

Vanquis Banking Group HY 2025 Results**Analyst and Investor Conference Call Q&A****Ian McLaughlin, Chief Executive Officer****Dave Watts, Chief Financial Officer****(Transcript amended in places to improve accuracy and readability)****Gary Greenwood, Shore Capital**

Morning. Thanks for taking my questions. I've got three. So, the first one was just on the brand launch. I think you mentioned that the Trustpilot scores were good there, but I was wondering if there were any other observations you'd seen post the brand launch in terms of impact on the business. Then also, if you were thinking of rolling that out to Moneybarn as well, in terms of the Vanquis brand?

The second one was on deposit markets. Could you just talk a little bit about the competition in deposit markets and how you're seeing that?

Then, finally, on capital, I think you mentioned there's a PRA review later this year. So, just in terms of the things the PRA might be considering, and how confident you might be in having your capital requirements reduced. Thank you.

Ian McLaughlin, Chief Executive Officer

Gary, thank you. Good to hear from you, as always. If I start with the brand. This is designed by us. This is not an external agency. This is Vanquis saying what it is here to do for its customers. This is our colleagues, and our amazing marketing team. So, it's been received well, a lot of anecdotal customer feedback that's very positive.

We're on bus watch at the minute, so people are spotting buses all over the UK with the 'bank that's got your back' on the back of the bus. It is landing well, and generating a bit of energy and enthusiasm, which is very important. The most important thing for me is it's authentically what we are, and what we do.

If I turn to your second question on deposits and competition, I guess we're pleased with how this has worked. We're up to 40% of our deposit book which is from Instant Access or shorter dated. Whereas if you went back a year, it was pretty much 100% on longer dated.

Feedback from customers, of course, there is an aspect of competition, but it's the Financial Services Compensation Scheme cover that a lot of our customers are looking for.

Dave Watts, Chief Financial Officer

The only other thing I'd add in there is on Snoop. We've now added that functionality to take a deposit out on the Snoop app, which has landed well in the first six months of operation. Over £100 million now on that channel.

On capital, Gary, this is a triennial review that the PRA undertakes. The last one they announced results back in - I think March 23. So, yes, we've got a good relationship with the PRA.

I think the team we have now in place in our treasury function is stronger. We have a cleaner balance sheet to look at. So, without judging what the PRA may say, we would hope for a positive outcome, but let's wait and see on that one. We'll give further details as we can, probably in our next update in February next year.

Ian McLaughlin, Chief Executive Officer

Gary, I'd just echo that. We'd never prejudge any PRA outcome. We do have very regular dialogue with them. I think the thing that you can all see now is Vanquis is a very different-looking business in terms of its balance sheet now compared to a couple of years ago. Particularly with the secured lending, the £370 million that we talked about in Second Charge Mortgages, and the fact that we're way over 80% retail funded, which is a nice position to be in.

So, we are confident that we're doing the right things, but we will go through our normal process with our regulator.

Rae Maile, Panmure Liberum

Morning, gents. Can you talk a bit about the cost of customer acquisition versus the returns you're seeing from the extra spend you're putting in? How quickly can we expect a payback on that, and how that influences what you expect to see in terms of growth over the medium term?

Then can you also talk about not competition in deposits, but competition for customers in your core lines of business?

I mean, it's always struck me as one of those areas where you've always had fewer competitors than you would have thought the profitability of the opportunity presents. Can you update us on where you are these days?

Ian McLaughlin, Chief Executive Officer

Happy to, Rae, good to hear from you, as always. If I talk about customer acquisition. We have a very vibrant, exciting marketing function now.

The leads came in from the Snoop business. So, it's fintech hungry and very much out there. We are doing some amazing things with influencers on TikTok, which really appeals to our customer base.

You've also seen us move into sponsorship with the Professional Darts Corporation and Luke Littler in particular. That resonates well with our customer base too.

Those are just examples of what we're trying to do, as well as our normal acquisition or traditional acquisition channels that we've always had, is get out to where our customers naturally are, and have a presence, and talk to them, and interact with them, and be relevant to them. So, you'll see more and more of that coming through.

In terms of what that's doing to our acquisition costs, they're coming down. I'm not going to quote any specific numbers, but they are moving in the right direction. Snoop continues to be a valuable and live acquisition channel for us as well. The cost of acquisition, as I've talked about before, through Snoop versus more traditional channels is about 10%.

So, every customer that we bring in there is very good news for us in terms of that CPA (cost per acquisition) rate.

On competition, this isn't an easy sector to be in. You really need to know your credit underwriting. You need to understand your customer base well. We're putting out a Vanquis quarterly update that gives insight into our cohort of customers in a way that I don't think other lenders are able to do. We use a lot of Snoop analytics again to drive that, and that is landing well.

We keep a close eye on our competition. I think they're probably more fearful of us right now than we are of them, but you can never be complacent in this space. We love every customer that we get, and we work hard to serve them well, and to retain them, and we'll continue to do exactly that.

Dave Watts, Chief Financial Officer

The question on balances. You've seen we've nudged up the guidance to be greater than £2.6 billion in balances by the end of 2025. The important thing for us is to make sure we deploy the capital correctly, get the right return on capital in place. So, that's our focus in terms of our balance growth.

Paul Bryant, Equity Development

The first one is, what's the automation potential in your underwriting process? Are any loans underwritten on a fully automated basis today? Is there an automation opportunity to assist manual underwriting through AI and open banking? What's the leverage potential as you grow the lending book? How much will your underwriting team have to increase, or should you be able to absorb the growth through the automation process?

The second question is about the vision for the product mix over the next four- to five-year view? So, the proportion of lending between Credit Cards, Vehicle Finance and Mortgages?

Then the final question is about complaints. What is the steady state for complaints costs once the abnormally high complaint volumes have washed through the system, either in terms of pounds value or a percentage of your operating costs.

Ian McLaughlin, Chief Executive Officer

The automation one, I think, is one that every lender or every big business is grappling with. What can this do for us? We've got a fine balance to find here.

One is, we want to be efficient. We want to keep our costs under the tight control that you see that we're already doing. We also must maintain that personal service. We will never be digital only, we will be digital led. You'll see a new mobile app we'll be launching very shortly that will improve customer self-serve functionality enormously through that. You'll see a range of those sorts of initiatives coming in.

The whole agentic AI, and how far that can go in terms of both your acquisitions, or your underwriting credit assessment, and your lifetime servicing of the product with the customer, that is something that our team are working through right now. We have AI Live, it's been a real success for us in complaint triaging and handling, and we've had enough complaints to practice on, so we've got good at that.

It is something that I think we'll update on with our annual results at the start of 2026 to give the future, the next three years plan, in a bit more detail. I would expect this to be a very big factor in that presentation.

In terms of product mix, I think we're pleased that our products are competing for our capital. Dave runs a tight ship and works with our product heads, where they've got to prove their return and their volumes before they get the capital allocated. I think that's a very healthy tension for a business like ours.

So, we'll go where the demand is, but we are seeing cards back to growth, particularly in Q2, really pleased about that. Vehicle Finance, with measured performance, is minus 4% year-to-date, but that will increase again as we get the new operation platform under Gateway, that I talked about coming through.

Second Charge Mortgages are going well. We're very pleased with the acquisition arrangement that we've got in that market.

Dave Watts, Chief Financial Officer

We're looking at the return on capital, it's the most important thing for us. Vehicle Finance may be 4% down on balances, but the income comparison is up £1 million. So, it's getting a better return for the capital deployment there, and we do like the mix in place.

We're going to come to the market next February. At that point in time, we'll give a broad update on where we think balances growth will go '26 and beyond. So, we'll update you on that at that point in time.

Ian McLaughlin, Chief Executive Officer

The last question was about complaint costs and what a steady state would look like. We're not being at all complacent on this. We've seen this vary over the last couple of years. We watch it very carefully. It is trending in a very positive direction for us, as I mentioned in my remarks earlier.

The FOS fee charging of claims management companies that came in on the 1st of April has been transformational for us. I think that the description we gave was negligible FOS referrals since that came in. So, again, we're keeping a very close eye on it.

I did talk about the court case that we're taking up against one CMC too, but there are some very good CMCs out there as well, that do triage their customers' situation very well, and we are very happy to continue to deal with them.

We'd encourage our customers to come to us directly if they've got any issues, and we will look at their situation very objectively, and if there's things that need to be fixed, we will fix them.

It's not like complaints are a bad thing per se. Of course you'd want them to be zero, but it's the egregious complaints that haven't merit that has been the big issue for us, and that's what are falling away.

Dave Watts, Chief Financial Officer

As we said in the presentation earlier on, the second quarter was lower than the first quarter following the new FOS charging fees come through, which is positive. We expect the second half

to be lower than the first half. I'm not going to give guidance on 2026 at this stage, but we expect it to be lower than 2025.

Ian McLaughlin, Chief Executive Officer

Thank you very much for joining us this morning. We've probably enjoyed this presentation a bit more than some of the previous ones that we've had to do as we sort this business out.

As I said earlier, just a huge thank you to all our colleagues for their amazing effort. You don't see a turnaround like this start to happen without enormous effort going in from everyone involved. So big thanks for that. We look forward to seeing our investors on the road over the next couple of weeks, but we'll leave it there this morning. Thank you again for joining.