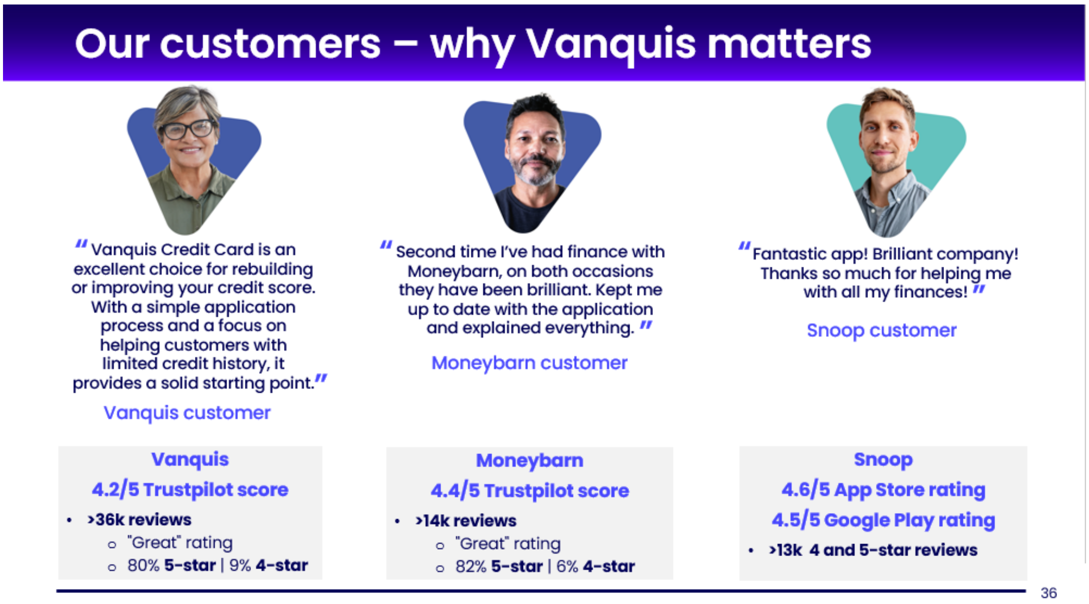
So, look, in summary – 2024 was a challenging but a defining year for Vanquis. Tough actions were taken as we refreshed our strategy, redefined our customer proposition, and simplified the organisation for greater efficiency. As we have said, we exceeded our transformation cost savings target, delivering more than we had committed. We have repositioned the business and moved into a phase of sustainable, profitable growth. Our turnaround, while challenging at times, remains firmly on track.

Our customers remain resilient, with robust underlying credit quality, and delivering for our customers and meeting their needs remains at the heart of everything we do.

Our retail funding strategy, favouring customer deposits, has strengthened our liquidity profile as Dave explained and deepened customer engagement, a core strength of this business. And we exited 2024 with a cleaner, lower-risk balance sheet.

Our focus looking forward is on three key priorities that will underpin our success. Firstly, sustainably growing balances and optimising mix to maximise return on capital deployed. Secondly, delivering the Gateway technology transformation programme – an imperative to strengthen our business model. And finally, developing the products we provide and ensuring customers remain at the heart of everything we do.

We know there will be more challenges ahead, but this management team can, has, and will continue to deliver and we look ahead to the opportunities before us with confidence and with optimism. Vanquis is now simpler, stronger, focused on what matters and on a sustainable path towards both delivering consistent shareholder returns – and continuing to make a meaningful, positive impact on the lives of our customers.



Dave and I will now be happy to take your questions, and while we do that, I will leave you with quotes on the screen from some of our customers. You can see in their words what our tremendous Vanquis colleagues are doing to serve our customers day-in day-out and to truly help them to make the most of life's opportunities.


VANQUIS
Banking with heart
Q&A

Disclaimers

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Unless otherwise stated, information in this presentation was prepared as at 31 December 2024.