Preliminary results for the year ended 31 December 2023
Action taken to reset and rebuild for sustainable growth

London – 27 March 2024 - Vanquis Banking Group plc ('the Group'), the specialist bank, today published its preliminary results for the twelve months to the end of December 2023.

Ian McLaughlin, Chief Executive Officer, commented: "Today's results and strategy seminar highlight the considerable challenges we are managing as we reset our business. We also describe our opportunity to grow, to deliver benefit to our customers and increase adjusted return on tangible equity (ROTE) from 3.2% in 2023 to the mid-teens by 2026.

"After a first half loss in 2023, we generated adjusted profit before tax of £30.4m in the second half, reflecting cost management actions and impairment provision releases. We assembled the right leadership team and took some important first steps, creating a healthier mix of price and volume driven growth, simplifying our operating model and taking out costs. We have established solid foundations for the transformation of our business.

"We have a strong sense of social purpose and a unique market position. We have a better understanding than ever before of how to serve our large and growing customer base. We will build our position as their chosen banking partner, deploying unique assets like Snoop, improving operational effectiveness and managing our capital to support our growth ambitions. We do have a period of hard work and change ahead of us. It is still early days, but we are making progress."

Key financial results

	2023 **£m**	2022[1] £m	Change %
Net interest income	**442.6**	432.7	2
Non-interest income	**46.2**	48.0	(4)
Total income	**488.8**	480.7	2
Impairment charges	**(166.1)**	(66.1)	151
Risk-adjusted income	**322.7**	414.6	(22)
Operating costs	**(327.1)**	(304.5)	(7)
Statutory (loss)/profit before tax from cont. ops	**(4.4)**	110.1	(104)
Adjusted profit before tax[2]	**24.9**	126.6	(80)
Adjusted operating costs[3]	**(297.8)**	(288.0)	(3)
Metrics			
Adjusted EPS (p)[4]	**6.8**	38.7	(82)
Basic (LPS)/EPS (p)[5]	**(2.4)**	32.8	(107)
Net receivables at 31 December	**2,175**	1,913	14
Gross receivables (average)[6]	**2,325**	2,039	14

Net interest margin[7]	**19.0%**	21.2%	(2)
Risk-adjusted margin[8]	**13.9%**	20.3%	(6)
Cost:income ratio[9]	**60.9%**	59.9%	(1)
Adjusted ROTE[10]	**3.2%**	21.8%	(19)
CET1 ratio[11]	**20.5%**	26.4%	(6)

2023 headlines

After a first half loss, the new management team took rapid action in 2H23 to improve performance

- After an adjusted loss before tax of £(5.5)m in 1H23, the Group generated adjusted profit before tax of £30.4m in 2H23. The statutory loss before tax was £(14.5)m in 1H23, followed by a statutory profit after tax of £10.1m in 2H23.
- The key drivers of profitability in the second half were:
  - Pro-active management of volume growth, which contained net receivables growth to 2.7% in 2H23 compared to 10.7% in 1H23, to end the year at £2,175m (FY22: £1,913m).
  - Upward re-pricing strategy in Vehicle Finance and Cards to reflect the rising interest rate environment while shielding vulnerable customers.
  - Non repeatable provision releases of £74.5m primarily from IFRS 9 impairment model recalibration.
  - Rapid action to simplify the operating model and reduce duplication which led to the removal of c.350 roles: this delivered cost savings of in 2023 and will in total deliver c.£60m of cost savings.
- Net interest margin stabilised at 19.0% in 2H23.
- Impairments increased significantly year on year due to higher new originations, reduced benefits of enhancements in IFRS 9 modelling and post model releases compared to 2022, lower debt sale profits and lower revaluation of the post charge-off asset. The underlying credit quality of the book remains stable.

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

Strategy update

At its strategy seminar on the afternoon of 27 March 2024, the Group will describe how it intends to grow its business, deliver benefits to a broader customer base and increase adjusted ROTE from 3.2% in 2023 to the mid-teens by 2026.

The key components of this transition are as follows.

- In depth market research, which has identified a core target market of 23m consumers in the 'under financial pressure' and 'stretched but managing' cohorts.
- Favourable market conditions, with a market credit deficit in our target market of £2bn and growing.
- An increasingly diversified and differentiated customer proposition which serves three core customer needs
  - Help me borrow healthily.
  - Help me feel in control of my everyday spending.
  - Help me build a financial safety net.
- Broadened distribution channels including a new partnership with H&T Pawnbrokers to help customers who do not qualify for other sources of credit.
- Benefits from technology transformation programme, which is progressing well.
- Leveraging Snoop across the Group to integrate the Snoop team's fintech experience and harness Snoop's platform, data, proposition, distribution and customer incubation.

- Further development of risk management capabilities, with enhanced data and modelling to enable "not yet" options for customers and reduce impairment levels.
- Operational efficiency through finalising the Group's offshoring programme, a new strategy for debt sales, a revised approach to collections and technology transformation.
- The Group's existing structural advantages, notably strong capital and liquidity and access to retail funding.

Outlook

The Group is continuing to take significant steps in the first quarter of 2024 to redevelop its customer proposition and reset pricing. With the implementation of these changes, the Group expects to return to modest lending growth from the start of the second quarter.

The Group is not a subject of the FCA's review of historical motor finance commission arrangements and sales.

Nevertheless, the Group has been experiencing significant levels of third-party complaint submissions. Reviewing them is causing an increase in administration costs. While the vast majority of these complaints are not upheld, the associated costs are likely to materially impact the Group's profitability in 2024. The Group has taken proactive legal steps to address this situation.

The Group remains on track to deliver the benefits of its previously announced cost saving commitments. Allowing for the factors described above, the Group expects to deliver a low single digit adjusted ROTE in 2024.

In 2025, the Group intends to deliver accelerated but disciplined growth across its full range of products. However, the near-term adverse impact of IFRS 9 accounting requirements linked to receivables growth means that the Group's adjusted ROTE is expected to remain in the low single digits, as it continues its repositioning and transformation.

In 2026, the Group intends to deliver an adjusted ROTE in the mid-teens. This significant improvement will be driven by a return to sustainable income growth, together with the benefits of greater efficiency and significant payback from its technology infrastructure investment.

Today's guidance* is summarised as follows. It is supported by expected non-linear receivables growth of 8-12% CAGR.

	FY23	**FY24 guidance**	**FY26 target**
NIM (exc. 2nd charge mortgages)	19.0%	19%	19%
NIM (inc. 2nd charge mortgages)	19.0%	>18%	>17%
Cost: Income ratio	60.9%	60-63%**	49% or less
Retail funding (% of all funding)	83.7%	>85%	>85%
CET1 ratio	20.5%	19.5-20.5%***	-
ROTE	3.2%	Low single digits	Mid-teens

* All measures are on an adjusted basis

** Adjusted operating costs broadly flat to 2023 exclude complaint costs

*** Based on a current regulatory requirements and risk appetite

Dividends

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

Results webcast and strategy seminar

Ian McLaughlin, CEO, and Dave Watts, CFO, will host a results webcast at 08:30 today. To register your attendance, please use this link: https://brrmedia.news/VANQ_FY23

Vanquis Banking Group will host a strategy seminar this afternoon from 14:00 to 17:00 at Deutsche Numis, 45 Gresham St, London EC4V 7BF. Attendance in person is encouraged to maximise the opportunity to meet the management team. If you wish to attend via webcast, please use this link: https://brrmedia.news/VANQ_SS

Materials for the results presentation will be published at:
https://www.vanquisbankinggroup.com/shareholder-hub/results-reports-and-presentations/ , and materials for the strategy seminar will be added at 1pm.

Enquiries

Analysts and shareholders
Miriam McKay, Interim Head of Investor Relations
miriam.mckay@vanquisbankinggroup.com
07577 390666

Media
Richard King, Head of Corporate Affairs
richard.king@vanquisbankinggroup.com
07919 866876

Simone Selzer, Nick Cosgrove - Brunswick
vanquisbankinggroup@brunswickgroup.com
0207 4045959

Footnotes

1. *The presentation of the income statement in this report is consistent with that in the Annual Report and Accounts for 31 December 2022, with the exception of interest received from Vanquis Bank Limited's liquid asset buffer and net fair value gains recognised in relation to the Group's derivative financial instruments previously reported in other income now being recognised within interest income, and certain elements of vehicle finance income, which were previously reported in interest income now being recognised in other income.*
2. *Adjusted profit before tax is stated before amortisation of acquisition intangibles, discontinued operations and exceptional items.*
3. *Adjusted operating costs are operating costs excluding exceptional items and amortisation of acquisition intangibles.*
4. *Adjusted EPS is calculated as profit after tax from continuing operations, excluding the amortisation of acquisition intangibles and exceptional items for the 12 months ended 31 December, divided by the weighted average number of shares in issue.*
5. *Basic (LPS)/EPS is calculated as (loss)/profit after tax from continuing operations for the 12 months ended 31 December, divided by the weighted average number of shares in issue.*
6. *Average of gross customer interest earning balances for the 13 months ended 31 December.*

7. *Net interest margin is calculated as interest income less interest expense for the 12 months ended 31 December as a percentage of average gross receivables for the 13 months ended 31 December.*
8. *Risk-adjusted margin is defined as risk-adjusted income for the 12 months ended 31 December as a percentage of average gross receivables for the 13 months ended 31 December.*
9. *Operating costs, excluding exceptional items and amortisation of acquisition intangibles as a percentage of total income, for the 12 months ended 31 December.*
10. *ROTE is defined as adjusted profit after tax net of fair value gains for the 12 months ended 31 December as a percentage of average adjusted tangible equity for the 13 months ended 31 December. Adjusted tangible equity is stated as equity after deducting the Group's pension asset, net of deferred tax, the fair value of derivative financial instruments, net of deferred tax, less intangible assets and goodwill.*
11. *The CET1 ratio is defined as the ratio of the Group's CET1 to the Group's risk-weighted assets measured in accordance with the CRR.*

Forward looking statements

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

Chief Executives Officer's review

Introduction

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

Reflections on 2023

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

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

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

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

1. Refreshed our Executive team to create the right mix of customer experience, capability and personal values with five new hires in key roles – Chief Customer Officer, Chief Financial Officer, Chief Technology Officer, Chief Digital, Data and Analytics Officer, and Chief of Staff – alongside seven seasoned Vanquis Banking Group executives in Operations, Transformation, HR, Communications, Risk, Legal, and Internal Audit.
2. Better communication to engage our colleagues, partners and other key stakeholders on the need for substantial change.
3. Simplifying our operating model and removing duplication, to deliver total savings of c.£60m in 2024 - without compromising on customer service.

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

Strategy

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

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

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

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

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

Key initiatives for 2024

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

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

Outlook

Our customers have proved their resilience in the face of cost of living pressures, and no discernible impact has been seen in the business's credit performance. We operate in a clearly defined, growing market sector and have attractive points of differentiation versus current peers (for example, Snoop and lower funding costs). As a business, we have short term challenges to address, however I am confident that our new strategy will deliver good outcomes for our customers and attractive and sustainable returns for our shareholders over the medium and longer term.

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

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

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

Conclusion

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

Financial review

Group performance

The Group's 2023 results are as follows:

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

To enhance transparency and understanding of our financial performance, the Group has taken the decision in the current year to enhance the presentation of our financial performance to initially focus on the statutory income statement with a reconciliation to adjusted profit before tax, which is a primary measure to assess our financial performance. All periods presented have been retrospectively re-presented. This change does not constitute a change in accounting policy and there is no impact on recognition, measurement or profit and loss in any period presented in the financial statements.

Profit/(loss) before tax

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

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

Income

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

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

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

Impairment / Cost of Risk

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

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

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

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

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

Costs (Adjusted)

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

Tax

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

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

Adjusted Return on Tangible Equity (ROTE)

The Group's adjusted ROTE has decreased from 21.8% in 2022 to 3.2% in 2023, reflecting the lower adjusted PBT in 2023.

Earnings per share (EPS)

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

Dividends

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

Balance sheet

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

[1] Amounts receivable from customers in 2023 are presented net of £3.2m (2022: £7.9m) fair value adjustment for portfolio hedged risk. Underlying receivables from customers are £2,175.1m (2022: £1,913.3m).

[2] Bank and other borrowings in 2023 are presented net of £1.0m (2022: £4.6m) fair value adjustment for hedged risk. Underlying bank and other borrowings are £583.5m (2022: £820.0m).

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

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

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

Liquidity and funding

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

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

Capital

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

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

Operating review

Product trading performance

	Cards	Vehicle Finance	Loans	Other	Corporate Centre	Total
	2023 £m	**2023 £m**	**2023 £m**	**2023 £m**	**2023 £m**	**2023 £m**
Interest income	**371.0**	**150.3**	**25.9**	**0.4**	**8.4**	**556.0**
Interest expense	**(51.6)**	**(28.7)**	**(4.0)**	**(0.2)**	**(28.9)**	**(113.4)**
Net interest income	**319.4**	**121.6**	**21.9**	**0.2**	**(20.5)**	**442.6**
Fee and commission income	**44.2**	**—**	**—**	**—**	**—**	**44.2**
Fee and commission expense	**(1.7)**	**—**	**—**	**—**	**—**	**(1.7)**
Net fee and commission income	**42.5**	**—**	**—**	**—**	**—**	**42.5**
Other income	**1.3**	**2.0**	**—**	**0.4**	**—**	**3.7**
Total income	**363.2**	**123.6**	**21.9**	**0.6**	**(20.5)**	**488.8**
Impairment charges	**(130.0)**	**(15.2)**	**(20.9)**	**—**	**—**	**(166.1)**
Risk-adjusted income	**233.2**	**108.4**	**1.0**	**0.6**	**(20.5)**	**322.7**
Adjusted operating costs	**(167.8)**	**(49.5)**	**(16.0)**	**(3.6)**	**(60.9)**	**(297.8)**
Adjusted PBT / (LBT)	**65.4**	**58.9**	**(15.0)**	**(3.0)**	**(81.4)**	**24.9**

	Cards	Vehicle Finance	Loans	Other	Corporate Centre	Total
	2022 £m	2022 £m	2022 £m	2022 £m	2022 £m	2022 £m
Interest income	337.4	137.7	13.1	—	3.3	491.5
Interest expense	(22.4)	(22.1)	(1.2)	—	(13.1)	(58.8)
Net interest income	315.0	115.6	11.9	—	(9.8)	432.7
Fee and commission income	47.0	—	—	—	—	47.0
Fee and commission expense	(2.8)	—	—	—	—	(2.8)
Net fee and commission income	44.2	—	—	—	—	44.2
Other income	0.9	2.9	—	—	—	3.8
Total income	360.1	118.5	11.9	—	(9.8)	480.7
Impairment charges	(16.8)	(40.8)	(8.5)	—	—	(66.1)
Risk-adjusted income	343.3	77.7	3.4	—	(9.8)	414.6
Adjusted operating costs	(164.8)	(39.7)	(19.1)	—	(64.4)	(288.0)
Adjusted PBT / (LBT)	178.5	38.0	(15.7)	—	(74.2)	126.6

Corporate centre

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

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

Credit cards - Continues to attract new customer bookings

	Twelve months ended 31 December		
	2023 £m	2022 £m	*Change (%)*
Total customer numbers ('000)	**1,375.5**	1,540.8	*(10.7)*
New customer bookings ('000)	**267.3**	224.6	*19.0*
Period-end receivables	**1,277.7**	1,181.6	*8.1*
Average gross receivables[1]	**1,416.9**	1,331.9	*6.4*
Interest income	**371.0**	337.4	*10.0*
Interest expense	**(51.6)**	(22.4)	*130.4*
Net interest income	**319.4**	315.0	*1.4*
Net fee and commission income	**42.5**	44.2	*(3.8)*
Other income	**1.3**	0.9	*44.4*
Total income	**363.2**	360.1	*0.9*
Impairment charges	**(130.0)**	(16.8)	*673.8*
Risk adjusted income	**233.2**	343.3	*(32.1)*
Adjusted operating costs [2]	**(167.8)**	(164.8)	*1.8*
Adjusted PBT contribution [3]	**65.4**	178.5	*(63.4)*
Asset yield (%) [4]	**24.7**	25.0	*(0.3)*
Cost of risk (%) [5]	**(9.2)**	(1.3)	*(7.9)*
Risk adjusted margin (%) [6]	**16.5**	25.8	*(9.3)*

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk adjusted income fell £110.1m to £233.2m (2022: £343.3m), as a result of impairment charges rising to £130.0m (2022: £16.8m). Impairments benefited from a release of provisions no longer required arising from ongoing IFRS 9 model refinements (£17.0m) and the full release of the cost of living post model adjustment (£10m), but the level of releases in 2023 were lower than releases in 2022. Impairment provision releases (£92.5m) last year related to Covid-19 and model recalibration. Underlying asset quality remained stable year-on-year. The annualised cost of risk increased from 1.3% to 9.2%, and risk adjusted margin fell to 16.5% (2022: 25.8%).

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

Vehicle Finance - continued robust performance

	Twelve months ended 31 December		
	2023 £m	2022 £m	*Change (%)*
Total customer numbers (‘000)	**111.7**	100.0	*11.7*
New customer bookings (‘000)	**50.8**	42.1	*20.7*
Period-end receivables	**792.2**	655.4	*20.9*
Average gross receivables [1]	**784.7**	656.6	*19.5*
Interest income	**150.3**	137.7	*9.2*
Interest expense	**(28.7)**	(22.1)	*29.9*
Net interest income	**121.6**	115.6	*5.2*
Other income	**2.0**	2.9	*(31.0)*
Total income	**123.6**	118.5	*4.3*
Impairment charges	**(15.2)**	(40.8)	*(62.7)*
Risk adjusted income	**108.4**	77.7	*39.5*
Adjusted operating costs [2]	**(49.5)**	(39.7)	*24.7*
Adjusted PBT contribution [3]	**58.9**	38.0	*55.0*
Asset yield (%) [4]	**19.2**	21.0	*(1.8)*
Cost of risk (%) [5]	**(1.9)**	(6.2)	*4.3*
Risk adjusted margin (%) [6]	**13.8**	11.8	*2.0*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Vehicle finance has never entered into discretionary broker commission arrangements.

Unsecured Personal Loans – A stable year-on-year performance

	Twelve months ended 31 December		
	2023 £m	2022 £m	*Change (%)*
Total customer numbers ('000)	**43.7**	34.4	*27.0*
New customer bookings ('000)	**29.6**	27.0	*9.6*
Period-end receivables	**102.4**	76.3	*34.2*
Average gross receivables[1]	**123.1**	50.9	*141.8*
Interest income	**25.9**	13.1	*97.7*
Interest expense	**(4.0)**	(1.2)	*233.3*
Net interest income	**21.9**	11.9	*84.0*
Total income	**21.9**	11.9	*84.0*
Impairment charges	**(20.9)**	(8.5)	*145.9*
Risk-adjusted income	**1.0**	3.4	*(70.6)*
Operating costs	**(16.0)**	(19.1)	*(16.2)*
LBT contribution	**(15.0)**	(15.7)	*(4.5)*
Asset yield (%) [2]	**21.0**	25.7	*(4.7)*
Cost of risk (%)[3]	**(17.0)**	(16.7)	*(0.3)*
Risk adjusted margin (%)[4]	**0.8**	6.7	*(5.9)*

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

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

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

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

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

Loans customers are highly satisfied by their Vanquis loan and the service they receive. This is evidenced by loans customers giving their loan a Net Promoter Score of 51, a customer satisfaction score of 89% and by 89% of customers also saying that they would use a Vanquis loan again. The Vanquis loan product was also the winner of 'Best Loan Provider' in the 2023 Consumer Credit Awards.
For FY23, personal loans reported a LBT contribution of £(15.0)m loss (2022: £(15.7)m) and receivables at the end of the period up 34.2% to £102.4m (2022: £76.3m).

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

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

Interest expense rose by 233.3% to £4.0m, reflecting receivables growth and rising interest expense due to market savings rates and the UK bank base rate moving upwards, impacting the Group's funding cost.
Net interest income was up 84.0% to £21.9m (2022: £11.9m).

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

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

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

Snoop - Helps our customers save money

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

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

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

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

Principal Risks and Uncertainties

Group Principal Risks are those risks most critical to the alignment of the Group Strategy. Principal risk categories and associated risk appetite statements are reviewed and approved by the Board on an annual basis, effectively defining Vanquis Banking Group's overall risk appetite.

Customer Risk
This is defined as the risk of customer detriment due to poor design, distribution and execution of products and services or other activities which could lead to unfair customer outcomes or regulatory censure. The Group has a set of detailed risk appetite statements, metrics and thresholds in place in relation to the fair treatment and management of our customers.

Regulatory Risk
This is defined as the risk that our systems and controls do not support effective regulatory compliance and we fail to meet the expectations of our regulators. We aim to avoid material regulatory breaches and, in the event that they do occur, we will correct them promptly and learn from our mistakes.

Financial Crime Risk
This is defined as the risk that the Group's products and services are used to facilitate financial crime against the Group, customers or third parties. The Group operates a strong and risk-proportionate set of systems and controls to detect and prevent financial crime. The Group is committed to complying with applicable legislation for the management of Financial Crime Risk, ensuring that it meets the minimum requirements and expectations of the regulatory bodies and those set by legislation for managing Financial Crime Risk effectively.

Capital Risk
This is defined as the risk that the Group fails to maintain the minimum regulatory capital requirements and a management buffer on a consolidated basis to cover risk exposures and withstand a severe stress as identified as part of the Internal Capital Adequacy Assessment Process (ICAAP). The Group and Bank operate within a defined capital risk appetite, with thresholds reported to and monitored by Group Boards. Additional metrics and thresholds have been developed for the Group and Vanquis Bank. All thresholds have been calibrated above the Recovery & Resolution Plan (RRP) triggers in order to provide advance warning of threshold breaches.

Funding and Liquidity Risk
This is defined as the risk that the Group has insufficient financial resources to meet its obligations (cash or collateral requirements) as they fall due, resulting in the failure to meet regulatory liquidity requirements, or is only able to secure such resources at excessive cost. The Group's current funding strategy seeks to maintain a secure funding structure by maintaining access to the liquid retail deposits market and committed facilities to meet the Group's liquidity and funding requirements. The Group maintains access to diversified sources of funding comprising: (i) retail deposits; (ii) securitisation of the cards and vehicle finance books; (iii) liquidity and funding facilities at the Bank of England; and (iv) access to wholesale market funding and debt capital via its EMTN programme.

Market Interest Rate Risk in the Banking Book (IRRBB) Risk
This is defined as the risk that the net value of, or net income arising from, assets and liabilities is impacted as a result of changes in market prices or rates, specifically interest rates, currency rates or equity prices. The Group's corporate policies do not permit it to undertake position taking or trading books of this type and therefore it does not do so.

Credit Risk

This is defined as the risk of unexpected credit losses arising through either adverse macroeconomic factors or parties with whom the Group has contracted failing to meet their financial obligations. Credit Risk appetite has been refreshed with metrics and thresholds grouped by product lines to enable more focused monitoring and management action to remain within appetite on a timely basis. Regular reporting is in place which allows daily monitoring of new business quality, collections performance and concentration analysis. Extensive work has been undertaken to enhance credit worthiness and affordability procedures.

People Risk

This is defined as the risk that we have insufficient operational capacity and colleagues with the right skills in meeting our financial, customer and regulatory responsibilities. In managing our people risk, we ensure we have adequate controls across the whole colleague life cycle covering the onboarding, development and management of our colleagues. This extends to ensuring we have sufficient operational capacity and colleagues with the right skills in meeting our financial, customer and regulatory responsibilities.

Technology and Information Security Risk

This is defined as the risk arising from compromised or inadequate technology, security and data that could affect the confidentiality, integrity or availability of the Group's data or systems. This risk is managed in conjunction with Operational Risk with additional and particular focus on cyber and technology infrastructure.

Operational Risk

This is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The three lines of defence model throughout the Group ensures there are clear lines of accountability between management who own the risks, oversight by the risk function and independent assurance provided by Internal Audit.

Model Risk

This is defined as the risk of financial losses where models fail to perform as expected due to poor governance (including design and operation). A Group model risk management framework and model risk policy is embedded with a model inventory in place to ensure periodic review and strict change control.

Strategic Performance Risk

This is defined as the risk of making and/ or executing poor strategic decisions related to acquisitions, products, distribution, etc. as a result of ineffective governance arrangements, processes and controls. Board Governance Manual and Delegated Authorities Matrix (DAM) are in place to provide a framework for key decision making at all levels across the Group. Executive Director scorecards are in place with reward incentives based on a combination of financial and non-financial measures.

Consolidated financial statements

Consolidated income statement for the year ended 31 December

	Note	2023	2022
Continuing operations		**£m**	£m
Interest income	3	**556.0**	491.5
Interest expense		**(113.4)**	(58.8)
Net interest income		**442.6**	432.7
Fee and commission income	4	**44.2**	47.0
Fee and commission expense		**(1.7)**	(2.8)
Net fee and commission income		**42.5**	44.2
Other income and net fair value gains		**3.7**	3.8
Total income		**488.8**	480.7
Impairment charges	9	**(166.1)**	(66.1)
Risk-adjusted income		**322.7**	414.6
Operating costs		**(327.1)**	(304.5)
Statutory (loss)/profit before taxation from continuing operations	4	**(4.4)**	110.1
Tax charge for continuing operations		**(1.6)**	(27.8)
Statutory (loss)/profit after taxation from continuing operations		**(6.0)**	82.3
Loss after tax from discontinued operations	5	**-**	(4.9)
Statutory (loss)/profit for the year attributable to equity shareholders		**(6.0)**	77.4
Add back:			
Tax charge for continuing operations		**1.6**	27.8
Amortisation of acquisition intangibles		**7.9**	7.5
Exceptional items		**21.4**	9.0
Loss after taxation from discontinued operations.		**-**	4.9
Adjusted profit before tax		**24.9**	126.6

Consolidated statement of comprehensive income for the year ended 31 December

	Note	2023	2022
		£m	£m
(Loss)/profit for the year attributable to equity shareholders		**(6.0)**	77.4
Items that will not be reclassified subsequently to the income statement:			
– actuarial movements on retirement benefit asset	13	**6.4**	(84.2)
– tax on items taken directly to other comprehensive income	6	**(1.5)**	16.0
– impact of change in UK tax rate on items in other comprehensive income	6	**(0.1)**	5.0
Other comprehensive (expense)/income for the year		**4.8**	(63.2)
Total comprehensive (expense)/income for the year		**(1.2)**	14.2

(Loss)/earnings per share

	Note	2023	2022
		pence	pence
Basic	7	**(2.4)**	30.8
Diluted	7	**(2.3)**	30.5

The above (loss)/earnings per share is on a Group basis including discontinued operations.

Dividends per share

	Note	2023	2022
		pence	pence
Interim dividend	8	**5.0**	5.0
Final dividend	8	**1.0**	10.3

The total cost of dividends paid in the year was £38.4m (2022: £42.8m).

Consolidated balance sheets

	Note	31 December 2023 £m	31 December 2022 (restated[1]) £m	1 January 2022 (restated[1]) £m
ASSETS				
Cash and cash equivalents		**743.3**	464.9	717.7
Amounts receivable from customers	9	**2,171.9**	1,905.4	1,687.0
Trade and other receivables		**55.9**	50.6	18.8
Investments held at fair value through profit and loss	11	**5.4**	10.7	9.1
Current tax asset		**8.1**	-	-
Property, plant and equipment		**8.1**	8.3	8.4
Right of use assets		**23.2**	32.4	47.9
Goodwill	10	**72.4**	71.2	71.2
Other intangible assets	12	**74.4**	63.3	52.3
Retirement benefit asset	13	**38.2**	30.7	112.2
Derivative financial instruments		**1.3**	11.3	3.1
Deferred tax assets	6	**6.5**	14.5	6.9
TOTAL ASSETS	4	**3,208.7**	2,663.3	2,734.6
LIABILITIES AND EQUITY				
Liabilities				
Trade and other payables		**44.1**	62.8	95.6
Current tax liabilities		**-**	-	5.6
Provisions	14	**5.8**	5.2	72.1
Lease liabilities		**40.9**	49.3	58.9
Retail deposits		**1,950.5**	1,100.6	1,018.5
Bank and other borrowings		**582.5**	815.4	845.2
Derivative financial instruments		**1.8**	15.3	-
Total liabilities		**2,625.6**	2,048.6	2,095.9
Equity attributable to owners of the parent				
Share capital		**53.2**	52.6	52.6
Share premium		**276.3**	273.5	273.3
Merger reserve		**278.2**	278.2	278.2
Other reserves		**12.1**	12.4	9.8
Retained earnings		**(36.7)**	(2.0)	24.8
Total equity	4	**583.1**	614.7	638.7
TOTAL LIABILITIES AND EQUITY		**3,208.7**	2,663.3	2,734.6

[1] Refer to accounting policies for detail of restatement.

Consolidated statement of changes in shareholders' equity

	Share capital £m	Share premium £m	Merger reserve £m	Other reserves £m	Retained earnings £m	Total £m
At 31 December 2021	52.6	273.3	278.2	9.8	17.3	631.2
Prior year adjustment[1]	-	-	-	-	7.5	7.5
At 1 January 2022	52.6	273.2	278.2	9.8	24.8	638.7
Profit for the year	-	-	-	-	77.4	77.4
Other comprehensive (expense)/income:						
– actuarial movements on retirement benefit asset (note 13)	-	-	-	-	(84.2)	(84.2)
– tax on items taken directly to other comprehensive income (note 6)	-	-	-		16.0	16.0
– impact of change in UK tax rate (note 6)	-	-	-	-	5.0	5.0
Other comprehensive (expense) for the year	-	-	-		(63.2)	(63.2)
Total comprehensive income for the year	-	-	-		14.2	14.2
Dividends	-	-	-	-	(42.8)	(42.8)
Purchase of own shares	-	-	-	-	(0.7)	(0.7)
Issue of share capital	-	0.2	-	-	-	0.2
Share-based payment charge	-	-	-	5.1	-	5.1
Transfer of share-based payment reserve on vesting of share awards	-	-	-	(2.5)	2.5	-
At 31 December 2022	52.6	273.5	278.2	12.4	(2.0)	614.7
At 1 January 2023	**52.6**	**273.5**	**278.2**	**12.4**	**(2.0)**	**614.7**
Loss for the year	**-**	**-**	**-**	**-**	**(6.0)**	**(6.0)**
Other comprehensive income/(expense):						
– actuarial movements on retirement benefit asset (note 13)	**-**	**-**	**-**	**-**	**6.4**	**6.4**
– tax on items taken directly to other comprehensive income (note 6)	**-**	**-**	**-**	**-**	**(1.5)**	**(1.5)**
– impact of change in UK tax rate (note 6)	**-**	**-**	**-**	**-**	**(0.1)**	**(0.1)**
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**4.8**	**4.8**
Total comprehensive expense for the year	**-**	**-**	**-**	**-**	**(1.2)**	**(1.2)**
Dividends	**-**	**-**	**-**	**-**	**(38.4)**	**(38.4)**
Issue of share capital	**0.6**	**2.8**	**-**	**-**	**-**	**3.4**
Share-based payment charge	**-**	**-**	**-**	**4.6**	**-**	**4.6**
Transfer of share-based payment reserve on vesting of share awards	**-**	**-**	**-**	**(4.9)**	**4.9**	**-**
At 31 December 2023	**53.2**	**276.3**	**278.2**	**12.1**	**(36.7)**	**583.1**

[1] Refer to accounting policies for detail of restatement.

The rights issue in April 2018 was undertaken through a cash box structure which allowed merger relief to be applied to the issue of shares rather than recording share premium. The full merger reserve is now considered distributable.

Consolidated statement of cash flows for the year ended 31 December

	Note	2023 £m	2022[1] £m
Cash flows from operating activities			
Cash (used in)/generated from operations	15	**(175.0)**	(148.1)
Finance costs paid		**(76.1)**	(48.8)
Finance income received		**26.6**	5.4
Tax paid		**(6.0)**	(13.4)
Net cash used in operating activities		**(230.5)**	(204.9)
Cash flows from investing activities			
Purchase of intangible assets	12	**(19.0)**	(29.2)
Purchase of property, plant and equipment		**(3.3)**	(3.6)
Proceeds from sale of available for sale investment		**6.4**	-
Acquisition of a subsidiary		**(2.9)**	-
Net cash used in investing activities		**(18.8)**	(32.8)
Cash flows from financing activities			
Proceeds from bank and other borrowings		**1,100.0**	330.0
Repayment of bank and other borrowings		**(523.3)**	(288.4)
Payment of lease liabilities		**(11.2)**	(10.8)
Dividends paid to Company shareholders		**(38.4)**	(42.8)
Purchase of shares for share awards		**-**	(0.7)
Proceeds from issue of share capital		**0.1**	0.2
Net cash generated from/(used in) financing activities		**527.2**	(12.5)
Net increase/(decrease) in cash, cash equivalents and overdrafts		**277.9**	(250.2)
Cash, cash equivalents and overdrafts at beginning of year		**463.9**	714.1
Cash, cash equivalents acquired from Snoop		**-**	-
Cash, cash equivalents and overdrafts at end of year		**741.8**	463.9
Cash, cash equivalents and overdrafts at end of year comprise:			
Cash at bank and in hand		**743.3**	464.9
Overdrafts (held in bank and other borrowings)		**(1.5)**	(1.0)
Total cash, cash equivalents and overdrafts		**741.8**	463.9

[1] 2022 cash flows reclassified between proceeds from and repayments of bank and other borrowings within cash flows from financing activities due to netting of retail deposit retained amounts totaling £155.5m

Cash at bank and in hand includes £681.5m (2022: £420.5m) in respect of the liquid assets buffer, including other liquidity resources, held by Vanquis Bank Limited in accordance with the PRA's liquidity regime.

Notes to the financial information

1. Basis of preparation

The preliminary announcement has been prepared in accordance with the Listing Rules of the FCA and is based on the 2023 financial statements which have been prepared under International Financial Reporting Standards (IFRS) as adopted by the UK, International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006.

The financial information set out in this announcement does not constitute the Group's statutory accounts for the year ended 31 December 2023 or the year ended 31 December 2022 but is derived from those accounts. Statutory accounts for the year ended 31 December 2022 have been delivered to the Registrar of Companies, and those for the year ended 31 December 2023 will be delivered to the Registrar of Companies before the Company's annual general meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498(2) or (3) of the Companies Act 2006.

The statutory financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of derivative financial instruments and investments held at fair value through profit and loss.

In assessing whether the Group is a going concern, the directors have reviewed the Group's corporate plan as approved in March 2024, in doing so, the Board reviewed detailed forecasts for the three year period to December 2026 and also considered less detailed forecasts for 2027 and 2028. These higher-level outer year forecasts do not contain any information which would cause different conclusions to be reached over the longer-term viability of the Group. The assessment included consideration of the Group's principal risks and uncertainties, with a focus on capital and liquidity, and this assessment remains valid for a period of 12 months from the accounts approval date.

The directors have also reviewed the Group's stress testing projections which are based on a severe but plausible scenario. The stress test scenario envisages that the UK economy enters a period of stagflation in 2024 with inflation rising to approximately 8.6% and the UK Bank Rate rising to 6.75%. As a result, the UK unemployment rate rises to approximately 8.1%. This shows that the Group is able to maintain sufficient capital headroom above minimum requirements. The directors have reviewed the Group's reverse stress testing projections to the point of non-viability, which concluded that the Group's viability only comes into question under an unprecedented macroeconomic scenario.

2. Accounting policies

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

Prior year restatement
In the current year, as part of the Group's continual focus on improving the precision of its IFRS 9 impairment models, it was identified within vehicle finance that recovery cash flows were being discounted to the date of default rather than the reporting date. This led to cash flows being discounted too heavily and therefore a higher core model impairment provision being historically recognised. In 2021, this would have resulted in a reduction in Group loss after tax of £7.5m, an increase in vehicle finance receivables of £9.3m and a reduction in the current tax asset of £1.8m. Management considers that a prior period restatement is appropriate and has retrospectively restated the 2022 balance sheet which has resulted in an increase in vehicle finance receivables of £9.3m, a reduction in the current tax asset of £1.8m and a corresponding increase of £7.5m through retained earnings.

Change in presentation of income statement
In line with our continued repositioning as a specialist banking group, the Group changed the presentation of its income statement in the Annual Report and accounts for the year ended 31 December 2022 to align with the wider banking industry.

The presentation of the income statement in this report is consistent with that in the Annual Report and Accounts for 31 December 2022, with the exception of interest received from Vanquis Bank Limited's liquid asset buffer and net fair value gains recognised in relation to the Group's derivative financial instruments previously reported in other income now being recognised within interest income, and certain elements of vehicle finance income which were previously reported in interest income now being recognised in other income.

2. Accounting policies (continued)

All periods presented in this report have been retrospectively re-presented. This change does not constitute a change in accounting policy and there is no impact on recognition, measurement or profit and loss in any period presented in this report.

3. Interest income

Interest receivable from:	**2023 £m**	2022 £m
Customer receivables	**525.7**	484.0
Cash balances held on deposit and other interest	**25.6**	5.4
Net fair value gains on derivative financial instruments	**4.7**	2.1
Total income	**556.0**	491.5

4. Segment reporting

	Cards 2023 £m	Vehicle Finance 2023 £m	Loans 2023 £m	Second charge mortgages 2023 £m	Snoop 2023 £m	Corporate Centre 2023 £m	Total 2023 £m
Interest income	371.0	150.3	25.9	0.4	-	8.4	556.0
Interest expense	(51.6)	(28.7)	(4.0)	(0.2)	-	(28.9)	(113.4)
Net interest income	**319.4**	**121.6**	**21.9**	**0.2**	**-**	**(20.5)**	**442.6**
Fee and commission income	44.2	-	-	-	-	-	44.2
Fee and commission expense	(1.7)	-	-	-	-	-	(1.7)
Net fee and commission income	**42.5**	**-**	**-**	**-**	**-**	**-**	**42.5**
Other income	1.3	2.0	-	-	0.4	-	3.7
Total income	**363.2**	**123.6**	**21.9**	**0.2**	**0.4**	**(20.5)**	**488.8**
Impairment charges	(130.0)	(15.2)	(20.9)	-	-	-	(166.1)
Risk-adjusted income	**233.2**	**108.4**	**1.0**	**0.2**	**0.4**	**(20.5)**	**322.7**
Adjusted operating costs	(167.8)	(49.5)	(16.0)	(0.7)	(2.9)	(60.9)	(297.8)
Adjusted PBT/(LBT)	**65.4**	**58.9**	**(15.0)**	**(0.5)**	**(2.5)**	**(81.4)**	**24.9**
Exceptional items						(21.4)	(21.4)
Amortisation of acquisition intangibles						(7.9)	(7.9)
Statutory loss before taxation on continuing operations						**(110.6)**	**(4.4)**
Tax charge for continuing operations							(1.6)
Statutory loss after taxation on continuing operations							**(6.0)**
Loss after taxation on discontinued operations							-
Statutory loss for the year attributable to equity shareholders							**(6.0)**

4. Segment reporting (continued)

	Cards 2022 £m	Vehicle Finance 2022 £m	Loans 2022 £m	Second charge mortgages 2022 £m	Snoop 2022 £m	Corporate Centre 2022 £m	Total 2022 £m
Interest income	337.4	137.7	13.1	-	-	3.3	491.5
Interest expense	(22.4)	(22.1)	(1.2)	-	-	(13.1)	(58.8)
Net interest income	**315.0**	**115.6**	**11.9**	**-**	**-**	**(9.8)**	**432.7**
Fee and commission income	47.0	-	-	-	-	-	47.0
Fee and commission expense	(2.8)	-	-	-	-	-	(2.8)
Net fee and commission income	**44.2**	**-**	**-**	**-**	**-**	**-**	**44.2**
Other income	0.9	2.9	-	-	-	-	3.8
Total income	**360.1**	**118.5**	**11.9**	**-**	**-**	**(9.8)**	**480.7**
Impairment charges	(16.8)	(40.8)	(8.5)	-	-	-	(66.1)
Risk-adjusted income	**343.3**	**77.7**	**3.4**	**-**	**-**	**(9.8)**	**414.6**
Adjusted operating costs	(164.8)	(39.7)	(19.1)	-	-	(64.4)	(288.0)
Adjusted PBT/(LBT)	**178.5**	**38.0**	**(15.7)**	**-**	**-**	**(74.2)**	**126.6**
Exceptional items						(9.0)	(9.0)
Amortisation of acquisition intangibles						(7.5)	(7.5)
Statutory (loss)/profit before taxation on continuing operations						**(90.6)**	**110.1**
Tax charge for continuing operations							(27.8)
Statutory profit after taxation on continuing operations							**82.3**
Loss after taxation on discontinued operations							(4.9)
Statutory profit for the year attributable to equity shareholders							**77.4**

Acquisition intangibles represent the fair value of the broker relationships of £75.0m, which arose on the acquisition of Moneybarn in August 2014; the fair value of intangible assets of £10.1m; and the brand name of £1.0m, arising on the acquisition of Snoop in the current year. The amortisation charge in 2023 amounted to £7.9m (2022: £7.5m).

Revenue between business segments is not material.

Exceptional items for continuing operations represent a net exceptional charge of £21.4m in 2023 (2022: £9.0m) and comprise:

	2023 £m	2022 £m
Strategy consultancy costs	**(3.5)**	(3.8)
Redundancy – outsourcing and other staff exits	**(7.2)**	(1.5)
Other outsourcing costs	**(2.2)**	-
Property exit costs	**(4.1)**	-
Total transformation costs	**(17.0)**	**(5.3)**
Other exceptional costs:		
Snoop acquisition costs	**(3.0)**	-
Legal and other advice	**(1.0)**	-
Repayment Option Plan (ROP) provision release	**2.0**	-
CCD liquidation/scheme costs	**(2.4)**	(3.7)
Total exceptional items	**(21.4)**	**(9.0)**

4. Segment reporting (continued)

	Segment assets		Segment liabilities		Net assets/(liabilities)	
	2023	2022	**2023**	2022	**2023**	2022
	£m	£m	**£m**	£m	**£m**	£m
Credit cards, personal loans and second charge mortgages	**2,195.7**	1,795.6	**(1,802.0)**	(1,410.7)	**393.7**	384.9
Vehicle finance	**896.1**	770.1	**(683.2)**	(589.7)	**212.9**	180.4
Central	**29.4**	504.8	**(58.4)**	(72.7)	**(29.0)**	432.1
Other	**11.8**	-	**(6.3)**	-	**5.5**	-
Continuing operations before intra-group elimination	**3,133.0**	**3,070.5**	**(2,549.9)**	**(2,073.1)**	**583.1**	**997.4**
Discontinued operations	**-**	-	**-**	(382.7)	**-**	(382.7)
Intra-group elimination	**75.7**	(407.2)	**(75.7)**	407.2	**-**	-
Total Group	**3,208.7**	**2,663.3**	**(2,625.6)**	**(2,048.6)**	**583.1**	**614.7**

The presentation of segment net assets reflects the statutory assets, liabilities and net assets of each of the Group's divisions. This results in an intra-group elimination reflecting the difference between the central intercompany funding provided to the divisions and the external funding raised centrally. Credit cards, personal loans and second charge mortgages are recognised within Vanquis Bank Limited and are therefore combined for balance sheet reporting purposes.

5. Discontinued operations

The Group closed its CCD business comprising home credit and Satsuma loans during 2021 and in accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' these businesses are presented as discontinued operations.

The loss for discontinued operations for 2023 is £nil. No amounts are included in the Group income statement in the current year. Subsequently the basic and diluted loss per share for discontinued operations in 2023 is £nil.

The loss for discontinued operations for 2022 was £4.9m resulting in a basic and diluted loss per share of 2.0p. The loss for discontinued operations in 2022 included: interest expense of £6.2m; operating costs of £9.1m; an exceptional release of £4.6m; and a tax credit of £5.8m.

There were no cash flows arising from discontinued operations in 2023. In 2022 discontinued operations generated cash of £0.1m in respect of operating activities, generated £nil in respect of investing activities and used £0.1m in respect of financing activities.

Cash flows relating to exceptional items in 2022 were £4.6m in respect of operating activities.

During the year the discontinued operations generated cash of £nil (2022: £0.1m) in respect of operating activities, generated £nil (2022: £nil) in respect of investing activities and used £nil (2022: £0.1m) in respect of financing activities. Discontinued operations cash flows relating to exceptional items was £nil (2022: release of £4.6m) in respect of operating activities

6. Tax charge

The tax charge/(credit) in the income statement is as follows:

	2023			
	Continuing operations			
	Adjusted PBT £m	Exceptional items £m	Amortisation £m	Total £m
Profit/(loss) on ordinary activities before tax	**24.9**	**(21.4)**	**(7.9)**	**(4.4)**
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 23.5%	**5.8**	**(5.0)**	**(1.8)**	**(1.0)**
Effects of:				
– impact of change in UK tax rate (note (a))	**1.3**	**-**	**-**	**1.3**
– write off of deferred tax assets (note (b))	**0.3**	**-**	**-**	**0.3**
– adjustments in respect of prior years (note (c))	**1.5**	**-**	**-**	**1.5**
– non-deductible general expenses (note (d))	**0.2**	**0.7**	**-**	**0.9**
– benefit of capital losses (note (e))	**(1.4)**	**-**	**-**	**(1.4)**
Total tax charge/(credit)	**7.7**	**(4.3)**	**(1.8)**	**1.6**

	2022						
	Continuing operations				Discontinued operations		
	Adjusted PBT £m	Exceptional items £m	Amortisation £m	Total £m	Adjusted PBT £m	Exceptional items £m	Total £m
Profit/(loss) on ordinary activities before tax	126.6	(9.0)	(7.5)	110.1	(15.3)	4.6	(10.7)
Profit/(loss) before tax multiplied by standard rate of corporation tax in the UK of 19%	24.1	(1.7)	(1.4)	21.0	(2.9)	0.9	(2.0)
Effects of:							
– impact of change in UK tax rate (note (a))	3.2	-	-	3.2	-	-	-
– write off of deferred tax assets (note (b))	0.2	-	-	0.2	-	-	-
– adjustments in respect of prior years (note (c))	(4.4)	0.8	-	(3.6)	(6.5)	0.4	(6.1)
– non-deductible general expenses (note (d))	0.2	0.7	-	0.9	0.6	(0.4)	0.2
– benefit of capital losses (note e)	-	-	-	-	-	-	-
– impact of bank corporation tax surcharge (note (f))	8.4	-	-	8.4	-	-	-
– impact of lower tax rates overseas and overseas losses (note (g))	-	-	-	-	(0.1)	(0.1)	(0.2)
– prior year adjustments related to transfer pricing and losses (note (h))	1.0	-	-	1.0	(1.0)	-	(1.0)
– discount on payment for losses of discontinued operations (note (i))	(3.3)	-	-	(3.3)	3.3	-	3.3
Total tax charge/(credit)	**29.4**	**(0.2)**	**(1.4)**	**27.8**	**(6.6)**	**0.8**	**(5.8)**

6. Tax charge (continued)

(a) Impact of change of UK tax rate
In 2021, changes were enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023. At 31 December 2021, deferred tax balances were remeasured at 25%, and in the case of credit cards and loans, at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (8%) of 33% to the extent that the temporary differences on which deferred tax had been calculated were expected to reverse, or the tax loss was expected to be utilised, after 1 April 2023.

In 2022, further changes were enacted which, with effect from 1 April 2023, reduced the bank corporation tax surcharge rate from 8% to 3% and increase the bank corporation tax surcharge allowance, being the threshold below which banking profits are not subject to the surcharge, from £25m to £100m.

Deferred tax balances at 31 December 2023 and movements in deferred tax balances during the year have therefore been measured at 25% (2022: 25%), and in the case of credit cards and personal loans, at the combined mainstream corporation tax rate (25%) and the bank corporation tax surcharge charge rate (3%) of 28% (2022: 28%) except to the extent the temporary differences reverse when profits from credit cards and personal loans are expected to be below the bank surcharge threshold, in which case deferred tax balances have been measured at the combined rate of 25% (2022: 25%).

A tax charge of £1.3m (2022: charge of £3.2m) represents the income statement adjustment to deferred tax as a result of these changes. In 2022, an additional deferred tax credit of £5.0m was taken directly to other comprehensive income in respect of items reflected in other comprehensive income.

(b) Write off of deferred tax assets
In 2023 the tax charge in respect of deferred tax assets written off amounts to £0.3m (2022: £0.2m) and relates to share scheme awards where future deductions are expected to be lower than previously anticipated.

(c) Adjustment in respect of prior years
The tax charge of £1.5m in respect of prior years (2022: £9.7m tax credit) is due to lower tax deductions in respect of share scheme awards as a result of a lower than anticipated share price on vesting and adjustments to write off deferred tax assets which are no longer supportable.

In 2022, the tax credit of £9.7m in respect of prior years comprised: (a) a net release of tax liabilities in respect of prior years of continuing operations of £3.6m following agreement of certain historical tax matters with HMRC; (b) a £7.5m reinstatement of deferred tax assets in respect of certain losses and temporary differences of discontinued operations which were written off in 2021 but for which tax relief was considered to be available in 2022; and (c) a £1.4m tax charge in respect of a reduction in tax losses of the discontinued operations available for group relief in prior years.

(d) Non-deductible general expenses
These primarily comprise exceptional costs in respect of the acquisition of Snoop.

In 2022, these primarily comprised: (a) in the case of discontinued operations, costs for which tax deductions may not be available post closure of the business net of the release of the provision for costs associated with the FCA investigation into affordable lending in CCD, part of which is non-taxable; and (b) in the case of continuing operations, the cost of certain projects for which it was considered a tax deduction may not be available.

(e) Benefit of capital losses
The conversion and subsequent sale in 2023 of a further tranche of the preferred stock in Visa Inc gave rise to a capital gain which has been partially offset by brought forward capital losses in respect of which a deferred tax asset was not previously recognised. This gives rise to a beneficial impact on the tax charge of £1.4m (2022: £nil).

(f) Impact of bank corporation tax surcharge
The adverse impact of the bank corporation tax surcharge amounts to £nil (2022: £8.4m) as the taxable profits of credit cards and personal loans is below the annual threshold (£25m to 31 March 2023; £100m thereafter) below which banking profits are not subject to the surcharge.

In 2022, the adverse impact of the bank corporation tax surcharge amounted to £8.4m and represented tax at the bank

6. Tax charge (continued)

corporation tax surcharge rate of 8% on credit cards and personal loans taxable profits in excess of £25m where taxable profits are calculated ignoring the benefit of losses elsewhere in the Group, including capital losses.

(g) Impact of lower tax rates overseas and overseas losses
Prior to its closure in 2021, the home credit business in the Republic of Ireland was subject to tax at the Republic of Ireland statutory tax rate of 12.5% rather than the UK statutory mainstream corporation tax rate of 19.0%. In 2022, no tax liability arose on the release of various provisions and accruals following the closure of the Irish business giving a favourable impact on the tax charge of £0.2m, all of which related to discontinued operations.

(h) Prior year adjustments related to transfer pricing and losses
In 2022 this comprised a £1.0m credit related to discontinued operations net of a £1.0m charge related to continuing operations and relates to transfer pricing adjustments between the continuing operations and discontinued operations in prior years, as well as adjustments related to prior year tax losses of the discontinued operation which were surrendered as group relief to the continuing operation and which the continuing operation paid for at a discounted price.

(i) Discount on payment for losses of discontinued operation
In 2022 this comprised a credit of £3.3m related to continuing operations and a £3.3m charge related to discontinued operations, and related to tax losses of the discontinued operation which had been surrendered as group relief to the continuing operation and which the continuing operation paid for at a discounted price. The overall impact on the tax charge was £nil.

Tax on exceptional items
The tax credit in respect of exceptional items amounts to £4.3m (2022: £0.6m tax charge) and comprises a £4.3m credit (2022: £0.2m credit) relating to continuing operations and £nil (2022: £0.8m charge) related to discontinued operations.

In 2023:
– The £4.3m tax credit represents a tax credit in respect of all exceptional costs with the exception of costs in respect of the acquisition of Snoop in the current year for which tax deductions may not be available.

In 2022:
– The £0.2m tax credit relating to continuing operations represents a tax credit in respect of all exceptional costs of the continuing operations with the exception of certain project costs for which it is considered tax deductions may not be available.
– The £0.8m tax charge relating to discontinued operations represents the tax charge on the release of certain provisions and accruals for which tax deductions were previously claimed with the exception of those relating to the Irish branch which are non-taxable.

The tax (charge)/credit on items taken directly to other comprehensive income is as follows:

Tax credit on items taken directly to other comprehensive income	**2023** **£m**	2022 £m
Deferred tax (charge)/credit on actuarial movements on retirement benefit asset	**(1.5)**	16.0
Impact of change in UK tax rate	**(0.1)**	5.0
Total tax (charge)/credit on items taken directly to other comprehensive income	**(1.6)**	21.0

The tax (charge)/credit on items taken directly to other comprehensive income relates entirely to continuing operations.

6. Tax charge (continued)

The movement in the deferred tax balance during the year can be analysed as follows:

Asset/(liability)	**2023 £m**	2022 £m
At 1 January	**14.5**	6.9
Charge to the income statement	**(2.3)**	(10.2)
Acquisition of Snoop	**(2.8)**	-
(Charge)/credit on other comprehensive income prior to impact of change in UK tax rate	**(1.5)**	16.0
Impact of change in UK tax rate:		
– charge to the income statement	**(1.3)**	(3.2)
– (charge)/credit to other comprehensive income	**(0.1)**	5.0
At 31 December	**6.5**	**14.5**

7. (Loss)/earnings per share

Basic (loss)/earnings per share (L)/EPS is calculated by dividing the (loss)/profit for the year attributable to equity shareholders by the weighted average number of ordinary shares outstanding during the year less the number of shares held by the Employee Benefit Trust which are used to satisfy the share awards such as DBP, PSP, LTIS, RSP and CSOP.

Diluted (L)/EPS calculates the effect on (L)/EPS assuming conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are calculated as follows:

(i) For share awards outstanding under performance-related share incentive schemes such as the Deferred Bonus Plan (DBP) (previously the Performance Share Plan (PSP)), the Long Term Incentive Scheme (LTIS), the Restricted Share Plan (RSP) and the Company Share Option Plan (CSOP), the number of dilutive potential ordinary shares is calculated based on the number of shares which would be issuable if: (i) the end of the reporting period is assumed to be the end of the schemes' performance period; and (ii) the performance targets have been met as at that date.

(ii) For share options outstanding under non-performance-related schemes such as the Save As You Earn scheme (SAYE), a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of share options outstanding, with the difference being the dilutive potential ordinary shares. The Group also presents an adjusted EPS, prior to the amortisation of acquisition intangibles and exceptional items.

Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share.

Reconciliations of basic and diluted (L)/EPS for continuing operations and the Group are set out below:

		2023			2022	
Continuing operations	**Earnings £m**	**Weighted average number of shares m**	**Per share amount pence**	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic (loss)/earnings per share	**(6.0)**	**253.0**	**(2.4)**	82.3	250.9	32.8
Dilutive effect of share options and awards	**-**	**9.8**	**0.1**	-	2.8	(0.4)
Diluted (loss)/earnings per share	**(6.0)**	**262.8**	**(2.3)**	82.3	253.7	32.4

		2023			2022	
Group	**Earnings £m**	**Weighted average number of shares m**	**Per share amount pence**	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic (loss)/earnings per share	**(6.0)**	**253.0**	**(2.4)**	77.4	250.9	30.8
Dilutive effect of share options and awards	**-**	**9.8**	**0.1**	-	2.8	(0.3)
Diluted (loss)/earnings per share	**(6.0)**	**262.8**	**(2.3)**	77.4	253.7	30.5

7. (Loss)/earnings per share (continued)

The directors have elected to show an adjusted earnings per share prior to the amortisation of acquisition intangibles which arose on the acquisition of vehicle finance in August 2014 and prior to exceptional items (see note 3). This is presented to show the adjusted earnings per share generated by the continuing and Group operations. A reconciliation of continuing and Group basic/diluted earnings/(loss) per share to adjusted basic and diluted earnings per share is as follows:

	2023			2022		
Continuing operations	**Earnings £m**	**Weighted average number of shares m**	**Per share amount pence**	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic (loss)/earnings per share	**(6.0)**	**253.0**	**(2.4)**	82.3	250.9	32.8
Amortisation of acquisition intangibles, net of tax	**6.1**	**-**	**2.4**	6.1	-	2.4
Exceptional items, net of tax	**17.1**	**-**	**6.8**	8.8	-	3.5
Adjusted basic earnings per share	**17.2**	**253.0**	**6.8**	97.2	250.9	38.7
Diluted (loss)/earnings per share	**(6.0)**	**262.8**	**(2.3)**	82.3	253.7	32.4
Amortisation of acquisition intangibles, net of tax	**6.1**	**-**	**2.4**	6.1	-	2.4
Exceptional items, net of tax	**17.1**	**-**	**6.4**	8.8	-	3.5
Adjusted diluted earnings per share	**17.2**	**262.8**	**6.5**	97.2	253.7	38.3

	2023			2022		
Group	**Earnings £m**	**Weighted average number of shares m**	**Per share amount pence**	Earnings £m	Weighted average number of shares m	Per share amount pence
Basic (loss)/earnings per share	**(6.0)**	**253.0**	**(2.4)**	77.4	250.9	30.8
Amortisation of acquisition intangibles, net of tax	**6.1**	**-**	**2.4**	6.1	-	2.4
Exceptional items, net of tax	**17.1**	**-**	**6.8**	5.0	-	2.0
Adjusted basic earnings per share	**17.2**	**253.0**	**6.8**	88.5	250.9	35.2
Diluted (loss)/earnings per share	**(6.0)**	**262.8**	**(2.3)**	77.4	253.7	30.5
Amortisation of acquisition intangibles, net of tax	**6.1**	**-**	**2.4**	6.1	-	2.4
Exceptional items, net of tax	**17.1**	**-**	**6.4**	5.0	-	2.0
Adjusted diluted earnings per share	**17.2**	**262.8**	**6.5**	88.5	253.7	34.9

8. Dividends

	2023 £m	2022 £m
2022 interim – 5.0p per share	-	12.7
2022 final – 10.3p per share	25.7	30.1
2023 interim – 5.0p per share	12.7	-
	38.4	42.8

The directors are recommending a final dividend in respect of the financial year ended 31 December 2023 of 1.0p per share which will amount to an estimated dividend of £2.6m. If approved, this dividend will be paid on 30 May 2024 to shareholders who were on the register of members at 19 April 2024.

9. Amounts receivable from customers

	2023 £m	2022 (restated) £m
Credit cards	1,277.7	1,181.6
Vehicle finance	792.2	655.4
Personal loans	102.4	76.3
Second charge mortgages	2.8	-
Total	2,175.1	1,913.3
Fair value adjustment for portfolio hedged risk	(3.2)	(7.9)
Total group	2,171.9	1,905.4

The fair value adjustment for the portfolio hedge risk relates to the unamortised hedged accounting adjustment in relation to the balance guaranteed swap, where hedge accounting has been discontinued.

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

	2023			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross receivables				
Credit cards	1,200.8	161.4	114.2	1,476.4
Vehicle finance	391.7	224.8	527.7	1,144.2
Personal loans	104.1	5.5	7.9	117.5
Second charge mortgages	2.8	-	-	2.8
Total group	1,699.4	391.7	649.8	2,740.9
Allowance account				
Credit cards	(85.2)	(57.6)	(55.9)	(198.7)
Vehicle finance	(18.2)	(27.0)	(306.8)	(352.0)
Personal loans	(6.3)	(2.4)	(6.4)	(15.1)
Second charge mortgages	-	-	-	-
Total group	(109.7)	(87.0)	(369.1)	(565.8)
Net receivables				
Credit cards	1,115.6	103.8	58.3	1,277.7
Vehicle finance	373.5	197.8	220.9	792.2
Personal loans	97.8	3.1	1.5	102.4
Second charge mortgages	2.8	-	-	2.8
Total group	1,589.7	304.7	280.7	2,175.1

9. Amounts receivable from customers (continued)

	2022 (restated)			
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross receivables				
Credit cards	1,116.6	148.7	186.7	1,452.0
Vehicle finance	351.0	169.3	452.0	972.3
Personal loans	78.1	2.1	5.3	85.5
Second charge mortgages	-	-	-	-
Total group	1,545.7	320.1	644.0	2,509.8
Allowance account				
Credit cards	(93.2)	(58.2)	(119.0)	(270.4)
Vehicle finance	(15.9)	(25.8)	(275.2)	(316.9)
Personal loans	(5.0)	(0.7)	(3.5)	(9.2)
Second charge mortgages	-	-	-	-
Total group	(114.1)	(84.7)	(397.7)	(596.5)
Net receivables				
Credit cards	1,023.4	90.5	67.7	1,181.6
Vehicle finance	335.1	143.5	176.8	655.4
Personal loans	73.1	1.4	1.8	76.3
Second charge mortgages	-	-	-	-
Total group	1,431.6	235.4	246.3	1,913.3

A breakdown of the in-model and post-model overlays for credit cards is shown below:

Credit Cards	**2023 £m**	2022 £m
Core model	**209.4**	254.1
New Model (under)/overlays (note (a))	**(12.7)**	-
Post Model (under)/overlays	**2.0**	16.3
Total allowance account	**198.7**	270.4

	2023 £m	2022 £m
Post model (under)/overlays:		
Affordability risk event (note (b))	**-**	0.3
Persistent debt (note (c))	**-**	2.8
Cost of living (note (d))	**-**	10.0
Recoveries (note (e))	**-**	2.5
Other (note (f))	**2.0**	0.7
Total post model (under)/overlays	**2.0**	16.3
Total (under)/overlays	**(10.7)**	16.3

9. Amounts receivable from customers (continued)

(a) Model overlay

Throughout 2023 the Group, in line with its ongoing commitment to continue to enhance the quality and accuracy of expected credit loss modelling, has taken steps to refine and re-calibrate the IFRS 9 model suite across the Credit Cards, Vehicle Finance and Personal Loans resulting in a release of £57.7m across all portfolios. Enhanced segmentation, refreshed data calibration, and a refinement to model input parameters has indicated the need for a model rebuild PMA at Dec'23. The resultant level of ECL provision is considered to more accurately reflect the Groups' current exposure to credit risk and takes into account how our receivables mix has evolved throughout recent months. It is expected this new model PMA will be retired when the incumbent IFRS 9 models are substituted with the new suite of IFRS 9 models during 1H24.

(b) Affordability

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

(c) Persistent debt

A post-model overlay was calculated to refine provisioning for those customers who have been in Persistent Debt for 36 months (PD36). These customers have been split into two categories: those who have responded to communications and agreed to pay down their outstanding balance; and those who are making minimum payments but have not responded. This overlay has been fully released in 2023.

(d) Cost of living

A cost-of-living overlay was initially raised in 2021 due to rising inflation and higher energy costs, which might have impacted customers' ability to make repayments. The actual effect on the customers' ability to make repayments was closely monitored since, however the underlying credit metrics of the book remained stable and showed no signs of significant increase in credit risk. In 2023, both the inflation and energy costs started stabilising and management decided to gradually release the overlay with full release by the end of 2023.

(e) Recoveries

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

(f) Other

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

9. Amounts receivable from customers (continued)

A breakdown of the in-model and post-model overlays for vehicle finance is shown below:

Vehicle finance	2023 £m	2022 (restated) £m
Core model	**403.4**	319.4
New Model (under)/overlays (note (a))	**(47.0)**	-
Post Model (under)/overlays	**(4.4)**	(2.5)
Total allowance account	**352.0**	316.9

	2023 £m	2022 £m
Post-model overlays:		
Fraud (note (b))	**(5.2)**	(3.0)
Cost of living (note (c))	**-**	0.5
Borrowers in financial difficulty (note (d))	**0.8**	-
Total post model (under)/overlays	**(4.4)**	(2.5)
Total (under)/overlays	**(51.4)**	(2.5)

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

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

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

(d) Borrowers in financial difficulty
An overlay has been recognised for a selection of customer accounts that are deemed to be borrowers in financial difficulty.

9. Amounts receivable from customers (continued)

A breakdown of the in-model and post-model overlays for personal loans is shown below:

Personal loans	2023 £m	2022 £m
Core model	**13.1**	8.6
New Model (under)/overlays (note (a))	**2.0**	-
Post Model (under)/overlays	**-**	0.6
Total allowance account	**15.1**	9.2

	2023 £m	2022 £m
Post-model overlays:		
Cost of living (note (b))	**-**	0.3
Other	**-**	0.3
Total post model (under)/overlays	**-**	0.6
Total (under)/overlays	**2.0**	0.6

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

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

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

	2023 £m	2022 £m
Credit cards	**130.0**	16.8
Vehicle finance	**15.2**	40.8
Personal loans	**20.9**	8.5
Total impairment charge	**166.1**	66.1

The movement in directly attributable acquisition costs included within amounts receivable from customers can be analysed as follows:

	2023					2022				
	Credit Cards £m	Loans £m	Vehicle finance £m	Second charge mortgages £m	Total £m	Cards £m	Loans £m	Vehicle finance £m	Second charge mortgages £m	Group Total
Brought forward	**30.3**	**1.3**	**44.3**	**-**	**75.9**	29.4	0.2	32.4	-	62.0
Capitalised	**15.1**	**1.5**	**37.6**	**0.1**	**54.3**	11.9	1.8	30.2	-	43.9
Amortised	**(13.1)**	**(1.6)**	**(25.9)**	**-**	**(40.6)**	(11.0)	(0.7)	(18.3)	-	(30.0)
Carried forward	**32.3**	**1.2**	**56.0**	**0.1**	**89.6**	30.3	1.3	44.3	-	75.9

10. Acquisition of Snoop

The Group completed the acquisition of the entire share capital of Usnoop Limited, which trades as Snoop, on 7 August 2023 for consideration of £8.7m. Snoop is a money-saving financial technology company with customers across the UK.

The acquisition will provide Snoop with significant scale, allowing access to Vanquis Banking Group's 1.5 million customers who will benefit from the app, as well as the support to grow the Snoop proposition. The acquisition marks an important step for the Group as a specialist banking group allowing it to bring a money management and saving app into its customer proposition.

Costs of £3.0m associated with the acquisition including due diligence, legal, advisory and tax fees have been charged as an exceptional cost in the year.

An assessment of the fair values of the identifiable assets and liabilities of Snoop as at the acquisition date was performed and they are as follows:

	Book value on acquisition £m	Fair value adjustment £m	Recognised on acquisition £m
Intangible assets (note (a))	-	11.1	11.1
Deferred tax liabilities (note (b))	-	(2.8)	(2.8)
Cash and cash equivalents	0.2	-	0.2
Trade and other receivables	0.6	-	0.6
Trade and other payables	(1.6)	-	(1.6)
Net identifiable (liabilities)/assets required	(0.8)	8.3	7.5
Goodwill			1.2
Consideration			8.7

The fair value adjustments applied to Snoop's net assets comprise:

a) £11.1m attributed to intangible assets, recognising £10.1m of internally generated core platform and technology developed and used by the Snoop business, and £1.0m in relation to the 'Snoop' brand name, which is well recognised within the UK consumer bank/personal finance app market (see note 12); and

b) the tax effect of the fair value adjustments resulting in the recognition of a deferred tax liability of £2.8m assumed over the expected useful economic life of the intangible assets acquired.

The fair value of the consideration at the acquisition date consists of:

- (i) £3.1m of cash consideration;
- (ii) 2,588,253 of ordinary shares in Vanquis Banking Group plc with a nominal value of £0.5m and a market value of £3.3m. £0.5m has been recognised as an increase in share capital with the remaining £2.8m being recognised in share premium; and
- (iii) £2.3m of contingent consideration dependent on the performance of the acquiree by the end of 2026. This has been determined by an independent third party using a Monte Carlo simulation for determining the future revenues of the acquiree. The range of outcomes in the contingent consideration payable is not considered to be materially different.

The goodwill of £1.2m represents the difference between the consideration and the fair value of the net assets acquired. In accordance with the Group's accounting policies, goodwill is not amortised but is subject to an annual impairment review. None of the goodwill is expected to be deductible for corporation tax purposes.

Snoop has generated revenues of £0.4m and losses of £2.5m in the period from acquisition to 31 December 2023, which are included in the consolidated statement of comprehensive income for the year. If Snoop had been part of the Group for the 12 months to 31 December 2023, Group total income would be £489.6m and the statutory loss before tax would be £9.2m.

11. Investments

	2023 £m	2022 £m
Visa Inc. shares	**5.4**	10.7

Visa Inc. shares

The Visa Inc shares represent preferred stock in Visa Inc held by Vanquis Bank Limited following completion of Visa Inc's acquisition of Visa Europe Limited on 21 June 2016. In consideration for Vanquis Bank Limited's interest in Visa Europe Limited, Vanquis Bank Limited received cash consideration of €15.9m (£12.2m) on completion, preferred stock with an approximate value of €10.7m and deferred cash consideration of €1.4m which was received in 2019.

The valuation of the preferred stock has been determined using the common stock's value as an approximation as both classes of stock have similar dividend rights. However, adjustments have been made for: (i) illiquidity, as the preferred stock is not tradeable on an open market and can only be transferred to other Visa members; and (ii) future litigation costs which could affect the valuation of the stock prior to conversion.

As at 31 December 2023, the total fair value of £5.4m of Visa shares comprised preferred stock only. During the year, common stock (35,200 Class A Common shares) was fully sold on 24 February 2023 for $219.13 per share.

12. Other intangible assets

	2023 Acquisition intangibles £m	2023 Computer software £m	2023 Total £m	2022 Acquisition intangibles £m	2022 Computer software £m	2022 Total £m
Cost						
At 1 January	**75.0**	**68.5**	**143.5**	75.0	43.5	118.5
Additions	**11.1**	**19.0**	**30.1**	-	29.2	29.2
Disposals	**-**	**(2.4)**	**(2.4)**	-	(4.2)	(4.2)
At 31 December	**86.1**	**85.1**	**171.2**	75.0	68.5	143.5
Accumulated amortisation and impairment						
At 1 January	**62.5**	**17.7**	**80.2**	55.0	11.2	66.2
Charged to the income statement	**7.9**	**10.6**	**18.5**	7.5	8.5	16.0
Disposals	**-**	**(1.9)**	**(1.9)**	-	(2.0)	(2.0)
At 31 December	**70.4**	**26.4**	**96.8**	62.5	17.7	80.2
Net book value						
At 31 December	**15.7**	**58.7**	**74.4**	12.5	50.8	63.3
At 1 January	**12.5**	**50.8**	**63.3**	20.0	32.3	52.3

Acquisition intangibles represent the fair value of the broker relationships arising on the acquisition of Moneybarn in August 2014. The intangible asset was calculated based on the discounted cash flows associated with vehicle finance core broker relationships and is being amortised over an estimated useful life of 10 years. Additions to acquisition intangibles in 2023 comprise £10.1m of internally generated core platform and technology, and £1.0m in relation to the 'Snoop' brand name arising on the acquisition of Snoop on 7 August 2023.

Research and development expenditure recognised within operating costs during 2023 was £0.8m (2022: £1.0m).

Additions to computer software in the year of £19.0m (2022: £29.2m) comprise £18.9m (2022: £28.4m) of internally generated assets and £0.1m (2022: £0.8m) of externally purchased software.

The £18.9m (2022: £28.4m) of internally generated assets predominantly relates to the development of systems and applications for the credit cards and personal loans businesses. The charge for continuing operations includes amortisation of £18.5m (2022: £16.0m).

13. Retirement benefit asset

The Group operates a defined benefit scheme: the Provident Financial Staff Pension Scheme. The scheme is of the funded, defined benefit type. It is now also closed to future accrual.

The scheme provides pension benefits which were accrued on a final salary and, more recently, on a cash balance basis. With effect from 1 August 2021, it was fully closed to future accrual and benefits are no longer linked to final salary, although accrued benefits are subject to statutory inflationary increases.

The scheme is a UK registered pension scheme under UK legislation. The scheme is governed by a Trust Deed and Rules, with trustees responsible for the operation and governance of the scheme. The trustees work closely with the Group on funding and investment strategy decisions. The most recent actuarial valuation of the scheme was carried out as at 1 June 2021 by a qualified independent actuary. The valuation used for the purposes of IAS 19 'Employee Benefits' has been based on the results of the 2021 valuation to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at the balance sheet date. Scheme assets are stated at fair value as at the balance sheet.

The Group is entitled to a refund of any surplus, subject to tax, if the scheme winds up after all benefits have been paid. As a result, the Group recognises surplus assets under IAS 19.

The Group is exposed to a number of risks, the most significant of which are as follows:

- Investment risk – the liabilities for IAS 19 purposes are calculated using a discount rate set with reference to corporate bond yields. If the assets underperform this yield a deficit will arise. The scheme has a long-term objective to reduce the level of investment risk by investing in assets that better match liabilities.
- Change in bond yields – a decrease in corporate bond yields will increase the liabilities, although this will be partly offset by an increase in matching assets.
- Inflation risk – some of the liabilities are linked to inflation. If inflation increases then liabilities will increase, although this will be partly offset by an increase in assets. As part of a long-term de-risking strategy, the scheme has increased its portfolio in inflation matched assets.
- Life expectancies – the scheme's final salary benefits provide pensions for the rest of members' lives (and for their spouses' lives). If members live longer than assumed, then the liabilities in respect of final salary benefits increase.

The net retirement benefit asset recognised in the balance sheet of the Group is as follows:

	2023 £m	**2022 £m**
Fair value of scheme assets	**512.9**	**520.7**
Present value of defined benefit obligation	**(474.7)**	**(490.0)**
Net retirement benefit asset recognised in the balance sheet	**38.2**	**30.7**

The amounts recognised in the income statement were as follows:

	2023 £m	2022 £m
Administration costs and taxes	**(1.1)**	(1.6)
Interest on scheme liabilities	**(23.0)**	(14.4)
Interest on scheme assets	**24.4**	16.5
Net credit recognised in the income statement	**0.3**	0.5

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

13. Retirement benefit asset (continued)

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

	2023 £m	2022 £m
Fair value of scheme assets at 1 January	**520.7**	898.8
Interest on scheme assets	**24.4**	16.5
Actuarial movements on scheme assets	**(7.8)**	(366.2)
Contributions by the Group	**0.8**	2.2
Net benefits paid out	**(25.2)**	(30.6)
Fair value of scheme assets at 31 December	**512.9**	520.7

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

	2023 £m	2022 £m
Present value of defined benefit obligation at 1 January	**(490.0)**	(786.6)
Current service cost	**(1.1)**	(1.6)
Interest on scheme liabilities	**(23.0)**	(14.4)
Actuarial movement – experience	**1.2**	(6.6)
Actuarial movement – demographic assumptions	**19.3**	5.4
Actuarial movement – financial assumptions	**(6.3)**	283.2
Net benefits paid out	**25.2**	30.6
Present value of defined benefit obligation at 31 December	**(474.7)**	(490.0)

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

	2023 %	2022 %
Price inflation – RPI	**3.10**	3.25
Price inflation – CPI	**2.60**	2.75
Rate of increase to pensions in payment	**2.95**	3.05
Inflationary increases to pensions in deferment	**2.60**	2.75
Discount rate	**4.65**	4.80

The pension increase assumption shown above applies to pensions increasing in payment each year in line with RPI up to 5%. Pensions accrued prior to 2000 are substantially subject to fixed 5% increases each year. In deferment increases prior to retirement are linked to CPI.

The mortality assumptions are based on the self-administered pension scheme (SAPS) series 3 tables (2022: SAPS series 3 tables):

- female non-pensioners: 105% of the ‘Middle’ table (2022: 105% of the ‘Middle’ table);
- male non-pensioners: 105% of the ‘Middle’ table (2022: 105% of the ‘Middle’ table);
- female pensioners: 102% of the ‘Middle’ table (2022: 102% of the ‘Middle’ table); and
- male pensioners: 99% of the ‘All’ table (2022: 99% of the ‘All’ table).

The above multipliers and table types were chosen following a study of the scheme’s membership. Where the multiplier is greater than 100%, this reflects a shorter life expectancy within the scheme compared to average pension schemes, with the opposite being true where the multiplier is less than 100%. Also, the use of the ‘Middle’ table typically leads to slightly lower life expectancy compared to using the corresponding ‘All’ table.

Future improvements in mortality are based on the Continuous Mortality Investigation (CMI) 2022 model with a long-term improvement trend of 1.00% per annum and a modest allowance of 0% for the experience during 2020 and 2021 (where mortality was higher due to coronavirus, which leads to lower assumed future improvements in mortality) and 50% for 2022. All other available parameters for the mortality improvements model were adopted at the default (core) level. Under these mortality assumptions, the life expectancies of members are as follows:

13. Retirement benefit asset (continued)

	Male		Female	
	2023 years	2022 years	**2023 years**	2022 years
Current pensioner aged 65	**21.2**	21.7	**22.9**	23.3
Current member aged 45 from age 65	**21.1**	21.6	**23.8**	24.3

If the discount rate decreased by 0.5% (2022: 2%), the net retirement benefit asset would have been increased by approximately £31m (2022: £160m).

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

	2023 £m	2022 £m
Actuarial movements on scheme assets	**(7.8)**	(366.2)
Actuarial movements on scheme liabilities	**14.2**	282.0
Total movement recognised in other comprehensive income in the year	**6.4**	(84.2)
Cumulative movement recognised in other comprehensive income	**(148.3)**	(154.7)

14. Provisions

	2023					2022				
	Scheme £m	**ROP £m**	**Customer compliance £m**	**Others £m**	**Total £m**	Scheme £m	ROP £m	Customer compliance £m	Others £m	Total £m
At 1 January	**1.2**	**2.0**	**1.4**	**0.6**	**5.2**	53.5	2.1	3.4	13.1	72.1
Created in the year	**-**	**-**	**10.7**	**0.3**	**11.0**	2.6	-	1.1	-	3.7
Reclassified in the year	**-**	**-**	**-**	**0.6**	**0.6**	-	-	1.6	-	1.6
Utilised in the year	**(0.2)**	**-**	**(8.4)**	**(0.2)**	**(8.8)**	(54.9)	(0.1)	(1.5)	(7.5)	(64.0)
Released in the year	**-**	**(2.0)**	**(0.2)**	**-**	**(2.2)**	-	-	(3.2)	(5.0)	(8.2)
At 31 December	**1.0**	**-**	**3.5**	**1.3**	**5.8**	1.2	2.0	1.4	0.6	5.2

The Scheme of Arrangement (the Scheme): £1.0m (2022: £1.2m)
The Scheme of Arrangement was sanctioned on 30 July 2021 with the objective to ensure all customers with redress claims are treated fairly and outstanding claims are treated consistently for all customers who submit a claim under the Scheme.

Customer settlements in relation to the Scheme of Arrangement commenced in 2H22 and the majority of the provision has been utilised, with only £0.9m of provision remaining as at December 2023. The remaining balance represents unpresented low-value customer cheques.

ROP provision: £nil (2022: £2.0m)
The Repayment Option Plan (ROP) provision principally reflects the estimated cost of the forward flow of ROP complaints more generally which may be received and in respect of which compensation may need to be paid. During 2023 it was determined that no further amounts were expected to be paid and the remaining £2.0m was released through exceptionals in the year.

14. Provisions (continued)

Customer compliance: £3.5m (2022: £1.4m)
The customer compliance provision relates to general customer compliance matters and includes an element to cover spurious, speculative complaints submitted by claims management companies.

During 2023 the Group experienced elevated levels of customer compensation claims from claims management companies. The majority of these claims are speculative in nature, primarily driven by spurious CMC activity, and related to a wide range of different matters. During the second half of 2023 this activity has begun to stabilise within vehicle finance, with attention of the CMCs turning to the cards product. This higher volume drives a lower uphold rate given the vast majority of complaints lack substance and are not upheld. Customer remediation costs relate to a wide range of different matters primarily in respect of lending origination but with no common theme or systemic issue.

Other: £1.3m (2022: £0.6m)
This predominantly relates to onerous contracts which originally related to CCD and the dilapidations provisions.

15. Reconciliation of (loss)/profit after tax to cash (used in)/generated from operations

	2023 £m	2022 £m
(Loss)/profit after taxation	**(6.0)**	77.4
Adjusted for:		
– tax charge/(credit)	**1.6**	22.0
– finance costs	**113.4**	65.0
– share-based payment charge	**4.6**	5.1
– retirement benefit (credit)/charge prior to exceptional pension credit	**(0.3)**	(0.5)
– amortisation of intangible assets	**18.5**	16.0
– exceptional impairment of ROU asset	**4.1**	-
– provisions created in the year	**11.0**	3.7
– provisions released in the year	**(0.2)**	(3.6)
– exceptional release of provisions	**(2.0)**	(4.6)
– provisions utilised in the year	**(8.8)**	(64.0)
– depreciation of property, plant and equipment and right of use assets	**9.1**	12.1
– loss on disposal of property, plant and equipment	**1.3**	0.9
– loss on disposal of intangible assets	**0.5**	2.2
– hedge ineffectiveness	**(13.8)**	(3.7)
– proceeds from derivatives	**-**	11.8
– fair value movements on Visa shares	**(0.9)**	(1.6)
– contributions into the retirement benefit scheme	**(0.8)**	(2.2)
Changes in operating assets and liabilities		
– amounts receivable from customers	**(261.8)**	(226.3)
– trade and other receivables	**(4.8)**	(22.8)
– trade and other payables	**(22.0)**	(31.2)
Cash used in operations	**(157.3)**	(144.3)

16. Contingent liabilities

During the ordinary course of business the Group is subject to other complaints and threatened or actual legal proceedings (including class or group action claims) brought by or on behalf of current or former employees, customers, investors or third parties. This extends to legal and regulatory reviews, challenges, investigations and enforcement actions combined with tax authorities taking a view that is different to the view the Group has taken on the tax treatment in its tax returns. It also extends to tax authorities taking the view that VAT exempt supplies received by the Group from UK-based suppliers should be subject to VAT.

16. Contingent liabilities (continued)

All such material matters are periodically assessed, with the assistance of external professional advisors, where appropriate, to determine the likelihood of the Group incurring a liability.

In those instances where it is concluded that it is more likely than not that a payment will be made, a provision is established for management's best estimate of the amount required at the relevant balance sheet date.

In some cases it may not be possible to form a view, for example because the facts are unclear or because further time is needed to properly assess the merits of the case, and no provisions are held in relation to such matters.

Directors' responsibility statement

Each of Sir Peter Estlin, Chairman; Ian McLaughlin, Chief Executive Officer; Dave Watts, Chief Finance Officer; Angela Knight, Senior Independent Director; Paul Hewitt, Non-Executive Director; Elizabeth Chambers, Non-Executive Director; Margot James, Non-Executive Director, Graham Lindsay, Non-Executive Director, and Michele Greene, Non-Executive Director confirms that, to the best of his or her knowledge that:

(i) the group financial statements which have been prepared in accordance with IFRS as adopted by the UK, give a true and fair view of the assets, liabilities, financial position and profit of the group, the company and the undertakings included in the consolidation taken as a whole; and
(ii) the Strategic Report contained in the 2023 Annual Report and Financial Statements includes a fair review of the development and performance of the business and the position of the company and group, and the undertakings included in the consolidation taken as a whole, and a description of the principal risks and uncertainties they face.

Information for shareholders

1. The 2023 Annual Report and Financial Statements together with the notice of the annual general meeting will be posted to shareholders on or around 16 April 2024.

2. The annual general meeting will be held on 15 May 2024 at the offices of Clifford Chance LLP, 10 Upper Bank Street, Canary Wharf, London, E14 5JJ.