

Vanquis Banking Group FY 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, Analyst)**

Morning, chaps. Thanks for taking my questions. I've got three hopefully not-too-long ones.

So, the first one was on 2CM and the strong growth you're putting on there. So, just trying to get a better understanding of what your secret sauce there is in terms of how you're taking market share. Are you just pricing more aggressively, or is there something else that's allowing you to grow faster than the market?

Second one on Vehicle Finance is when you're expecting that business to move into profit. I presume when Gateway has been fully delivered, but does that mean profitability full-year '26, or are we looking at full-year '27?

Then lastly on cost, I think you said costs would come down in each of the next two years. Just looking at consensus, that's got cost coming down in '26 but going up in '27, so it looks like cost forecasts need to come down in 2027. I'm just wondering what you think the absolute base for costs will be, because I'm guessing they'll probably grow beyond 2027. I'm just trying to get an idea of the cost level.

Ian McLaughlin, Chief Executive Officer:

Thanks, Gary. First out of the door with a question as always, so much appreciated. Let me take the first one on Second Charge Mortgages.

As you said, it's been a really good growth story for us, and we expect that to continue. We've got two forward flow agreements in place that are covering nearly 20% of the market now, and it's a growing market. So, we're being very careful about pricing, so we're not pricing [too aggressively] to win business. In fact, we monitor that on a very regular basis and we're holding that very firm, but it is a growing market.

There are some new competitors coming in that create a bit of price pressure, but overall, we are growing in a growing market and we're very happy with the way that's going for us. About 75% of the customers that we've taken on are using it for some proportion of debt consolidation, so it fits really nicely with the purpose that I've just talked about. So, Dave, anything you want to add on Second Charge Mortgages?

Dave Watts, Chief Financial Officer:

Nothing else to add, Ian.

Ian McLaughlin, Chief Executive Officer:

So, we're onwards and upwards with that. There is a really important point here. We'll allocate our capital to where we think we're going to get the best return. So, it's a balance between the asset products on an ongoing basis.

That then brings me to Vehicle Finance. As you've seen, we've moderated our growth quite carefully through 2025 in advance of the Gateway platform build that I talked about in my remarks a little while ago.

That will really be the catalyst for scalable profitable growth, but you can see in our numbers that we did price up a little bit in that market even through 2025, so we're looking at how quickly can we get it to profitability through this year? Then there's a real step up that happens when the cost to serve those customers and process that business through our lovely brokers comes down as we get Gateway's Vehicle Finance platform in place. Again, Dave, anything you want to add on that one?

Dave Watts, Chief Financial Officer:

Just a couple of things to add there, Ian. You've seen balances came down by 8% in 2025 as we managed our new customer business. That will continue at the same sort of rate in the first half of this year, 2026, but that should stop at that point and start [to grow], as the new Gateway application comes on board to start growing towards the tail end of 2026, and grow further into 2027, which will be the real catalyst for growth in our profitability in the Vehicle Finance business.

Ian McLaughlin, Chief Executive Officer:

Gary, there's a really important point here, that all of our products should be profitable on a standalone individual basis, so that's what we're aiming for. So, if we're not actually there already, as we are with Cards and Second Charge Mortgages, we've certainly got a plan to get there as soon as possible. So, I think that probably covers that one. Dave, do you want to do costs? Obviously, that's been a big feature of our results over the last couple of years.

Dave Watts, Chief Financial Officer:

Yes. So, as we covered in the presentation in 2025, we delivered over £28.8m worth for cost savings, which you've seen [relative to] our £15m of commitment in 2025. Now, part of that's going to roll through into the '26 numbers. We've also committed to delivering another £23m to £28m of Gateway savings in 2026. The complaints numbers you saw have come down in the second half of the year to £7.5m. We'd like that to be at that level or slightly lower as we go through into 2026.

There are other aspects of operational efficiency we're still looking at, whilst at the same time we are still continuing to invest in the business as we go further forward. So, as we've laid out, we expect '26 costs to come down from '25. '27 will also be lower than '26, but we're not going to guide on an absolute amount of cost.

Ian McLaughlin, Chief Executive Officer:

All I'd add to that one, Gary. So, there was definitely opportunity for us to take some costs out of the business, and we've done that, and done that in a very disciplined way. I think we've beaten every single cost objective that we've put out since Dave, and I started. So, that's something that we're good at, but it's not something we particularly enjoy.

We want to get into a cycle where we're investing into the business, but how we invest will be much more around areas like data, like credit risk and into technology with benefits from AI, which will flow through over the next couple of years as well. So, I think we're in a good place on costs, but we will continue that discipline of making sure we're investing where it generates a return.

Gary Greenwood: (Shore Capital, Analyst):

Just to clarify, will '27 be the trough for costs, and costs will grow thereafter?

Dave Watts, Chief Financial Officer:

Gary, I'm going to stick to what we've said so far. '27 will be lower than '26. It comes down to what our forward-looking strategy will be, which I think we'll come back to the market on probably next year.

Gary Greenwood: (Shore Capital, Analyst):

Okay. Thanks very much.

Ian McLaughlin, Chief Executive Officer:

Thank you, Gary.

Rae Maile: (Panmure Liberum, Analyst):

Morning, gents. Rae Maile from Panmure Liberum. Two rather big-natured questions. Firstly, can you talk a little bit about the regulatory environment these days? Obviously, shareholders will know that regulation has been the bugbear of the non-standard market for many years. I wonder, how has the regulatory environment developed over a period of time, and certainly how has the Company's relationship with the regulator changed over the last couple of years?

Then secondly, Ian, you touched on the question of competition in Second Charge Mortgages. Could you talk more generally about the competitive environment that the business is facing, please?

Ian McLaughlin, Chief Executive Officer:

Thank you, Rae. Two really good questions. Let me take the regulatory one first, as I probably, with our Chief Risk Officer and Dave, spend more time in front of regulators than anyone else in the business, and rightly so. Look, my view is we've got a very supportive relationship. It's challenging, as you'd expect. I'm a firm believer, and I've said this for decades of my career, that you get the regulation that you deserve in the end, and I think regulators are seeing that what we're doing is well grounded in good customer outcomes, that we're trying to serve a market that we define, as you've just seen the numbers that we presented.

There's a big, underserved base out there that need help, and that supply-demand equation is out of whack at the minute. There's more customer demand for less standard credit than there is supply into that market. So, that's what underpins our investment thesis and our purpose, which, as I've described, is grounded in helping those customers when they often struggle to get help from other places.

I would comment, as well as the FCA, the PRA and the Treasury have been incredibly supportive as well. So, there's a big government agenda, obviously, behind this, which I think is in our favour too. You've seen tangible outcomes from those relationships. They're not just a nice fluffy thing in itself. It's actually about what changes as a result. Dave might want to comment on the PRA and the prudential regulation in a second, but we certainly saw FOS changes and CMC charging changes, which were, I think, a very tangible outcome of very constructive conversations that we and other banks have been having with Treasury, so I'm very pleased about that as well.

So, I think so far so good, but the relationships are incredibly important to us going forward, hence your question. We'll continue to invest in them and be open and transparent and do the right things for customers, as you'd expect. Dave, do you want to comment on the PRA?

Dave Watts, Chief Financial Officer:

Good morning, Rae. Look, we've had a good working relationship with the PRA over the last two years, and I think you get some productive outcomes from opening up to your regulators and being clear, and with great clarity of how the business is operating, what it's doing. I think that was recognised in terms of a positive triennial CSREP review with the PRA at the tail end of 2025, which I commented on earlier. So, yes, I expect to have a good, productive relationship with them going forward.

Ian McLaughlin, Chief Executive Officer:

Rae, if I turn then to your question on competition - and thank you, as you described it, for the two higher-level questions - back to my point about supply and demand, we've got less than 2 million customers and there's an opportunity pool of over 20 million, say 24 million, as we've just described. So, there's a lot of room here, so there is a really good target addressable market available to us.

In Cards, if I just take the products [in turn], pretty stable. We haven't seen anything dramatic in terms of new competitors coming in. We watch that on a daily basis.

Obviously, our pricing reflects what other activity is going on around us too, but you've seen in our NIM numbers - and our risk-adjusted NIM in particular - that we're very disciplined on our pricing, and there are times that we will pull back a little bit if we do believe we're getting squeezed.

2CM, I mentioned earlier on that. Broadly, we see that there's plenty of room for us to grow.

Vehicle Finance is probably the watch one, because obviously we've got the FCA redress scheme. We'll get the details on that towards the end of March based on current plans, and we'll see what happens to that market. I would expect there to be some people will choose not to participate. As that market gets through redress and cleans up, then there may be other people that will choose to come in. We'll keep an eye on that, but as I said, the key message for us is we've got a 10X customer demand opportunity for Vanquis, and that's very exciting. That's what we're focused on delivering too.

Rae Maile: (Panmure Liberum, Analyst):

That's great. Thank you very much indeed.

Ian McLaughlin, Chief Executive Officer:

Thank you, Rae.

James Allen: (Berenberg, Analyst):

Hi. Morning, Ian. Morning, Dave. Three questions from me, if I can. First one, you're clearly making good strides on improving return on tangible equity. I was just wondering where you would like to get to on a steady state basis on that metric beyond FY27.

Second question, the rationale for the AT1 being excluded in the ROTE calc. Presumably that's just to preserve the focus on returns to common equity shareholders when looking at that metric.

Then, final question. My understanding is you can't necessarily promote Vanquis products over other banks on Snoop at the moment, but is there any potential change in

regulation that may be coming in at some point that maybe would allow you to direct more customers into Vanquis products via Snoop? Thank you.

Ian McLaughlin, Chief Executive Officer:

James, thank you. I'll leave the AT1 ROTE calculation one to Dave in a second, but if I start with what's our ROTE trajectory, I think what you're seeing with Dave and I and the Board and our management teams, is when we commit to something, we really commit to it. So, we committed to getting to low single-digit ROTE in 2025. That's exactly what we've done. We've got a clear commitment for low double-digit ROTE for this year, and then we've got a mid-teens ROTE commitment for 2027, so that's as far as we're going in terms of our commitments.

Underneath that, of course, we're looking at, as we go through every day, week, month, quarter of this business, we're learning as we go and we're spotting new opportunities, so we'll keep that all under review. As Dave mentioned earlier, I think to Gary's question, we'll come back this time or early in 2027 to talk about that next strategic cycle, that next three-year phase, and we'll update on ROTE at that point. What you can expect from us for this year is an absolute focus on delivering what we've committed in terms of our ROTE guidance. Dave, anything you want to add on that one?

Dave Watts, Chief Financial Officer:

No, I think you've covered it in detail, Ian.

Ian McLaughlin, Chief Executive Officer:

Do you want to do the AT1 calculations with ROTE?

Dave Watts, Chief Financial Officer:

So, James, you're correct on your understanding of that part there, so I'm glad that the disclosure we've given in the presentation has enabled you to get to that position. Yes, it's to focus on the equity shareholders.

Ian McLaughlin, Chief Executive Officer:

I wouldn't add anything to that. Then, on Snoop and Vanquis, look, Snoop has been a fantastic acquisition for us on a range of levels, but the quality of the customer proposition and how we're tangibly able to show customers how to manage their money better is perfect for Vanquis. We're seeing that penetration into our customer base grow very nicely. Snoop itself is continuing to grow, as you can see from our numbers as well, so that works well.

I think your question is a very good one about what more can we do to combine those two things. We are in the midst of rolling out a new mobile app for our customers at the minute, and what that will allow us to do is take some of those facilities and

functionality that live in Snoop at the minute and begin to get that through into the wider Vanquis customer base, which we're very excited about.

Now, there's all sorts of things about T's and C's and permissions and so on that sit behind that that are more complicated than anyone could imagine, but we are working our way through that very well. Snoop remains as a great example of how we help customers, even if they can't access credit for us. So, very similar to what we're doing with Fair Finance. It sits in that not yet proposition bucket that I talked about earlier and is critical.

We also brought in an amazing management team with Snoop who we've deployed across many senior roles across the bank rather than just in Snoop, and also a fantastic data insight engine where we're able to package up insights to our customers and present them as we do quarterly, but actually they're very useful to other businesses as to what the buying habits of this customer base look like. So, Snoop continues to be a very important part of our proposition. Again, Dave, anything that you want to add?

Dave Watts, Chief Financial Officer:

Yes, I think as you said, Ian, the integration of the staff has been excellent for Vanquis Group as a whole. As we go further forward in the near term and the medium term, greater integration of Snoop into the Vanquis banking app is going to be one of our priorities as we look forward.

Ian McLaughlin, Chief Executive Officer:

Thank you, James. Hopefully, that's covered your questions.

James Allen: (Berenberg, Analyst):

Yes, thank you very much, guys.

Edward Firth: (Keefe, Bruyette & Woods, Analyst):

Good morning, everybody. Thanks for taking my questions. If I looked on, I think it was slide 15, I think last year there were around £26m of costs related to complaint handling. Over time, is that like a zero number, or can you give us some idea of where you think that number will fall to on an annualised basis, what you think is a reasonable number? That would be my first question.

The second question was, and I guess it's slightly a Snoop-related question, but a lot of the growth at the moment is coming through from Second Charge Mortgages, which is a new product that you introduced, and that massively exceeded expectations - well, certainly my expectations, anyway. Do you still look for other products? Are you still looking at other areas that you could see potential for a similar startup product line?

I guess that's particularly related to Snoop, where I guess you must have very good visibility on Snoop customers and the sort of products that they may or may not need. I'm just wondering, are you still looking at other areas where we can perhaps get a similar performance that we've seen on the Second Charge Mortgages?

Then I guess the final question, and they're all broadly related, Snoop's doing well, but if I look in the Corporate Centre, it looks like its costs are around £20m a year, something like that. You don't give us it precisely, but I guess that's the biggest driver of centrals. Can you give us an idea? Have you got some visibility at some point on what would be needed to get us to profitability for that business? Thanks very much.

Ian McLaughlin, Chief Executive Officer:

Ed, thank you. Your line cut in and out a little bit there, so let me just repeat the questions to make sure that everyone heard them. I think I caught them. First one, costs on complaints and what's a steady state, so I'll maybe let Dave pick that up. Second one, on Second Charge Mortgages, and are there other products like that. We've obviously shown that we can launch a new product into a new market and do very well very quickly, so what else are we thinking about? Then I think the third one, if I caught it right, was about Snoop costs and central costs and Snoop profitability. So, I'll maybe come to Dave on that one as well. Dave, do you want to start with the complaints?

Dave Watts, Chief Financial Officer:

Yes. So, Ed, good morning and thanks for the questions. So, slide 43 gives a more in-depth viewpoint looking at complaints in place there. What you will see, and I think you asked the question about resource handling costs. Ian touched earlier on in his presentation about a 10% reduction for some of the technology we introduced through the Gateway program there, so we're making progress.

We talked about the second half of the year having an overall cost of complaints, excluding the vehicle finance FCA Commission provision in place, of about £7.5m. With better customer outcomes delivered as part of our technology upgrades, we'd hope that number to come down, but that will be a number we'd hope to beat in the first half of next year and the second half of next year. So, that's the complaint costs from there. I hope that's covered. Anything else to add from that, Ian?

Ian McLaughlin, Chief Executive Officer:

No. I think obviously you want every customer to be completely happy all the time. Any good business would aim for that, but there is a practical reality that there will always be a level of customer interaction, and we will always stand up and do that as well as we possibly can. So, that's part of our customer focus and our proposition. So, nothing more on that from me.

If we take the Second Charge Mortgage example, Ed, of there's a market that we weren't in a couple of years ago that we're now, with those two forward flow arrangements I mentioned, if not market leading certainly in the top three. So, that has gone very well for us. We've learned a lot from that. We are always looking at what our customers spend, or our analysis of what their needs may be, and what does that mean for other things that we could expand our proposition into?

You've seen us expand into "not yet", as we describe it. So, where do we hit our ability to offer credit, that limit, and then how do we help the customers if they sit at that point in time outside that limit? So, hence the Fair Finance and Snoop conversations that we've already had. Yes, we are looking at a range of other things. We've got plenty of room to grow, though, in the current product set as it stands, so don't expect anything immediate in terms of next steps. This is about maturing and settling our tech platform and our new operating model that we've spent the last year or two building and growing where we can see the demand is today, as well as understanding where we might expand to in future. So, I'll not say any more on that, I don't think.

Dave Watts, Chief Financial Officer:

Just to reiterate, there is significant market opportunity in the products we actually offer to our customers at this point in time.

Ian McLaughlin, Chief Executive Officer:

Agreed. Then the Snoop costs and central costs. Dave, do you want to take that?

Dave Watts, Chief Financial Officer:

So, we've got the Corporate Centre which contains a number of items. You'll know at half-year we did a recutting of our portfolio profitability, which did move some costs from the Corporate Centre to give a greater clarity of our Vehicle Finance, Second Charge Mortgages and Credit Cards profitability, which I think has landed quite well. What we've got in the Corporate Centre is not just Snoop income and costs. It's got some unallocated Treasury result. It's got the costs associated with our retail savings business and some other almost immaterial central items in place there.

So, I wouldn't just read that as pure Snoop. It's got a bundle of items in there. As Ian covered on the previous question, Snoop has delivered more than just purely the revenues that come with the actual business per se with the management team and how they're helping out drive the overall bank forwards on its digitisation. So, I hope that's helpful. Ed, if you've got any further questions, I'm happy to take them offline with you at a later date.

Edward Firth: (Keefe, Bruyette & Woods, Analyst):

Okay. Thanks so much.

Ian McLaughlin, Chief Executive Officer:

Thanks, Ed.

Jackie Ineke: (Spring Investments, Investor):

Thanks. Good morning. Good morning, both. Hi. So, I'm from the credit side. We're very happy holders of your AT1s and Tier 2s, and thanks for the good results. I have a couple of questions. First of all, just in terms of capital management, you have your Tier 2 outstanding. It's got an October call date. I understand from the change in regulations that you can tender those Tier 2s before the call date. I was just wondering if you're giving that any consideration. Obviously, it's trading well above par, so it might not work in terms of economics, but if you could give me your thoughts on that, that would be great.

The second question is very much bigger-picture, and you've talked about the competitive environment and the opportunities, but comparing you guys to the bigger UK banks, you have a very differentiated strategy. I was just wondering if there had been any approaches for any talks with any of the larger banks. I know that's not what you want to do now, and you're in the middle of a very strongly performing strategy, but have you been approached, and what's going on there? Thank you.

Ian McLaughlin, Chief Executive Officer:

I will let you cover the Tier 2, Dave, while I think about the second question.

Dave Watts, Chief Financial Officer:

Thanks, Ian. Jackie, thanks for your question. You'd understand we can't speculate on such tender offers at this point in time. We do note the call date. I think what's worthwhile bringing out is, we did a big capital optimisation transaction at the end of last year where we issued £60m of AT1 and bought back £58.5m of Tier 2, bringing the level down to £141.5m.

That was quite a lot of the excess Tier 2 capital we had issued to the marketplace. We still have some excess at this time, which obviously will be considered as part of what we may do later on this year. I can't add any more at this stage.

Ian McLaughlin, Chief Executive Officer:

I'm glad you're a happy holder, Jackie. That's very good to hear. On what's going on around us in the market, we don't spend a huge amount of time thinking about this, really, Jackie. Our job, and I think hopefully it's been very clear from previous presentations and this one, is to make Vanquis into the very best entity that we can make it for our customers and our colleagues and our investors, and that's what we're absolutely focused on.

Do conversations come around every now and then? Yes. If there's anything reportable at any stage obviously we know our responsibilities, but for now our absolute focus is delivering to the opportunity that we've got right in front of us.

Jackie Ineke: (Spring Investments, Analyst):

Got it. Thanks, both.

Ian McLaughlin, Chief Executive Officer:

Thank you.

James Cranstoun, Head of Investor Relations:

Hi. There's actually been no further questions on the webcast, so I think we can hand back to Ian and Dave to close.

Ian McLaughlin, Chief Executive Officer:

Okay. Well, look, thank you everybody for your attention this morning, and for your very good questions. We always enjoy that, and we'll see many of you over the next couple of days, so look forward to those conversations as well. Just as I end, I'll go back to what I said in my remarks earlier. I'd really like to just thank our customers for enjoying the support that we're trying to give them. They are the lifeblood of our businesses, as I described.

I would also like to thank everyone in the organisation. It has been a torrid couple of years. We are definitely back on the path that we wanted to be on now, and that's down to the efforts of our colleagues and the support of our Board. I'd like to thank our investors as well. Their patience, understanding and support has been fantastic through this. To the question earlier, also to our regulators and Treasury, who've also been very helpful.

So, look, we're on a good path now. There's a lot of work still to do, but it's a much better position than this business was in previously, so I'm delighted about that and I'm very grateful for the hard work.

END OF TRANSCRIPT