VANQUIS BANK LIMITED
(Company Number 2558509)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

VANQUIS BANK LIMITED
(Company Number 2558509)

CONTENTS

VANQUIS BANK LIMITED
(Company Number 2558509)

DIRECTORS' REPORT

Vanquis Bank Limited ('the Company') is a wholly-owned subsidiary of Provident Financial Holdings Limited, which is wholly-owned by Vanquis Banking Group plc, the ultimate parent. Vanquis Banking Group plc, together with its subsidiaries, forms the Vanquis Banking Group ('the Group'). Vanquis Banking Group plc is a public limited company, listed on the London Stock Exchange.

The following provisions, which the Directors are required to report in the Directors' Report, have been included in the Strategic Report:

- How the Directors have engaged with colleagues, how they have had regard to colleague interests and the effect of that regard, including on the principal decisions taken by the Company in the financial year (page 11); and
- How the Directors have had regard to the need to foster the Company's business relationship with suppliers, customers and others, and the effect of that regard, including on the principal decisions taken by the Company in the financial year (pages 12 to 19).

Principal activities

The principal activity of the Company is to provide credit cards, personal unsecured loans and second charge mortgages to underserved consumers, funded by a combination of retail deposits, share capital, retained reserves and drawdowns via the Bank of England's Term Funding Scheme with additional incentives for Small and Medium Enterprises (TFSME).

Profit

The income statement for the year is set out on page 31. The profit after tax for the year of £7.6m has been added to retained earnings. The Company's profit before tax decreased by 91.5% to £11.1m in 2023 (2022: £130.4m), reflecting higher impairment charges and costs, partially offset by an increase in net interest income. The results have been discussed on page 8.

Dividends

In 2023, dividends of £nil were paid (2022: £95.1m). The directors are recommending a final dividend in respect of the financial year ended 31 December 2023 of 24.2p per share which will amount to an estimated dividend of £30.0m (2022: £nil).

Directors

A common Board structure for Vanquis Banking Group plc and the Company was implemented as part of the Group's new target operating model. The Directors of the Company during the year ended 31 December 2023, all of whom were directors for the whole year then ended and to the date of this report, except where stated, were:

M J Le May	Chief Executive Officer (resigned 01 August 2023)
I Mclaughlin	Chief Executive Officer (appointed 01 August 2023)
N Kapur	Finance Director (resigned 07 August 2023)
D Watts	Finance Director (appointed 17 January 2024)
P Snowball	Chairman and Independent Non-executive Director (resigned 15 September 2023)
A Blance	Independent Non-executive Director and Senior Independent Director (resigned 1 February 2024)
G Lindsay	Independent Non-executive Director
A Knight	Independent Non-executive Director and appointed Senior Independent Director (15 February 2024)
M James	Independent Non-executive Director
P Hewitt	Independent Non-executive Director
P Estlin	Independent Non-executive Director (appointed 19 April 2023) and appointed Chairman (15 September 2023)
M Barnett	Company Secretary
M Greene	Independent Non-executive Director (appointed 9 March 2023)

Principal risks and uncertainties and financial risk management

The Company operates a 'three lines of defence' model to articulate key accountabilities and responsibilities for managing risk and to support effective embedding of risk management across the business. The 'first line' consists of line management across the Company, who are responsible for identifying, assessing, monitoring and reporting risk within their respective areas whilst ensuring that appropriate internal controls, processes and systems are in place to deliver against business strategy and objectives. The Risk function of the Company act as the 'second line', in which the Risk Management Framework is established. This function provides independent oversight of governance, risk management and controls to ensure risks are identified, measured, managed and reported appropriately. The 'third line' consists of the Internal Audit function, which provides independent and objective assurance on the design adequacy and operational effectiveness of internal controls and overall effectiveness of the Company and Group's risk governance and risk management practices.

During the year, the Committee carefully considered the risks associated with the control framework. Work undertaken by internal audit during the year, as part of the annual audit cycle, has satisfied the Committee that the overall control framework remains stable. Work undertaken by Deloitte IT specialists identified some deficiencies in respect of user access reviews; the Committee will ensure that the robust remediation plan is implemented to address this during 2024.

Credit risk

Credit risk is the risk that the Company will suffer loss in the event of a default by a customer, the ultimate parent undertaking, a bank counterparty or the UK Government. A default occurs when the customer, ultimate parent undertaking, bank or the UK Government fails to honour repayments as they fall due.

The Risk Committee is responsible for setting credit policy. The Chief Risk Officer (CRO) is responsible for ensuring that the approach to lending is within sound risk and financial parameters and that key metrics are reviewed to ensure compliance with policy. The CRO discharges and informs this decision making through the Credit Committee. The Credit Committee meets at least 10 times a year.

The Group and Company credit quality has remained stable over the year, partly due to the strategy enhancements, improvements in credit decisioning and processes, and targeted credit tightening in response to market and regulatory changes.

Further information on the management of specific credit risks facing the Company can be found on page 44.

Liquidity risk

Liquidity risk is the risk that the Company will have insufficient liquid resources available to fulfil its operational plans and/or to meet its financial obligations as they fall due.

The Company's Liquidity Policy is approved by the Board with day-to-day management delegated to the Treasury function which discharges and informs the decision-making through the Group and Company Asset-Liability Committee (ALCO). The ALCO meets at least 10 times per year and reports to the Board (via the Executive Committee).The ALCO is chaired by the Chief Financial Officer, the Chief Executive officer is a member and the Treasurer is deputy chair.

Throughout the year, the Company has demonstrated that it continues to have access to the retail deposit market through fixed-rate deposits. The Company has worked closely with third-party provider, Newcastle Strategic Solutions Limited, to make operational improvements and has broadened the range of retail products it offers to include 30-day and 90-day notice accounts. The Bank will continue to ensure it has sufficient and diverse access to retail deposit markets.

Further information on the management of specific liquidity risks facing the Company can be found on page 45.

Principal risks and uncertainties and financial risk management (continued)

Market risk

Market risk is the risk of financial loss due to adverse market movements leading to a reduction in the Company's earnings or overall value. The Company's primary market risk exposure is to changes in interest rates.

The Company uses interest rate sensitivity gap analysis to identify any significant unmatched positions. The interest rate risk position is reported on a monthly basis to the ALCO and includes risk appetite metrics set for both earnings at risk (EaR) and market value sensitivity (MVS). The Company monitors exposure to basis risk, with Bank of England base rate and SONIA the only external reference rates used.

Capital risk

The Company's objective in respect of capital risk management is to maintain an efficient and secure capital structure and maintain an adequate buffer over the regulatory capital requirements set by the PRA.

The Company is subject to prudential regulation and supervision by the PRA. As part of this supervision, it is required to maintain a certain level of regulatory capital in order to mitigate against unexpected losses. Regulatory capital is monitored by the Board, its risk committee and the ALCO. The Company regularly forecasts regulatory capital requirements as part of its budgeting and strategic planning process and the Company and the Group are required to report quarterly to the PRA on their level of regulatory capital. The Company's 2023 Internal Capital Adequacy Assessment Process (ICAAP) demonstrated that the business is adequately capitalised.

Further information on the management of specific financial risks is provided on pages 44 to 47.

Corporate governance arrangements

Information on corporate governance arrangements is provided in strategic reported on pages 14 to 19.

Consolidation exemption

The Company is not required to produce consolidated financial statements, as set out in note 31.

Employee involvement

The Company systematically provides employees with information on matters of concern to them, consulting with them or their representatives regularly, so that their views may be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged as a common awareness amongst all employees of the financial and economic factors affecting the Company and Group plays a major role in maintaining its competitive position. The Company encourages the involvement of employees by means of live "stay connected" all colleague question and answer sessions, weekly CEO Video blogs, newsletters, performance updates and regular management team briefings. The Company also carries out regular employee engagement surveys and Save As You Earn (SAYE) and Buy As You Earn (BAYE) share schemes are operated by the Group to reinforce staff involvement in the Group and to encourage an interest in its progress. These schemes are open to all permanent employees of the Company with more than six months' service.

Equal opportunities

Everyone at the Company is committed to removing all discrimination and encouraging diversity amongst the workforce. Open, honest and fair interaction is how we treat our people. We've worked hard and continue to work hard to create a positive, inclusive atmosphere, based on respect for people's differences. We're committed to equality of opportunity and treatment for all those who work for us.

Equal opportunities (continued)

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of gender, pregnancy, race, colour, nationality, ethnic or national origin, disability, sexual orientation, age, marital or civil partner status, gender reassignment or religion or belief. The Company gives full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company including making reasonable adjustments where required. If members of staff become disabled, every effort is made by the Company to ensure their continued employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Social and community matters

The Company's approach to community investment is aligned with the Group's Purpose to deliver caring banking so our customers can make the most of life's opportunities. Community investment activities are delivered through a Group-wide Social Impact Programme. The strategy of this programme is to invest in activities and initiatives which seek to address some of the key factors which, on their own or acting together, can reduce social and/or financial inclusion. This programme delivers community investment activities under the following three workstreams:

- **Customer and vulnerability** – working with charities and specialist partners to provide support which addresses issues such as customer vulnerability, product accessibility and financial difficulties;
- **Education** – supporting children, young people and adults to boost their education, skills and aspirations in order to participate in society and secure a brighter financial future; and
- **Community** – supporting Community Foundations and other partners to address the wide range of social inclusion and social mobility issues that are relevant to our customers and the communities where the Group operates. Colleagues are encouraged to engage with the volunteering programme which encourages participation in company-led volunteering, as well as offering one day per year to volunteer for a voluntary organisation of their choice. Matched funding of up to £500 per annum towards colleagues' own fundraising activities is also available.

Health and safety

Health and safety standards and benchmarks have been established and compliance is monitored by the Board. An annual health & safety report is reviewed and approved by the Board each year. During 2023 management reported to the Board on the key measures that had been implemented to ensure the health and safety of employees.

Climate change

A climate-related financial report is included in the Group's Annual Report and Financial Statements 2023 on pages 19 to 28 which includes:

- Scope 1 and 2 greenhouse gas (GHG) emissions in tonnes of carbon dioxide equivalent;
- GHG emissions which related to material scope 3 categories in tonnes of carbon dioxide equivalent;
- Compliance with four recommendations and eleven recommended disclosures of the Taskforce on Climate related Financial Disclosures ("TCFD");
- A relevant intensity ratio (i.e. kilograms of carbon dioxide equivalent per customer); and
- Information on underlying energy use for 2023 calendar year.

The disclosures are produced in accordance with the UK Government's Streamlined Energy and Carbon Reporting (SECR) policy that has been implemented through the Companies (Directors' Report) and Limited Liability Partnership (Energy and Carbon Report) Regulations 2018. This disclosure covers the GHG emissions and energy use for the Group and its operating divisions incorporating the Company. In addition, by including a climate-related financial report in the Group's Annual Report and Financial Statements 2023 that is fully consistent with the four pillars and eleven recommended disclosures of the TCFD, the Group complies with the FCA's Listing Rule 9.8.6R(8) and meets the requirements of the Climate-related Financial Disclosure (CFD) Regulations 2022 and the UK Companies Act (that is, sections 414CB(2A)(a to h).

DIRECTORS' REPORT (CONTINUED)

Anti-bribery and corruption

The Group's Anti-Bribery and Corruption Policy and supporting Gifts and Hospitality Policy reflects the requirements of the Bribery Act 2010 and a corporate hospitality register is maintained using a risk-based approach. Although the risks for the Company arising from the Bribery Act 2010 continue to be assessed as low, all employees are, nevertheless, required to undergo appropriate training and instruction to ensure that there is effective awareness of anti-bribery and corruption policies and procedures. Compliance is regularly monitored by the Risk Committee and is subject to periodic review by the Company's internal audit function.

Supply chain responsibility

In accordance with the requirements of the Modern Slavery Act 2015, the Group's most recent statement on modern slavery and human trafficking, dated March 2023, sets out the actions that the Group is taking to ensure instances of modern slavery or human trafficking are not occurring directly in its businesses as well as indirectly in the supply chains the Group uses to procure goods and services. The statement also communicates the measures the Group has taken to improve internal understanding and awareness around modern slavery and human trafficking.

The statement can be found on the Company's website (www.vanquisbankinggroup.com).

Key performance indicators

Further disclosure of non-financial Key Performance Indicators (KPIs) can be found in the Strategic Report on pages 8 to 9 and the Group's Annual Report and Financial Statements 2023.

Indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Events after the balance sheet date

No significant events occurred after the balance sheet date.

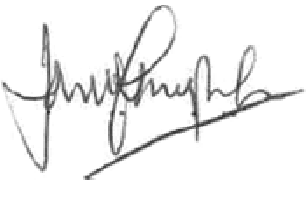
Auditor information

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board and signed on its behalf by:



I McLaughlin
Chief Executive Officer
26 March 2024

STRATEGIC REPORT

Review of business

The Company is a leading specialist in the large and established credit cards market. The Company continued to develop its personal loans product to the open market, which enjoyed its first year as a standalone division in 2022. The unsecured personal loans products, which were previously only available to existing credit card customers, are designed to serve lower risk customers in the mid-cost segment of the market. Deliberate action was then taken to moderate growth in the second half of the year. This included a temporary pause in active marketing of personal loans as we undertook the strategic refresh. During the quarter three of 2023, the Company began acquiring existing second charge mortgage loans on a forward flow basis and recognising these as customer receivables. Second charge mortgages have the potential to improve customer outcomes and to promote financial inclusion, consistent with the Company's purpose and mission, whilst enabling the Company to provide attractive and sustainable returns. The Company has a strong capital base and access to liquid funds through the resilient retail deposits markets. The Company has diversified its funding sources from solely retail deposits to that of accessing the Bank of England's TFSME from August 2021. The Company's principal risks and uncertainties are detailed in the Directors' report on pages 4 to 5.

<u>Financial performance</u>

An analysis of the Company's income statement result and KPIs for 2023 and 2022 is set out below.

Certain alternative performance measures (APMs) have been used in this report. See page 81 for an explanation of relevance as well as their definition.

New customer bookings increased by 18.0% to 297k (2022: 252k). Full-year credit card bookings of 267.3k (with the significant majority of the remainder being loans at 29.6k) were 42.7k favourable to 2022, as a result of expanding the range of promotional offers to new customers, working with affiliates and our partner on our co-branded card, thimbl. However, customer numbers ended the year at 1,419k, a decrease of 156k, predominantly driven by a campaign to close dormant accounts at the end of the year for customers who no longer required a card.

Credit card receivables grew by 8% to £1,277.8m (2022: £1,181.6m). This was driven by the increased new customer growth and delivering further initiatives such as Apple Pay in July 2023 and enhancements to Google Pay in the year. Personal loans receivables increased by 34% to £102.4m (2022: £76.3m), reflecting the continued growth in customer numbers in the personal loans product. Despite the increases in receivables, management took deliberate action to moderate growth in credit cards and personal loans products 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. Second charge mortgage receivables were £2.8m at the end of 2023 (2022: £nil).

The Company's profit before tax decreased by 91.5% to £11.1m in 2023 (2022: £130.6m), reflecting higher impairment charges and costs, partially offset by an increase in net interest income.

Interest income has shown a 16% increase to £411.4m in 2023 (2022: £354.7m), this is predominantly driven by the increase in customer receivables, the increases in the Bank of England base rate provided higher returns on the cash balances held on deposit and funding provided to other Group companies, which has also further increased in the year.

Interest expense of £69.8m has increased during 2023 (2022: £24.5m), reflecting higher retail deposit balances held year-on-year in addition to the impact of rising Bank of England base rates impacting savings rates.

Impairment charges rose to £150.9m in 2023 (2022: £25.3m), driven by the increased loan book across both cards and personal loans. The higher impairment charge offset a broadly consistent asset yield 26.7% in 2023 (versus 25.7% in 2022) to produce a risk-adjusted margin which fell year-on-year to 15.2% (2022: 25.3%).

Impairments in credit cards benefited from a release of provisions no longer required arising from ongoing IFRS 9 model refinements (£17.8m) and the full release of the cost of living post model adjustment (£10m), however the level of releases in 2023 were lower than releases in 2022. Impairment provision releases (£92.5m) last year related to Covid-19 provision no longer required and impairment model recalibration. Underlying asset quality remained stable year-on-year. Impairments increase in personal loans reflects a recalibration of expected losses as we refine our underwriting parameters on this relatively immature portfolio.

Costs (excluding exceptional items) of £216.5m in 2023 are broadly in line with prior year(2022: £219.5m), driven primarily due to reduced technology investment partially offset by higher Group recharges. In 2023, exceptional costs of £6.9m have been recognised in relation to: redundancy, outsourcing and other staff exits of £4.8m; property exit costs of £4.1m; and a credit of £2.0m in relation to the release of the repayment option plan provision no longer required. In 2022, £0.2m exceptional costs were recognised for redundancy costs. Overall costs have therefore increased from £219.7m in 2022 to £223.4m in 2023.

Balance sheet

At the end of 2023, the Company had regulatory capital of £353m (2022: £384m), equating to a total CET1 ratio of 28.4% (2022: 33.0%) and a surplus above the overall capital requirement[1] of approximately £121m (2022: £118m).

The Company's liquid assets buffer amounted to £681.5m at the end of 2023, up from £420.5m at the end of 2022. Retail deposits amounted to £1,950.5m (2022: £1,100.6m) at the end of 2023.

Statement regarding section 172 Companies Act 2006

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

Our purpose, as part of the Vanquis Banking Group (the Group), is predicated on our customers and is underpinned by our strategy, vision and mission. These aim to deliver an appropriate balance between the needs of our customers, our investors, our regulators and our colleagues to ensure that we are successful and sustainable for all of our stakeholders. Our stakeholders are those individuals or groups with an interest in, or who are affected by, our business activities. Our stakeholders and the ways in which we engage with them are detailed on the following pages. The Board and the Committees of the Company work in conjunction with the Board and Committees of Vanquis Banking Group plc. Further information on engagement with the Group's stakeholders is available in the Vanquis Banking Group plc Annual Report and Financial Statements on page 40 and pages 63 to 67. During the year the Board reviewed the Group's external reputation and public relations management.

[1] This reflects the reduction in March 2023 to the Bank's TCR to 14.12% (2022: 19.40%) following the conclusion of the Prudential Regulation Authority's Capital Supervisory Review and Evaluation Process (CSREP) of the Bank's capital requirements, based on the Internal Capital Adequacy Assessment Process (ICAAP) undertaken during 2022.

Statement regarding section 172 Companies Act 2006 (continued)

Customers

s.172 (I)
Our customers, who might have had difficulty accessing mainstream financial services, are welcomed at Vanquis Bank and are central to our Purpose. For more information about who our customers are and the products we provide please refer to page 8.

How we engage and monitor	Outcome
- The regular utilisation of engagement methods including customer satisfaction surveys and complaints monitoring. Customer panels to obtain insight into customer outcomes and covering themes including as the cost of living, digital banking and new forbearance options. - During the year our Customer, Culture and Ethics ("CCE") Committee regularly reviewed the quality and outcome of customer calls and monitors customer KPIs. - Our Risk Committee oversees conduct risk. - The Board has overseen the launch of new savings products during the year and further developments to our second charge mortgage product. - The Board and Risk Committee monitor compliance with the regulatory framework as it pertains to customer interests. - The Board and Risk Committee have overseen the plans to embed the FCA's rules on Consumer Duty and monitor customer complaint performance. - The Board has overseen a review of our strategy and customer proposition. Customers and potential customers have been involved in the inclusive design of products and services. - Established a customer hub on the intranet and have conducted regular customer obsession webinars to educate colleagues.	- Continued partnership with IncomeMax to offer customers access to one-to-one expert advice to help manage their income. - Oversight of the Company's response to the implementation of Consumer Duty and of customer complaint performance, including new T&Cs, new customer communications, and governance processes and controls. - Continued enhancement of forbearance options to support customers – Vanquis Assist. - Launch of new Savings products. - The CCE Committee undertook a 'deep dive' into Loans customers. - Launch of customer-focused initiatives, in response to customer demand, including view your Card and view your PIN and Apple Pay. - 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. 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. - The Group's acquisition of Snoop will enable the Group to establish Snoop as a uniquely valuable first point of customer contact during 2024.

Further information on our relationship with customers is set out on page 63 of the Group's Annual Report and Financial Statements.

Investors
s. 172 (a) (e) (f)
The Company is a wholly owned subsidiary of Vanquis Banking Group plc, and therefore has no direct external shareholders. The Company and its activities, however, are of paramount importance to the Group and the delivery of its purpose, and the Company recognises that investors are the source of capital which facilitate the success of the Group as a whole. The Company is committed to the Group's aim to ensure return on investment and long-term growth.

Statement regarding section 172 Companies Act 2006 (continued)

How we engage and monitor	Outcome
- The common Board structure ensures that the Company's directors receive regular updates on investor perceptions and feedback, which are taken into account during any decision-making process. - The Company's senior management proactively engage with the Group's investors at investor days, analyst meetings, industry conferences and roadshow programmes. - The Group Investor Relations team engage with investors and respond to queries.	- The Board received an update on investor engagement and expectations and the investor engagement strategy. - The 2023 full year financial results for the Group were in line with market expectations. - The combined Board structure facilitates the alignment of the Company's strategy, purpose, values and operations with those of the Group.

Further information on our relationship with investors is set out on pages 66 and 67 of the Group's Annual Report and Financial Statements.

Colleagues
s.172 (b)
Our colleagues are integral to delivering our customer-centric purpose.

How we engage and monitor	Outcome
- Regular Colleague Forums take place and members of the Company Board attend periodically. The Colleague Forum played a formal role in the collective consultation process to support organisational changes that saw a number of colleagues leave the business through redundancy or TUPE. - There is a designated non-executive 'Colleague Champion' of the Group Board, who is also a director of the Company, and who provides feedback to the Board on colleague matters. - Direct colleague engagement by Board directors took place during the year. - The Non-executive Colleague Champion met with the Colleague Forum to hold a session on how Executive pay aligned with the wider workforce. This takes place annually. - Colleagues regularly receive email updates on important Company news. - The CEO, and wider Executive leadership team, have held regular online update calls for the whole Group, including updates on strategy and Q&A sessions. - A colleague survey and a Great place to Work culture survey took place, the results of which were reported to the CCE Committee and the Board. - Affinity groups are utilised to gain colleague input and feedback, as well as supporting our Inclusion and Diversity agenda. - The Nomination Committee oversees Talent Management and succession planning at a senior management level. - An independent Whistleblowing line is available for colleagues to raise concerns and the Board reviews whistleblowing annually.	- Action plans were developed on the basis of colleague survey and culture survey results. - The approach to Collective Consultation and how we engage with colleagues about organisational changes was adapted to reflect previous feedback from colleagues. - We continue to review and improve the way we do things, and carry out win, learn, change assessments of all big change initiatives. - Matters arising from the colleague forums are tracked by the People function. - The CCE Committee received an update on people-related policies and also on the impact of the redundancy programme during the year. - Executive sponsorship of the I&D Affinity groups has been refreshed during the year.

Further information on our relationship with colleagues is set out on pages 63 and 67 of the Group's Annual Report and Financial Statements.

Statement regarding section 172 Companies Act 2006 (continued)

Environment

s.172 (d)
The Company supports and participates in actions related to ensuring that the Group submits reports that are fully consistent with the recommendations and recommended disclosures of the Taskforce on Climate-Related Financial Disclosures (TCFD). The Company aims to operate a sustainable business and is committed to tackling climate change. The Company supports and participates in actions related to ensuring that the Group submits a Climate-related Financial Report that is fully consistent with the recommendations and recommended disclosures of the TCFD. The Company is included in Vanquis Banking Group plc's non-financial and sustainability information statement set out in the Vanquis Banking Group plc 2023 Annual Report and Accounts.

How we engage and monitor	Outcome
- The Board oversees management's sustainability and net-zero strategies. - The Board received updates on climate risk through the CRO report. - The Board has oversight, via management reports, on the reporting of greenhouse gas emissions and other environmental metrics. - The Company utilises and contributes to the Group's Environmental Management System (EMS).	- The Company's due diligence process assesses suppliers for exposure to material climate-related risks. - CCE Committee approved science-based carbon reduction targets and oversaw its environmental and climate change strategy.

Further information on the Group's approach to the environment and progress made during the year is set out on pages 19 to 28 of the Group's Annual Report and Financial Statements.

Regulators

s.172(e)
The maintenance of a positive relationship with our regulators and aiming for the highest standard of conduct is of vital importance to the Company and impacts all stakeholders.

How we engage and monitor	Outcome
- The Company's Chairman, CEO, CFO and CRO engage in regular meetings with our regulators. - The CRO reports on regulatory interaction and areas of regulatory focus to the Board via the CRO report. - There is a dedicated team within the Risk function exclusively focused on regulatory matters. - The Remuneration Committee is responsible for ensuring Company remuneration complies with regulatory requirements and aligns with performance in the context of conduct and risk.	- In March, following the PRA's Capital Supervisory Review and Evaluation Process (C-SREP) the Group, and consequently the Company's, Total Capital Requirement was reduced. - Regulatory approval granted for the CEO, CFO and the Chairman.

Further information on the relationship with our regulators is set out on page 64 of the Group's Annual Report and Financial Statements.

Suppliers

s.172 (c)

Our trusted suppliers enable us to deliver high quality, efficient services for all of our stakeholders and we are committed to fostering positive business relationships.

How we engage and monitor	Outcome
- The Board approved the 2023 Human Rights and Modern Slavery Policy. - The Board approved the oustourcing of activites to outsource partners in South Africa. Our CEO and other senior Executives engaged directly with the suppliers and updates on the performance of the suppliers were provided to the Executive Committee and Board. - The CCE Committee reviewed the feedback obtained from a questionnaire sent to 320 supply account managers. - Consistent engagement through the Group-wide Supplier Relationship Management Framework. - There is a robust supplier due diligence process aligned with PRA guidance.	- Published the 2023 Modern Slavery Statement. - Outsourcing of activities to suppliers in South Africa and oversight of this, including impacts on customer service. - Standard payment terms aligned to the Prompt Payment Code - Increased director-level engagement with our most critical suppliers

Further information on the relationship with our suppliers is set out on page 66 of the Group's Annual Report and Financial Statements.

Communities

s.172 (d)

We are committed to aid financial inclusion and support social mobility in the communities we serve. You can read more about our Foundation at (www.vanquisbankinggroup.com/our-foundation).

How we engage and monitor	Outcome
- The Board received updates on the investments made in the Group's community initiatives. - The CCE Committee received updates on community engagement initiatives. - The Company participates in the activities of the Vanquis Banking Group. - The Company engages directly with its community partner, National Numeracy, and remains committed to improving numeracy skills across its communities.	- The Company encourages colleague volunteering and facilitates several programmes to enable this. - The Company continued to engage with the Group's Community Foundation partners. - Matched-funding is provided to colleagues to support their charity fundraising. - Our relationship with IncomeMax refers customers who meet the criteria for income maximisation and debt advice support.

Further information on our relationship with our communities is set out on page 65 of the Group's Annual Report and Financial Statements.

We believe that considering the broad range of our stakeholders' perspectives in our Board discussion and decision making is central to us making balanced and well-informed decisions. Stakeholders have different interests and priorities and the Board sees its role to make decisions that balance stakeholder interests, recognising that decisions will not always result in a positive outcome for all stakeholders. Ultimately, the Board aims to make decisions that drive the Company's long-term success and align to the Group's Purpose, culture and strategy and deliver sustainable value to our stakeholders as a whole.

In making the following principal decisions, the Board took into account its duties under s.172 of the Companies Act 2006:

Launch of new Savings products

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

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

The Board considered the benefits to both the Group and to its customers of introducing Notice Accounts. It was noted that Notice Accounts support the diversification of the Group's product offering, diversifying the Group away from the competitive environment and concentration risk of fixed-term deposits. The Board also considered how Notice Accounts supported the Group's funding strategy and formed part of its retail banking strategy, noting that the Group's stable and low-risk funding mix created some capacity for behaviour-based deposits. The benefits case for the Notice Accounts also considered the impact of introducing the products on the Group's liquidity. The Board reviewed the benefit to customers of Notice Account products in the context of the customer saving needs identified by the FCA in its research, which would provide customers with more choice and enable the Group to attract and meet the saving needs of more customers. The Notice Account proposal presented to the Board set out how the product was aligned with the Consumer Duty and included a fair value assessment. The Board considered how the product would be operated in conjunction with an external service provider and discussed and challenged management on the required capabilities of that supplier to ensure customers could be provided with the necessary service levels. The Board also noted the capabilities and process changes required for colleagues to introduce the new product.

The Board were provided an assessment of the risks associated with the launch of the Notice Account products, including funding, liquidity, market, legal and operational risk. Following due consideration, the Board approved the introduction of a 90-day and 120-day Notice Account into the VBL Savings product portfolio.

Appointment of Chairman

Further to the announcement on 30 June 2023, the Board approved the appointment of Sir Peter Estlin as Chairman of the Board following a thorough search process overseen by the Nomination Committee, and supported by Korn Ferry, which led the Committee to recommend to the Board that Sir Peter was selected for the role. This was an internal appointment as Sir Peter joined the Board as a Non-executive director in April 2023 following an extensive search process which led the Nomination Committee to recommend his appointment to the Board after consideration was given to his skills, experience, leadership style, alignment with the Group's social purpose, time commitments and independence.

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

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

Statement regarding section 172 Companies Act 2006 (continued)

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

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

The Company's Board membership substantially aligns with the membership of the Board of its ultimate parent company Vanquis Banking Group plc (the "Group"), a public company with a premium listing on the London Stock Exchange. This alignment seeks to support the Group's strategy to reinforce its position as a leading specialist bank with a focus on the financially underserved, and to provide a simpler, more efficient Group governance structure whilst streamlining and enhancing both the Group and Company's corporate governance arrangements. The Boards and Board committees of the Group and the Company now sit jointly on most occasions, but may also meet separately as required. Accordingly, the Company's Board and Board committees work in conjunction with the Vanquis Banking Group's Board and Board committees in undertaking their responsibilities, including as described throughout this statement, as appropriate. In accordance with the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended by the Companies (Miscellaneous Reporting) Regulations 2018), for the year ended 31 December 2023, the Company has in its corporate governance arrangements applied the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles"), which are available at www.frc.org.uk. The following section explains the Company's approach to corporate governance and its application of the Wates Principles. The Board recognises that effective corporate governance is fundamental to the successful operation of the Company and the delivery of its strategy and of long-term sustainable value to its shareholders and other stakeholders, particularly as a regulated bank. The Board remains committed to clear and transparent reporting on the Company's corporate governance arrangements. A corporate governance framework is in place across the Group, including the Company, ensuring a consistent and proportionate corporate governance approach is in place, meeting the different needs of the companies within the Group. The framework includes the matters reserved to the Board, and the matters the Board has chosen to delegate to its committees and management. The Group's corporate governance framework is reviewed periodically to ensure it remains fit for purpose.

<u>Principle One (Purpose and Leadership)</u>
The Board is collectively responsible for the Company's purpose, culture and values which are aligned to and agreed with the wider Group. The Board believes that the Company's purpose, to support the Company's customers on their paths to financial stability and a better everyday life, positions the business well for sustainable and long-term success.

The Group and Company's values seek to promote a culture in which colleagues are empowered and motivated to make a real difference to customers, the Company, and the wider community in which it operates. The Board oversees the alignment of the Company's purpose, values and strategy in several ways. To provide insight into the operational culture of the business, customer metrics are regularly reviewed by the Board and the Company operated a Customer, Culture and Ethics (CCE) Committee during the year – comprised of independent Non-Executive Directors - to monitor culture and behaviours, and to enable the Board to identify and address any misalignments with the desired culture. The CCE Committee also garners customer insights (for example through call listening, Customer Dashboard KPIs and customer survey results), with the customer being at the heart of the

Statement regarding section 172 Companies Act 2006 (continued)

Company's purpose and culture. Following review, it was determined during the year that from 2024 the responsibilities of the CCE Committee would more appropriately sit within the oversight of the Board or of its other Committees, ensuring that customers and culture remained appropriately overseen at Board level.

To support healthy colleague engagement and the embedding of culture, the Board, led by the CCE Committee, reviews and considers the results of Colleague surveys and the actions plans that are designed to address issues raised. The Company keeps colleagues updated of strategic and cultural issues through regular internal communications. The Company has a Designated Non-Executive Colleague Champion who engages with colleagues, including the Colleague Forum, and reports on this engagement to the CCE Committee and Board so that colleague views can inform Board decision making. The Board also receives reports on whistleblowing and health and safety matters. Inclusion and diversity is a key part of the Company's culture and is overseen by the Nomination Committee and Board. To support the oversight of our customer-focused culture, the Risk Committee also measures conduct risk, including an assessment of conduct risk against risk appetite. Our Executive Director and colleague performance management frameworks ensure that performance is assessed against our culture and values and, together with our Risk Adjustment Framework, which overseen by the Remuneration Committee, seeks to align reward with performance and culture. To further strengthen oversight of business integrity, the Audit Committee receives regular reports from the Internal Audit function on the outcome of internal audits, including issues to be addressed and progress in addressing such issues, and also oversees financial reporting controls.

<u>Principle Two (Board Composition)</u>

The Company's board comprises a Non-Executive Chair, independent Non-Executive Directors and Executive Directors. The Nomination Committee and Board consider the Board's composition regularly to ensure it has the appropriate balance of skills, experience, independence and diversity.

The Company has a Nomination Committee comprised primarily of independent Non-Executive Directors to oversee a documented formal, transparent and rigorous Board appointment process and to make recommendations to the Board on appointments for approval. New appointments are made on merit, taking account of the specific skills and experience, independence and knowledge needed to ensure a rounded board and the diversity benefits each candidate can bring overall. External search firms are used when seeking to appoint new Board directors, and diversity in the broadest sense forms a key part of such search and appointment processes as well as ensuring the appropriate skills and experience are on the Board. As required by our regulatory framework, candidates are assessed as to whether they are 'fit and proper' and appointments are made subject to regulatory approval. Regulatory references are also taken regarding new Board appointments. The Board's Skills Matrix supports the identification of skill gaps which inform Board appointments. A Board training plan is also created each year to address key areas for the Board as a collective to receive training on. The Nomination Committee reviews both Executive and Non-Executive succession plans to ensure that appropriate planning is in place. In its review of succession planning, the Nomination Committee reviews progress made in relation to diversity objectives, including the efforts that have been made to ensure that the Company drives broad candidate searches to tap into diverse talent pools. The Group has a Diversity & Inclusion policy (which covers Board diversity) in place in order to drive equality, diversity and inclusion.

The Audit, Remuneration, Risk and CCE Committees, each with their own Terms of Reference, are comprised entirely of independent Non-Executive Directors with appropriate skills and experience.

The Company and Group Boards are subject to an annual effectiveness review, which was conducted internally in 2023, which comprises an assessment of Board and committee composition, the results of which are considered by the Board. The findings from this year's Board performance review were positive, with the Board recognised as being skilled and experienced, with recent NED appointments addressing some of the skills and experience enhancement opportunities identified in the previous evaluation. As with all fair and balanced reviews processes, the internal evaluation identified opportunities to improve the performance of the Board and an agreed action plan is in place.

Statement regarding section 172 Companies Act 2006 (continued)

Principle Three (Director Responsibilities)

The Board has responsibility for ensuring robust controls and corporate governance frameworks are in place, including arrangements for the effective delegation of the day-to-day running of the Company. A Conflict of Interest policy and accompanying processes are in place. The Chairman is responsible for leadership of the Board and promoting a culture of openness and constructive debate and was considered to be independent upon his appointment. The role of Chairman, and the clear separation of duties between the role of Chair and the CEO, is set out in the Company's formal Board Governance Manual, which is reviewed annually. The role of the Senior Independent Director is also documented.

As described above, the Company has well established and effective Audit, Remuneration and Risk Committees comprised of Non-Executive directors to support it in the discharge of its responsibilities. The Board Matters Reserved and Committee Terms of Reference are in place and reviewed annually against best practice. The Committees' adherence to their respective Terms of Reference is reviewed annually to ensure they are meeting their responsibilities. Standard Board paper reporting templates, which include requirements to report on s.172 Companies Act 2006, are used across the Board and its committees to enable the provision of high-quality information to inform decision-making. Papers are circulated to the respective Board or Committee members five working days prior to the relevant Board or Committee meeting. The Non-Executive Directors, through their Board and respective Committee memberships, review and challenge the robustness and appropriateness of management proposals.

All Directors have access to the support and advice of the Company Secretary and can seek independent professional advice at the expense of the Group where it is considered necessary to discharge their duties. Non-Executive Directors hold private sessions without Executive Directors present to discuss any matters deemed salient in enabling them to properly discharge their Non-Executive Director duties.

The Group's Delegated Authority Manual provides clarity regarding authorities and responsibilities throughout the Group, and is periodically reviewed and refreshed. Risk management frameworks are also in place, including Group Risk Policies, and are overseen by the Risk Committee and Board. You can read more about risk management below and on pages 4 and 5. In the event that the Internal Audit function identifies matters requiring further investigation or controls weaknesses to be addressed, such matters and actions are escalated promptly to the Audit Committee and Board as appropriate. The Board also annually reviews and confirms the effectiveness of the Internal Audit function and External Audit.

Principle Four (Opportunity and Risk)

The Board oversees the development and deployment of the Company's strategy, which operates within the wider Group's strategy and includes strategic opportunities. The Board also ensures that necessary resources are in place to enable the Company to meet its objectives and accurately measure performance. The Board annually approves the five-year Budget and Plan, which sets out the resources required by the Company as part of the wider Group, including capital and funding resources, to meet its objectives, pursue strategic opportunities and manage risk. As noted above, the Board agrees the Company's purpose and oversee its culture, which are important foundations of long-term success, guiding and informing the identification of opportunities and supporting risk management. The Board also approves and regularly reviews the Company's Internal Liquidity and Capital Adequacy Assessment processes (ILAAP and ICAAP respectively) and monitors Company performance against those processes, thereby ensuring the Company retains sufficient capital and liquidity to achieve its strategic objectives and mitigate key risks.

Effective risk management is key for the success of the Company. The Company is dual-regulated by both the FCA and PRA and as such has in place a dedicated Risk Committee, the role of which is to ensure there is an effective risk management framework in operation which enables the effective oversight of the Company's risk position. The Company's Risk Committee and Board set the risk framework and risk appetite for the Company, which is closely aligned with that of the Group. The Risk Committee regularly measures and monitors Company performance against risk appetite. The effectiveness of the Group's risk framework is reviewed by the Board annually. In addition, the Board and Risk Committee agree the Group's principal and emerging risks. The Risk Committee regularly reviews the management of current and forward-looking risk exposures, including notifying the Board of any changes in the status and control of material risks.

Statement regarding section 172 Companies Act 2006 (continued)

The Chief Risk Officer attends the Risk Committee meeting and regularly attends Board meetings to ensure the appropriate discussion and escalation of risks within the Group. A remuneration-related Risk Adjustment Framework is in place and regular update reports in relation to the framework are provided to the Remuneration Committee. A Model Governance framework and assessment for the Company is reported to both the Company's Audit and Risk Committees by the Group Risk function.

The Company has in place a dedicated Audit Committee with appropriate sector competence which assists the Board in fulfilling its oversight responsibilities by monitoring the integrity of the Company's financial statements and other financial information prior to its publication, and reviewing significant judgements contained within them. In addition, the Committee also reviews the system of internal financial and operational controls and the accounting and financial reporting processes on a continuing basis, along with the roles and effectiveness of both the Company's Internal Audit function and external auditor. The Group Internal Audit function reports regularly to the Company's Audit Committee on its progress against the annual internal audit plan as previously approved by the Audit Committee. It provides the Committee with updates on any findings and the status of remedial actions. The Audit Committee also reviews and approves the External Audit plan and monitors the progress and outcomes of that plan, ensuring remedial actions identified are implemented as appropriate.

On behalf of the Board, the Company's Audit Committee undertakes an annual assessment of the effectiveness of Internal and External Audit and, similarly, the Company's Risk Committee carries out an annual assessment of the robustness of the Chief Risk Officer's report on the adequacy of the Company's risk resource. In conjunction with the Group, the Company undertakes an annual robust assessment of principal and emerging risks, and further details of these are reported within the Group consolidated accounts. The Audit Committee considers the reappointment of the external auditor, including the rotation of the audit partner, annually. This includes an assessment of the independence of the external auditor and an assessment of its performance in the previous year. To further ensure external audit independence and objectivity, the Company has in place a policy on the appointment of staff from the external auditor which states that engagement partners, quality review partners, other key audit partners, and senior members of the audit engagement team may not be employed in senior finance roles within the Company.

Principle Five (Remuneration)

The Company's Remuneration Committee, in conjunction with the Remuneration Committee of the Group, assumes responsibility for the Company's approach to remuneration. This includes oversight of the remuneration of colleagues where a specific remuneration approach is required by regulation, such as Senior Managers and other material risk takers. The Remuneration Committee is comprised entirely of Non-Executive Directors. Remuneration policies and practices are designed to support the Company's strategy and culture and deliver long-term sustainable success. Executive Director variable pay is set based upon an assessment against the Group's and individuals' performance in relation to a balanced, business scorecard of financial and non-financial objectives and measures. This business scorecard sets out the priorities to deliver tactical and strategic priorities and also includes objectives relating to customer outcomes, regulatory risk and risk control measures, investor outcomes, culture and colleagues. The Group Risk Adjustment Framework seeks to ensure effective alignment exists between risk management and variable remuneration outcomes. The Group's long-term share incentive schemes are used by the Remuneration Committee to align variable pay outcomes and investor interests. Prior to the vesting of awards under the Group's main discretionary share incentive scheme, the Restricted Share Plan, the Remuneration Committee is required to assess performance against a performance underpin evaluation. This assessment provides an opportunity to adjust any share price-related gains against performance in relation to, amongst other matters, the investor experience, risk management, culture and ESG matters. The Remuneration Committee's discretionary authority to determine the value of long-term awards at vesting enables the full spectrum of performance and conduct risk factors to be reviewed and in doing so encourages executives to demonstrate long-term behaviours.

PricewaterhouseCoopers is appointed by the Company's Remuneration Committee as independent remuneration adviser.

Statement regarding section 172 Companies Act 2006 (continued)

<u>Principle Six (Stakeholder Relationships and Engagement)</u>

The Company and Group's purpose affirms the business' societal role. The Board is responsible for overseeing meaningful engagement with stakeholders, including the workforce, and having regard to their views when taking decisions. The Board via its CCE Committee oversees the Stakeholder Engagement Strategy, re-considers who its stakeholders each year alongside noting the performance against its stakeholder engagement objectives during the year and what stakeholder engagement objectives are set for the following year. The approach of the Board in respect of its key stakeholders and the other aspects of its s.172 duties are set out in our separate statement on pages 9 to 15.

Going concern

In preparing the Financial Statements, the Directors are required to determine that the Company has adequate resources to continue to operate for the foreseeable future. The review has been made on the basis that the Company continues to operate as a going concern for the twelve months from the date the financial statements are approved, but when considering the analysis, the Directors' consideration extended beyond this time period. The Directors considered the appropriateness of the going concern basis, the period of assessment, any reporting requirements, and solvency and liquidity risks and included a variety of factors – forecasts and budgets, timing of cash flows and funding, the Company's primary market and any contingent liabilities. When considering the appropriateness of going concern the Directors have also considered the broader view of continuing to operate – in the context of the Company this means being able to meet its regulatory requirements (both capital and liquidity) at all times and not just a positive net asset measure.

The assessment of going concern for the Company for the purposes of the Annual Report and Financial Statements considered the following factors:

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

Having considered the Company's forecasts, the regulatory capital and liquidity of the Company and the regulatory outlook, the Directors have a reasonable expectation that the Company will continue for the foreseeable future and will be able to meet its liabilities as they fall due. Accordingly, the Financial Statements of the Company have been prepared on the going concern basis.

A further review of the business, results and future prospects of the Company and Group is set out in the Group Annual Report and Financial Statements which are available at www.vanquisbankinggroup.com.

Approved by the Board and signed on its behalf by:

I McLaughlin
Chief Executive Officer
26 March 2024

VANQUIS BANK LIMITED
(Company Number 2558509)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

The directors have also chosen to prepare the parent company financial statements under United Kingdom adopted International Accounting Standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, International Accounting Standard 1 requires that directors:

– properly select and apply accounting policies;

– present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;

– provide additional disclosures when compliance with the specific requirements of the financial reporting framework are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and

– make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

We confirm that to the best of our knowledge:

– the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;

– the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and

– the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Approved by the Board and signed on its behalf by:

I McLaughlin
Chief Executive Officer
26 March 2024

VANQUIS BANK LIMITED
(Company Number 2558509)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VANQUIS BANK LIMITED

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Vanquis Bank Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;

- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs); and

- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in shareholder's equity;
- the statement of cash flow;
- the statement of accounting policies; and
- the related notes 1 to 32.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the company for the year are disclosed in note 3 to the financial statements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters

The key audit matter that we identified in the current year was:

- The estimation of the Expected Credit Losses ("ECL") in Credit Cards

Within this report, key audit matters are identified as follows:

Newly identified

Increased level of risk

Similar level of risk

Decreased level of risk

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VANQUIS BANK LIMITED (CONTINUED)

Materiality	The materiality that we used for the company financial statements was £3.9m which represents 1% of net assets.
Scoping	Audit work to respond to the risks of material misstatements was performed directly by the audit engagement team, with the support of appropriate specialists.
Significant changes in our approach	Due to the volatility in the profit before tax due to higher impairment charges in the current period, there has been a change in the benchmark used from profit before tax and exceptionals to net assets which is detailed in section 6 below.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of relevant controls around management's going concern assessment and the forecasting process at a company level;
- Evaluating management's going concern assessment, which includes stress testing and point of non-viability ("PONV") analysis as well as consideration of the transformation projects ongoing across the company, in order to understand, challenge and assess the key judgements made by management;
- Reading correspondence with regulators to understand the capital and liquidity requirements imposed on the company by the Prudential Regulation Authority ("PRA"), and evaluating any changes to those requirements, including the recent reduction in capital requirements;
- Reviewing the most recent Internal Capital Adequacy Assessment Process ("ICAAP") and internal liquidity adequacy assessment process ("ILAAP"), with support from our prudential regulation specialists, and assess management's capital and liquidity projections and stress testing, evaluating key assumptions and methods used in the capital and liquidity stress testing models;
- Assessing and evaluating the forecasts, with support from our prudential regulation specialists including reconciliation of the opening capital and liquidity ratios to the year-end Common Reporting Framework regulatory submissions and assessing whether the year-end balance sheet within the model was consistent with the audited position;
- Challenging the cash flow forecast assumptions, within the company's corporate plan, which was updated in 1Q24 to capture latest outer year projections, including key growth rate assumptions through a review of their budgeted cash flows and the return to PBT in future periods. We have also performed an assessment over the forecasting accuracy in the previous years;
- Challenging the availability and effectiveness of mitigating actions which could be taken by management to avoid or reduce the impact of macroeconomic stress for example restricting variable pay, reducing lending growth, and/or challenging the dividend payout; and
  Reviewing the financial statement disclosures in respect of going concern and considering whether they are consistent with the knowledge we obtained during the course of the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VANQUIS BANK LIMITED (CONTINUED)

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Estimation of the Expected Credit Losses ("ECL") in Credit Cards

Key audit matter description

Within **Credit Cards**, management has recognised a total ECL provision of £198.7m (2022: £270.4m) on gross receivables of £1,476.4m (2022: £1,452.0m), representing a decline in ECL coverage ratio from 18.6% to 13.5% over the period.

The IFRS 9 *Financial Instruments* expected credit losses on amounts receivable from customers are determined by modelling expected credit performance of the receivables' portfolios. The underlying modelling techniques are complex and involve significant judgements regarding the quantum and timing of expected future cash flows to calculate expected credit losses. Given the material impact of the significant judgements involved, we also consider there is a risk of fraud due to the potential ability of management to introduce inappropriate bias to judgements made in the estimation process.

IFRS 9 requires that an impairment assessment should be the best estimate of expected credit losses and that reasonable forward-looking information should be incorporated into the calculation as at the balance sheet date. The uncertainties in the macroeconomic environment and inflationary pressures, mean there exists a wide range of scenarios with different loss outcomes. The key economic variables relevant for the company's portfolio were determined to be the hazard rate, which is the likelihood of shifting from employment to unemployment in a given time period, and debt-to-income ('DTI') ratios. The hazard rate is not a widely used variable for which forecasts are published; however, there is a strong correlation between hazard rates and unemployment such that hazard rates can be predicted based on unemployment forecasts. There is significant judgement in determining the probability weighting of the scenarios adopted by management and the associated assumptions.

The expected credit loss provision estimate is driven by account-specific estimation of probability of default (PD), exposure at default (EAD) and loss given default (LGD) which represent the key areas of judgement. For Credit Cards, we have pinpointed our significant risk to the macro-economic inputs including the cost-of-living overlays and the valuation of the underlay recognised from the ongoing refinement of the IFRS9 impairment models, which are expected to be fully implemented in H1 2024.

Management has released its cost-of-living overlays (2022: £10.0m) as management consider that underlying asset quality remained high with delinquency trends remaining stable. The Post Model Adjustments ("PMA") was based on management judgement in light

	of the current economic environment and was supported by scenario modelling techniques. Management has conducted model redevelopment and calibration activities during the year and recognised an underlay of £12.7m for the perceived benefit from the ongoing refinement of the IFRS9 impairment models. Due to the complexity of the calculation and underlying assumptions, and high level of judgement involved in the refinement of the IFRS 9 impairment models to recognise the underlay, we have identified management's expert credit judgements in determining the valuation of the underlay as a key audit matter for this year. Further detail in respect of these is set out in the statement of accounting policies in page 43, in the amounts receivables from customers note 11 of the financial statements.
How the scope of our audit responded to the key audit matter	*Control procedures* Within **Credit Cards** we obtained an understanding of relevant controls relating to the identification, valuation and recording of expected credit losses. *Substantive procedures* In respect of the macroeconomic scenarios applied we involved our economics specialist to assess the appropriateness of the shape of the hazard rate and DTI curves and the respective weightings attached to the curves, whilst also testing the underlying data used in this assessment for completeness and accuracy. We benchmarked the underlying unemployment economic variables against various external sources including His Majesty's Treasury forecasts, Prudential Regulation Authority, Office for National Statistics, and other available data. We involved our credit risk modelling specialists to assist in our assessment and challenge of management's model methodology and assessed the methodology for **Credit Cards** against the requirements of IFRS 9. In performing these procedures, we further considered whether there were any indicators of bias in the methodology applied by management or in the estimation of the amount and timing of expected future cash flows, through a stand back assessment performed on the ECL coverage ratios derived from the models, post the application of the underlay. In respect of the underlay from the benefit of the ongoing model refinement, with the involvement of our credit modelling specialists, we performed our independent sensitivity analysis of the impact of the macro-economic model based on our credit risk modelling specialist's evaluation of the methodology, approach and assumptions in relation to model refinements. For the underlay relating to new macro-economic model for Credit Cards, we have incorporated in our sensitivity analysis our independent view of the macro-economic inputs to the model. In respect of the Cost-of-Living PMA for Credit Cards, with the involvement of our credit risk specialists, we have assessed the appropriateness of the reversal of the Cost-of-Living PMA through our evaluation of the refinement over the macro model and assessment of the appropriateness of the underlay recognised on the impact of such refinement. In addition, we have tested that the methodology changes have been reflected in the creation of the underlay through assessment of the underlying scripts, tested the completeness and accuracy of the data used to form the new models and evaluated management's conclusions regarding the appropriateness of the changes in the current macroeconomic environment.
Key observations	We considered the macroeconomic assumptions and weightings to be reasonable in Credit Cards. Appropriate methodologies, management expert credit judgement and reasonable assumptions were used in the valuation of the underlay from the benefit of the ongoing model refinement and in determining the reversal of the Cost of Living. Overall based on our substantive testing, we found that the provision for expected credit losses in Credit Cards is appropriate.

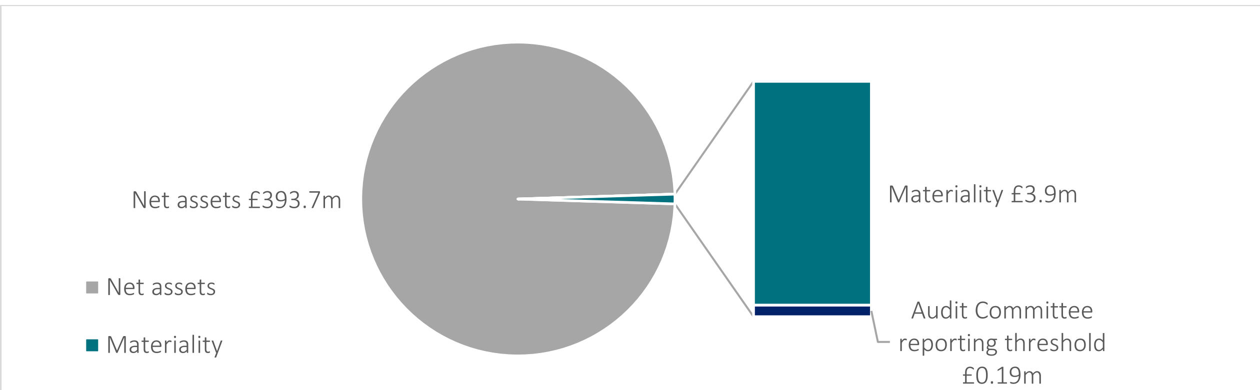
6. Our application of materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£3.9m (2022: £5.7m)
Basis for determining materiality	1% of net assets (2022: 4.37% of profit before tax)
Rationale for the benchmark applied	Our benchmark upon which materiality is determined has changed from the prior year from PBT to net assets given the volatility in PBT due to higher impairment charge in the year. We determined that net assets is a more stable and relevant measure used by investors, regulators and stakeholders when assessing the performance and longer-term prospects of the company as well as the importance of net assets to the company's regulatory capital position



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 65% of materiality for the 2023 audit (2022: 70%).
In determining performance materiality, we considered the following factors:

a. Our understanding of the business;
b. the quality of the control environment and lack of control reliance over the gross loan balance for credit cards and personal loans system;
c. the quality of the control environment and ability to take control reliance on the retail deposit system; and
d. the nature, volume and size of misstatements (corrected and uncorrected) in the previous audit.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £0.19m (2022: £0.28m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, with the support of appropriate specialists.

7.2. Our consideration of the control environment

We identified the financial reporting, lending, and deposit business cycles to be the most relevant to the audit, including the identification, valuation and recording of expected credit losses. We planned a controls reliance auditing strategy over the credit card and retail deposit cycles. Due to issues identified by our IT specialists in respect of user access review over the credit card system, we modified our audit approach to a fully substantive approach and did not place reliance on IT controls. This increased the extent of our substantive audit procedures over these balances and in some areas, also altered the nature of our substantive procedures. This has been discussed within the Strategic Report set out on page 4.

We were however able to take a controls reliance approach over the deposit business cycle and with involvement of our IT specialists we tested and relied upon IT controls across the aforementioned deposit system identified. The company outsources the processing of customer deposits to a third party and therefore we involved our IT specialists to review the service auditor's report and evaluated user entity controls.

We have also obtained an understanding of the relevant controls within the financial reporting, treasury, personal loans and loan impairment processes.

The Audit Committee has performed their own assessment of the internal control environment as set out on pages 18 to 19.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the company's business and its financial statements.

The company contributes as a subsidiary of a wider group as the group continues to develop its assessment of the potential impacts of climate change, which is currently being considered over the short-term (zero to one years), medium term (one to five years) and long -term (five or more years) time horizons.

As part of our audit, we have obtained an understanding of the process of identifying climate-related risks and the impact on the company's financial statements.

We performed our own qualitative and quantitative risk assessment of the potential impact of climate change material misstatement. Our procedures included reading disclosures included in the Strategic Report with the audit team consideration as to whether they are materially consistent with our knowledge obtained in the audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VANQUIS BANK LIMITED (CONTINUED)

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated.
If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, the directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, share based payments, financial instruments, IT, prudential regulatory, conduct regulatory, credit risk modelling, data analytics and macro-economic specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the following areas: the estimation of Expected Credit Losses ("ECL") on credit cards. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the regulation set by the Financial Conduct Authority and the Prudential Regulation Authority relating to the company's regulatory capital and liquidity requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified the estimation of Expected Credit Losses ("ECL") on credit cards as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VANQUIS BANK LIMITED (CONTINUED)

11.2. Audit response to risks identified (continued)

- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with the Prudential Regulation Authority, the Financial Conduct Authority and HMRC; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:
- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

13. Opinion on other matter prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 27 to the financial statements for the financial year ended 31 December 2023 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:
- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VANQUIS BANK LIMITED (CONTINUED)

15. Other matters which we are required to address

15.1. Auditor tenure

Following the recommendation of the audit committee, we were appointed by the directors on 29 June 2012 to audit the financial statements for the year ending 31 December 2012 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 12, covering the years ending 31 December 2012 to 31 December 2023.

15.2. Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

K. J. Cooper

Kieren Cooper (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Birmingham, United Kingdom
26 March 2024

VANQUIS BANK LIMITED
(Company Number 2558509)

INCOME STATEMENT

For the year ended 31 December	Note	**2023 £m**	2022 £m
Interest income	2	**411.4**	354.7
Interest expense	3	**(69.8)**	(24.5)
Net interest income		**341.6**	330.2
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		**1.3**	1.0
Total income		**385.4**	375.4
Impairment charges	11	**(150.9)**	(25.3)
Risk-adjusted income		**234.5**	350.1
Operating costs		**(223.4)**	(219.7)
Statutory profit before taxation	4	**11.1**	130.4
Tax charge	6	**(3.5)**	(36.6)
Statutory profit for the year attributable to equity shareholders		**7.6**	93.8
Add back:			
Tax charge	6	**3.5**	36.6
Exceptional items	5	**6.9**	0.2
Adjusted profit before tax		**18.0**	130.6

There is no other comprehensive income for the year.

STATEMENT OF FINANCIAL POSITION

	Note	**31 December 2023 £m**	31 December 2022 £m
ASSETS			
Cash and cash equivalents	10	**680.1**	413.0
Amounts receivable from customers	11	**1,382.9**	1,257.9
Trade and other receivables	13	**67.4**	40.3
Loan to related party	12	**398.4**	69.3
Investments	14	**5.4**	10.7
Property, plant and equipment	15	**4.9**	4.8
Right-of-use assets	17	**10.4**	18.0
Intangible assets	16	**38.4**	34.5
Derivative financial instruments	18	**1.2**	-
Current tax assets		**8.3**	3.4
Deferred tax assets	19	**12.1**	15.5
Total assets		**2,609.5**	1,867.4
LIABILITIES AND EQUITY			
Liabilities			
Trade and other payables	23	**61.6**	175.1
Provisions	24	**2.7**	2.2
Lease liabilities	22	**25.3**	30.8
Retail deposits	21	**1,950.5**	1,100.6
Derivative financial instruments	18	**1.0**	-
Collateralised loan	21	**174.7**	173.7
Total liabilities		**2,215.8**	1,482.4
Equity attributable to owners of the parent			
Share capital	25	**124.2**	124.2
Share based payment reserve	26	**1.8**	2.3
Retained earnings		**267.7**	258.5
Total equity		**393.7**	385.0
Total liabilities and equity		**2,609.5**	1,867.4

The financial statements on pages 31 to 80 were approved by the board of directors on 26 March 2024 and signed on its behalf by:

Ian Mclaughlin
Chief Executive Officer

Dave Watts
Finance Director

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

	Note	Share capital £m	Share - based payment reserve £m	Retained earnings £m	Total £m
At 31 December 2021		124.2	1.9	259.2	385.3
At 1 January 2022		124.2	1.9	259.2	385.3
Profit for the year		-	-	93.8	93.8
Other comprehensive income for the year		-	-	-	-
Total comprehensive income for the year		-	-	93.8	93.8
Share-based payment charge	26	-	1.0	-	1.0
Transfer of share-based payment reserve	26	-	(0.6)	0.6	-
Dividends	7	-	-	(95.1)	(95.1)
At 31 December 2022		124.2	2.3	258.5	385.0
At 1 January 2023		**124.2**	**2.3**	**258.5**	**385.0**
Profit for the year		**-**	**-**	**7.6**	**7.6**
Other comprehensive income for the year		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**-**	**-**	**7.6**	**7.6**
Share-based payment charge	26	**-**	**1.1**	**-**	**1.1**
Transfer of share-based payment reserve	26	**-**	**(1.6)**	**1.6**	**-**
Dividends	7	**-**	**-**	**-**	**-**
At 31 December 2023		**124.2**	**1.8**	**267.7**	**393.7**

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	28	**(494.1)**	75.2
Funding costs paid		**(33.8)**	(10.9)
Tax paid		**(6.1)**	(13.4)
Net cash (used in)/generated from operating activities		**(534.0)**	50.9
Cash flows from investing activities			
Purchase of property and equipment	15	**(1.9)**	(2.5)
Purchase of intangible assets	16	**(12.5)**	(19.2)
Proceeds from sale of investments		**6.4**	-
Net cash used in investing activities		**(8.0)**	(21.7)
Cash flows from financing activities			
Capital elements of lease payments		**(6.0)**	(6.1)
Proceeds from borrowings		**1,100.0**	330.0
Repayment of borrowings		**(284.8)**	(258.4)
Dividends paid to company shareholder	7	**-**	(95.1)
Net cash generated/(used in) financing activities		**809.1**	(29.6)
Net increase/(decrease) in cash and cash equivalents		**267.1**	(0.4)
Cash and cash equivalents at beginning of year		**413.0**	413.4
Cash and cash equivalents at end of year		**680.1**	413.0
Cash and cash equivalents at end of year comprise:			
Cash and cash equivalents	10	**680.1**	413.0
Total cash and cash equivalents		**680.1**	413.0

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

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 the Company in accordance with the PRA's liquidity regime.

STATEMENT OF ACCOUNTING POLICIES

General information
The Company is a private company limited by shares and is incorporated and domiciled in England, United Kingdom. The address of its registered office is No. 1 Godwin Street, Bradford, BD1 2SU. The Company is authorised and regulated by the PRA and regulated by the FCA.

Basis of preparation
The financial statements of the Company are prepared in accordance with IFRS as adopted by the UK, International Financial Reporting Interpretations Committee (IFRIC) interpretations and the Companies Act 2006.The financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of investments held at fair value through profit or loss.

Going Concern
In preparing the Financial Statements, the Directors are required to determine that the Company has adequate resources to continue to operate for the foreseeable future. The review has been made on the basis that the Company continues to operate as a going concern for the twelve months from the date the financial statements are approved, but when considering the analysis, the Directors' consideration extended beyond this time period. Accordingly, the Directors have reviewed the Company's latest budgets, which includes capital and liquidity forecasts, on projections from 2024 to 2026. The assessment has included consideration of:

- the Company and Group's corporate plan, updated in 1Q24, which sets out financial, capital, liquidity and funding projections, together with an overview of relevant risks for the three year period to 2026, and also considered less detailed forecasts for 2027 and 2028;
- the principal and emerging risks which could impact the performance of the Company, with a focus on capital and liquidity, with a focus of capital and liquidity and the going concern assessment covers a period of 12 months from the accounts approval date;
- a severe but plausible stress testing scenario, which is designed to assess the potential impact of certain underlying risks on the Company's capital and funding resources, together with the availability and effectiveness of mitigating actions; and
- reverse stress testing analysis, which is designed to assess the point at which the Company is no longer a viable concern.

The directors have also reviewed the Company'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 Company is able to maintain sufficient capital headroom above minimum requirements. The stress test scenario takes into account the availability and effectiveness of mitigating actions which could be taken by management to avoid or reduce the impact of the macroeconomic stress. These management actions could include but are not restricted to restricting variable pay, reducing lending growth, and/or changing the dividend payout. The directors have reviewed the Company's reverse stress testing projections to the point of non-viability, which concluded that the Company's viability only comes into question under an unprecedented macroeconomic scenario.

Having considered the Company's forecasts, the regulatory capital and liquidity of the Company, the principal risks and uncertainties of the Company, and the regulatory outlook, the Directors have a reasonable expectation that the Company will continue for the foreseeable future and will be able to meet its liabilities as they fall due. Accordingly, the Financial Statements of the Company have been prepared on the going concern basis.

Change in presentation of income statement

In line with the Groups continued repositioning as a specialist banking entity, the Company changed the presentation of its income statement in the Annual Report and Financial Statements for the year ended 31 December 2022 to align with the wider banking industry.

The presentation of the income statement in these accounts is consistent with that in the Annual Report and Financial statements for December 2022, with the exception of interest received from the liquid asset buffer previously reported in other income now being recognised within interest income. All periods presented in this report have been retrospectively re-presented. This change does not constitute a change in accounting policy and there is no impact on recognition, measurement or profit and loss in any period presented in this report.

STATEMENT OF ACCOUNTING POLICIES (continued)

The impact of new standards not yet effective and not adopted by the Company from 1 January 2024
There are no new standards not yet effective and not adopted by the Company from 1 January 2024 which are expected to have a material impact on the Group.

Interest income
Interest income is earned from credit cards, personal loans, second charge mortgages, intragroup revenue and interest from cash held on deposit at external institutions.

Interest is calculated on credit card advances to customers using the effective interest rate on the daily balance outstanding.

Interest income on loans is recognised using an effective interest rate. The effective interest rate is calculated using estimated cash flows. Directly attributable incremental issue costs are also taken into account in calculating the effective interest rate. Interest income continues to be accrued on impaired receivables using the original effective interest rate applied to the loan's carrying value until revenue equal to the loan's original service charge has been fully recognised. Interest income is recognised on the gross receivable when accounts are in IFRS 9 Stages 1 and 2 and on the net receivable for accounts in Stage 3.

Directly attributable acquisition costs are capitalised as part of receivables and amortised over the expected life of customer accounts as a deduction to income.

Interest income from the loan to the related party is recognised on an EIR basis.

Fee and commission income
Fee and commission income is earned from credit cards and is recognised at the time the charges are made to customers on the basis that the performance obligation is complete.

Interest expense
Interest expense principally comprises the interest on retail deposits and TFSME borrowings, and are recognised on an EIR basis.

Exceptional items
Exceptional items are items which the directors consider should be disclosed separately to enable a full understanding of the Group's results. An exceptional item needs to meet at least two of the following criteria:

– the financial impact is material;
– it is one-off and not expected to recur; and
– it is outside the normal course of business.

Examples include, but are not limited to, costs arising from redundancy, acquisition or restructuring activities. The Audit Committee and Board may also apply judgement to determine whether an item should be classified as an exceptional item and be an allowable adjustment to a statutory measure.

Intangible assets
Intangible assets, which comprise computer software and computer software development costs, represent the costs incurred to acquire or develop the specific software and bring it into use.

Directly attributable costs incurred in the development of software are capitalised as an intangible asset if the software will generate future economic benefits. Directly attributable costs include the cost of software development, employees, and an appropriate portion of relevant directly attributable overheads.

Computer software and computer software development costs are amortised on a straight-line basis over their estimated useful economic life which is generally estimated to be between 3 and 10 years. The residual values and economic lives of intangible assets are reviewed by management at each balance sheet date. Amortisation is charged to the income statement as part of operating costs. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Amounts receivable from customers
Customer receivables are initially recorded at the amount advanced to the customer plus directly attributable issue costs. Subsequently, receivables are increased by income and reduced by cash collections and deduction for impairment.

The impairment provisions are recognised for 12 months for Stage 1 accounts, for lifetime for Stage 2 accounts where the credit risk has significantly increased since origination, and for lifetime for Stage 3 accounts where accounts are defaulted. The impairment provisions are calculated using probability of default (PD), exposure at default (EAD) and loss given default (LGD) models.

Stage 1 provisions are held where an account is not defaulted and is not deemed to have suffered a significant increase in credit risk. Accounts are included in stage 2 when there has been a significant increase in credit risk either through a deterioration in lifetime PD compared with origination PD or when they are more than 30 days past due but are not defaulted. Stage 2 exposures are predominantly identified using a quantitative test where the lifetime PD has deteriorated by more than a predetermined threshold relative to origination PDs. The deterioration thresholds are defined as multiples of origination PD and are set by origination risk grades. As origination PD increases, the threshold value reduces. A backstop criteria is also applied to staging of accounts, where accounts that are more than 30 days past due but are not defaulted are provided for lifetime losses in Stage 2. An account is considered to be in default and is provided for in Stage 3 when they are more than 90 days past due or are on a payment arrangement.

The Company has developed PD and LGD models which focuses on forecasting customer behaviour to calculate an expected loss impairment provision in accordance with IFRS 9. Losses are recognised on inception of a loan based on the probability of a customer defaulting within 12 months. This is initially determined with reference to the customer's application score used in underwriting and thereafter using both internal and external data for both credit card and loans customers. The EAD for the Company's card customers represents the current balance on the card plus future expected spend and interest. It does not include any credit line increases which a customer may become eligible for after the balance sheet date. For loans, the EAD follows the amortisation schedules of the loan and adjusted for expected missed payments at point of default. Lifetime losses are recognised when a significant increase in credit risk is evident, either from a missed monthly payment or an increase in PD. Income continues to be recognised on the gross receivable until the customer defaults. A customer is deemed to have defaulted when they become three minimum monthly payments in arrears or they enter a payment arrangement. A customer is written off in the following cycle after being six minimum monthly payments in arrears.

Macroeconomic provisions are part of the core model and are recognised to reflect the expected impact of future economic events on a customer's ability to make payments on their agreements and the losses which are expected to be incurred given default. The provisions consider the relationship between hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), debt to income ratio and default rates.

Property, plant and equipment
Property, plant and equipment is shown at cost less accumulated depreciation and impairment. Cost represents invoiced cost plus any other costs that are directly attributable to the acquisition of the items. Repairs and maintenance costs are expensed as incurred.

Depreciation is calculated to write down assets to their estimated realisable value over their useful economic lives. The following are the principal bases used:

	%	Method
Leasehold land and buildings	Over the lease period	Straight-line
Equipment (including computer hardware)	10 to 33.3	Straight-line

The residual values and useful economic lives of all assets are reviewed, and adjusted if appropriate, at each balance sheet date.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

All items of property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying value exceeds the higher of the asset's value in use and its fair value less costs to sell.

Gains and losses on disposal of property, plant and equipment are determined by comparing any proceeds with the carrying value of the asset and are recognised within operating costs in the income statement. Depreciation is charged to the income statement as part of operating costs.

Leases
The Company assesses whether a contract contains a lease at inception of a contract. A right-of-use asset and a corresponding liability is recognised with respect to all lease arrangements where it is a lessee, except for short term leases (leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the lease payments are recognised within administrative and operating expenses on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the lease payments at the commencement date, discounted using the rate implicit in the lease. If this rate cannot be readily determined, the incremental borrowing rate is used. This is defined as the rate of interest that the lessee would have to pay to borrow, over a similar term, and with similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For the Company, this would represent an average retail deposit rate.

The lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments;
- Variable lease payments; and
- Payment of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease, using the EIR method, and reducing to reflect the lease payments made.

The lease liability is re-measured whenever:

- The lease term has changed, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate, in which case the lease liability is re-measured by discounting the revised lease payments using the initial discount rate;
- The lease contract is modified and the modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the year.

The right-of-use asset comprises the initial measurement of the corresponding lease liability and is subsequently measured at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

The lease liability and right-of-use asset are presented as separate line items on the balance sheet. The interest on the lease and depreciation are charged to the income statement and presented within interest expense and administrative and operating costs respectively. The Company sub-leases a portion of its office space in London and accounts for it under finance leases.

Investments
Visa Inc shares are measured at fair value in the balance sheet as a reliable estimate of the fair value can be determined. Valuation adjustments arising as a result of routine mark-to-market revaluation are recognised in the income statement.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Fair value changes including any impairment losses and foreign exchange gains or losses are recognised within other income in the income statement. The fair value of monetary assets denominated in foreign currency is determined through translation at the spot rate at the balance sheet date.

Dividends on equity instruments are recognised in the income statement when the Group's right to receive the dividends is established.

Derivative financial instruments and hedge accounting
As permitted by IFRS 9, the Company continues to apply the requirements of IAS 39 to its hedging relationships. Derivatives are recognised at fair value with changes recognised in the income statement. Hedge accounting allows the derivative to be designated as a hedge of another financial instrument. At the inception of the hedge relationship, formal documentation is drawn up specifying the hedging strategy, the hedged item, the hedging instrument and the methodology that will be used to measure the effectiveness of the hedge relationship in offsetting changes in the fair value or cash flow of the hedged risk.

The effectiveness of the hedging relationship is tested both at inception and throughout its life and if at any point it is concluded that it is no longer highly effective in achieving its documented objective, hedge accounting is discontinued.

Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and in hand including amounts held within a Bank of England reserve account. Bank overdrafts are presented in current liabilities to the extent that there is no right of offset with cash balances.

Borrowings
Borrowings are recognised initially at fair value, being issue proceeds less any transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds less transaction costs and the redemption value is recognised in the income statement over the expected life of the borrowings using the effective interest rate.

Dividends
Dividend distributions to the Company's shareholder are recognised in the financial statements when paid.

Retirement benefits
Cash contributions to defined contribution pension schemes are charged to the income statement on an accruals basis.

Share-based payments
The ultimate parent company grants options under employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)) and makes awards under the Deferred Bonus Plan (DBP), the Restricted Share Pan (RSP) and the Company Share Option Plan (CSOP).

The cost of providing options and awards to employees is charged to the income statement of the Company over the vesting period of the related options and awards. The corresponding credit is made to a share-based payment reserve within equity.

The cost of options and awards is based on their fair value. A binomial model is used for calculating the fair value of SAYE options which have no performance conditions attached and the RSP for which vesting is based on the discretion of the Remuneration Committee. No charge has been recognised for the CSOP as it is linked to the RSP awards granted at the same time. Any gains made by an employee in relation to the CSOP reduces the number of shares exercisable under the RSP award. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting, with a corresponding adjustment to the share-based payment reserve.

For LTIS schemes, performance conditions are based on EPS, Total Shareholder Return (TSR) versus a peer group, risk metrics and profit before tax. The fair value of awards is determined using a combination of the binomial and Monte Carlo option pricing models. The value of the charge is adjusted at each balance sheet date to reflect lapses and expected or actual levels of vesting. Where the Monte Carlo option pricing model is used to determine fair value of the TSR component, no adjustment is made to reflect expected or actual levels of vesting as the probability of the awards vesting is taken into account in the initial calculation of the fair value of the awards.

Cancellations by employees of contributions to the Group's SAYE plans are treated as non-vesting conditions and the Company recognises, in the year of cancellation, the amount of the expense that would have otherwise been recognised over the remainder of the vesting period. Modifications are assessed at the date of modification and any incremental charges are recognised in the income statement.

A transfer is made from the share-based payment reserve to retained earnings when options and awards vest, lapse or are cancelled. In respect of the SAYE options, the proceeds received, net of any directly attributable transaction costs, are credited to share capital and share premium when the options are exercised.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Taxation
The tax charge represents the sum of current and deferred tax. Current tax is calculated based on taxable profit for the year using tax rates that have been enacted or substantially enacted by the balance sheet date. Taxable profit differs from profit before taxation as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using the balance sheet liability method.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Provisions
Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

Intercompany loan to related party
The intercompany loan to related party is recognised on an amortised cost basis. The amortised cost is the amount at which the loan is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance.

Critical accounting judgements and key sources of estimation uncertainty

In applying the accounting policies set out above, the Company makes significant estimates, judgments and assumptions that affect the reported amounts of assets and liabilities as follows:

<u>Amounts receivable from customers – £1,382.9m (2022: £1,257.9m)</u>

Critical accounting judgements

The Company reviews amounts receivable from customers for impairment at each balance sheet date. For the purposes of assessing the impairment, customers are categorised into IFRS 9 stages and cohorts which are considered to be the most reliable indication of future payment performance. The determination of expected credit losses involves complex modelling techniques and requires management to apply significant judgements to calculate expected credit losses. The most critical judgements are outlined below.

The determination of the significant increase in credit risk (SICR) thresholds to be used in the models for credit card and personal loans require management judgement to optimise the performance and therefore effectiveness of the staging methodology. Assessments are made to determine whether there is objective evidence of a SICR which indicates whether there has been an adverse effect on Probability of Default (PD). A SICR for customers is when there has been a significant increase in behavioural score or when one contractual monthly payment has been missed.

For the purpose of IFRS 9, default is assumed in credit cards and personal loans when three contractual repayments have been missed.

The Company's impairment models are subject to periodic monitoring, independent validation and back testing performed on model components (where appropriate), including probability of default, exposure at default and loss given default to ensure management judgements remain appropriate.

Limitations in the Company's impairment models or data inputs may be identified through the ongoing assessment and validation of the output of the models. In these circumstances, management makes appropriate adjustments to the Company's allowance for impairment losses to ensure that the overall provision adequately reflects all material credit risks. These adjustments are determined by considering the particular attributes of exposures which have not been adequately captured by the impairment models and range from changes to model inputs and parameters, at account level, through to more qualitative post-model overlays. Those changes applied to model inputs and parameters are deemed to be in-model overlays; more qualitative changes that have a higher degree of management judgement are deemed to be post-model overlays. All adjustments are reviewed quarterly and are subject to internal review and challenge to ensure that amounts are appropriately calculated.

A breakdown of the in-model and post-model overlays is included within note 11.

During the year, the Company refined and recalibrated the provisioning models for Cards and Personal Loans, to better reflect the evolving receivables mix; this led to a release of c.£11m of impairment provision, which has been recognised as a model underlay. In addition, the overlays relating to affordability, persistent debt and SECCI have been released as these have been deemed as no longer required. Credit performance across the Company remains stable and internal analysis shows no obvious signs of stress.

Macroeconomic impairment provision adjustments are recognised in the core model to reflect an increased PD based on future macroeconomic scenarios. These provisions reflect the potential for future changes in hazard rate, the number of people who were employed last month but who are unemployed the following month (derived from unemployment), and debt to income ratio.

Management judgement was required to determine the appropriate macroeconomic indicators to be used in the model by assessing their correlation with credit losses incurred by the business. Unemployment is judged to be a key macroeconomic indicator as analysis has clearly evidenced correlation between changes in unemployment and credit losses incurred by the business.

Critical accounting judgements and key sources of estimation uncertainty (continued)

Key sources of estimation uncertainty

The level of impairment recognised is calculated using models which utilise historical payment performance to generate the estimated amount and timing of future cash flows from each cohort of customers in each arrears stage. The models are regularly monitored to ensure they retain sufficient accuracy. Sensitivity analysis has been performed in note 11 which shows the impact of a 1% movement of gross exposure into stage 2 from stage 1 on the allowance accounts.

The unemployment data used in the macroeconomic provisions has been compiled from a consensus of sources including the Bank of England, HM Treasury, the Office for Budget Responsibility (OBR), Bloomberg and a number of prime banks. These estimates are used to derive base case, upside, downside and severe scenarios.

The table below shows the scenario five-year peak and average unemployment assumptions adopted and the weightings applied to each.

Unemployment rate %	Base	Upside	Downside	Severe
Weighting	60%	15%	20%	5%
Scenario for the year ended 2023				
2024	4.5%	3.9%	4.8%	5.1%
2025	4.7%	3.7%	6.1%	7.5%
2026	4.7%	4.2%	6.2%	8.0%
2027	4.7%	4.3%	5.5%	6.6%
2028	4.7%	4.4%	5.2%	5.8%
5 year peak	4.8%	4.5%	6.4%	8.4%
Scenario for the year ended 2022				
Weighting	50%	10%	35%	5%
2023	4.1%	3.4%	4.2%	4.6%
2024	4.7%	3.6%	5.8%	7.4%
2025	4.8%	4.3%	6.3%	8.2%
2026	4.8%	4.5%	5.5%	6.8%
2027	4.8%	4.5%	5.1%	6.0%
5 year peak	4.8%	4.5%	6.5%	8.6%

Weightings applied to the macroeconomic assumptions were reviewed and updated at the December 2023 Assumptions Committee, to more appropriately reflect management's view of exposure to changes in the projected macroeconomic environment.

For credit cards and personal loans, increasing the downside weighting by 5%, from 20% to 25%, and a corresponding reduction in the base case would increase the allowance account by £0.2m. Increasing the upside weighting by 5%, from 15% to 20%, and a corresponding reduction in the base case would decrease the allowance account by £0.3m.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Critical accounting judgements and key sources of estimation uncertainty (continued)

Other accounting judgements:

Intangibles (note 16) £38.4m (2022: £34.5m)

All intangible assets have been reviewed for impairment under IAS 36 and the recoverable amounts exceed the carrying value therefore no impairment has been recognised in 2023. Where project timings have been amended these have also been reflected in amortisation profiles, this is not expected to have a material impact on profit in future years. However, as the Company continues to evolve there is a risk that assets may require impairment in the future.

Provisions: Customer remediation complaints

During 2023 the Company experienced elevated levels of customer compensation claims from claims management companies. The majority of these claims are speculative in nature, however the Company has recognised a provision of £2.7m (2022: £0.2m) in respect of compensation that may be paid but where claims have not yet been assessed, upheld or compensation amounts determined (see note 24). The increase in the volume of complaints was primarily driven by spurious CMC activity and related to a wide range of different matters.

FINANCIAL AND CAPITAL RISK MANAGEMENT

The Company activities expose it to a variety of financial risks, which can be categorised as credit risk, liquidity risk and market risk. The objective of the Company Risk Management Framework is to identify and assess the risks facing the Company and to minimise the potential adverse effects of these risks on the Company financial performance. Financial risk management is overseen by the Risk Committee.

(a) Credit risk

Credit risk is the risk that the Company will suffer loss in the event of a default by a customer, the ultimate parent undertaking, a bank counterparty or the UK Government. A default occurs when the customer, ultimate parent undertaking, bank or the UK Government fails to honour repayments as they fall due.

(i) Amounts receivable from customers

The Company’s maximum exposure to credit risk on amounts receivable from customers as at 31 December 2023 is the carrying value of amounts receivable from customers of £1,382.9m (2022: £1,257.9m).

The Risk Committee is responsible for setting credit policy. The CRO is responsible for ensuring that the approach to lending is within sound risk and financial parameters and that key metrics are reviewed to ensure compliance with policy. The CRO discharges and informs this decision making through the Credit Committee. The Credit Committee meets at least 10 times a year.

A customer’s risk profile and credit line are evaluated at the point of application and, for revolving limits, at various times during the agreement. Internally generated scorecards based on historical payment patterns and other behavioural characteristics of customers are used to assess the applicant’s potential default risk and their ability to manage a specific credit line. For new customers, the scorecards incorporate data from the applicant and sourced from external credit bureau. Certain policy rules, including customer profile and proposed loan size, are also assessed in the decisioning process, as well as affordability checks to ensure that, at the time of application, the loan repayments are affordable. For existing customer lending, the scorecards also incorporate data on actual payment performance and product utilisation, together with data sourced from an external credit bureau each month to refresh customers’ payment performance position with other lenders. Credit lines can go up as well as down according to risk assessment.

Arrears management is conducted by way of a combination of letters, inbound and outbound telephony, SMS, email and outsourced debt collection agency activities. Contact is made with the customer to discuss the reasons for non-payment and specific strategies are employed to support the customer in returning to a good standing. These include appropriate forbearance arrangements, or where the contract has become unsustainable for the customer, then an appropriate exit strategy is implemented.

(ii) Loan to related party

The Company’s maximum exposure to the loan to the related party, Moneybarn No.1 Limited, as at 31 December 2023 is the carrying value of the loan of £398.4m (2022: £69.3m). An assessment of the appropriate amount of the loan and its recoverability was made prior to the granting of the loan in June 2022, based on the intragroup credit risk assessment performed by the Group and Company Asset-Liability Committee (ALCO). The assessment concluded that the financial health of the related party, and its ability to generate cash flows, was sufficient to service the loan. The Company will continue to undertake detailed risk assessments at least annually, and more frequently if the counterparty’s performance requires it.

(iii) Counterparty risk

The counterparty risk policy is approved by the Board as part of the Company’s Treasury and Liquidity Policy with management delegated to the Treasury function. The main exposure is the liquid resources (together with an operational buffer) which the Company holds to comply with its regulatory liquidity obligations which are currently held in a Bank of England central reserve account. The Company does on occasion invest in UK Government Gilts but had £nil at the end of the reporting period (2022: £nil). The Company’s maximum exposure to credit risk on bank and government counterparties as at 31 December 2023 was £683.1m (2022: £420.5m).

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that the Company will have insufficient liquid resources available to fulfil its operational plans and to meet its financial obligations as they fall due.

Liquidity risk is managed on a day-to-day basis by the Treasury function, under the supervision of ALCO and in accordance with a Board-approved Funding and Liquidity Policy, which is designed to ensure that the Company is able to continue to fund the growth of the business. The overall responsibility for the management of liquidity risk rests with ALCO, which makes recommendations for the Company's liquidity policy for Board approval. ALCO monitors liquidity risk metrics within limits set by the Board, including meeting regulatory requirements.

The Company is a PRA regulated institution and is primarily funded via retail deposits. It is required to maintain a liquid assets buffer to meet daily stress tests which are designed to determine its liquidity adequacy requirements to fulfil its operational plans and meet its financial obligations as they fall due, even in stressed conditions. It also maintains an operational buffer over such requirements in line with its risk appetite. The amount of liquidity held by the Company is calculated based on the Internal Liquidity Adequacy Assessment Process (ILAAP) undertaken by the Company and it's ultimate parent. The ILAAP determines the liquid resources that must be maintained by the Company to meet the Overall Liquidity Adequacy Rule (OLAR) and to ensure that it can meet its liabilities as they fall due. It is based on an analysis of its business as usual forecast cash requirements but also considers their predicted behaviour in stressed conditions. In recognition of the waiver received in November 2022, allowing Vanquis Bank Limited to fund the vehicle finance business, the ILAAP also includes an assessment of the liquidity needs of the wider Vanquis Banking Group.

As at 31 December 2023, the liquid assets buffer, including other liquid resources and the operational buffer, held by the Company, including £15.1m of intra-group funds placed on demand deposit with the Company by its ultimate parent (2022: £90m) amounted to £681.5m (2022: £420.5m).

The Company is required to monitor and report the liquidity coverage ratio (LCR) to the PRA. The LCR requires institutions to match net liquidity outflows during a 30 day period with a buffer of 'high-quality' liquid assets, to a minimum of 100%. As at 31 December 2023, the Company's LCR was 1,031% (2022: 348%).

A maturity analysis of the undiscounted contractual cash flows of the Company's financial liabilities is shown below. This shows the future cash payable under current drawings and reflects both the interest payable and the repayment of the borrowing on maturity.

					2023
	<1 year	**1-2 years**	**2-5 years**	**>5 years**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Borrowings:					
- retail deposits	**1,137.6**	**467.0**	**408.7**	**-**	**2,013.3**
Trade and other payables	**61.6**	**-**	**-**	**-**	**61.6**
Lease liabilities	**6.3**	**6.5**	**8.0**	**6.3**	**27.1**
Collateralised loan	**1.3**	**175.3**	**-**	**-**	**176.6**
Derivative financial instruments	**0.8**	**0.2**	**-**	**-**	**1.0**
Total	**1,207.6**	**649.0**	**416.7**	**6.3**	**2,279.6**

FINANCIAL AND CAPITAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

					2022
	<1 year	1-2 years	2-5 years	>5 years	Total
	£m	£m	£m	£m	£m
Borrowings:					
- retail deposits	602.3	322.5	214.7	-	1,139.5
Trade and other payables	175.1	-	-	-	175.1
Lease liabilities	6.2	6.3	12.3	8.4	33.2
Collateralised loan	1.3	1.3	175.3	-	177.9
Derivative financial instruments	-	-	-	-	-
Total	784.9	330.1	402.3	8.4	1,525.7

(c) Market risk
Market risk is the risk of financial loss due to adverse market movements leading to a reduction in the Company's earnings or overall value. The Company's primary market risk exposure is to changes in interest rates (see Interest Rate Risk below). The Company is also exposed to a small amount of Foreign Exchange risk through its investments in non-GBP VISA Inc. shares.

The Group's Corporate Policies do not permit any subsidiary to take trading positions and no speculative activities are undertaken.

Interest Rate Risk in the Banking Book
Interest rate risk is the current or prospective risk to capital or earnings arising from adverse movements in interest rates. The Company's exposure to this risk is a consequence of its lending, deposit-taking, and other borrowing activities, as some of its financial assets and liabilities bear interest at rates that a linked to an underlying index, such as SONIA or Bank Base Rate. In contrast, others Banking products are fixed, either for a term or their whole lives, referred to as Interest Rate Risk in the Banking Book (IRRBB).

The principal market-set interest rate used by the Company's lenders is the Sterling Overnight Index Average (SONIA). The SONIA index tracks the Sterling overnight indexed swaps for unsecured transactions in the market. SONIA is the risk free borrowing rate which is used to set rates for certain borrowings and swaps.

The Group and Company's risk management framework for IRRBB continues to evolve in line with updates in regulatory guidance on methods expected to be used by banks to measure, manage, monitor, and control such risks. The Group and Company will continue to develop the interest rate risk framework to ensure on-going compliance with the PRA rulebook.

The Group and Company manages its IRRBB risk through board-approved risk appetite limits and policies. The Group seeks to minimise the net exposure to changes in interest rates and takes a prudent approach to its risk management.

Day-to-day management of interest rate risk is the responsibility of the Group's Treasury function, with control and oversight provided by the Group and Company ALCO.

(d) Capital risk management
The Company's objective in respect of capital risk management is to maintain an efficient and secure capital structure and maintain an adequate buffer over the regulatory capital requirements set by the PRA.

The Company is subject to prudential regulation and supervision by the PRA. As part of this supervision, it is required to maintain a certain level of regulatory capital (known as its Overall Capital Requirement or OCR) in order to mitigate against unexpected losses. Regulatory capital is monitored by the Board, its risk committee and the ALCO. The Company regularly forecasts regulatory capital requirements as part of its budgeting and strategic planning process and the Company and the Group are required to report quarterly to the PRA on their level of regulatory capital.

(d) Capital risk management (continued)
As required by the PRA, under the Basel III regulatory framework, the Company also undertakes an ICAAP at least annually. This documents the control framework and the risks faced by the Company including those on its risk register. Capital allocations are made against these risks where appropriate and stress tests run to satisfy management that the level of the Company's capital is adequate even under stressed conditions. The ICAAP is approved by the Risk Committee and the Board.

As part of the supervision by the PRA, the Group, consistent with other regulated financial institutions, is required to make annual Pillar 3 disclosures which set out information on the Group's regulatory capital, risk exposures and risk management processes. Where necessary the disclosures separate out the exposures and processes for the Company.

The Group's full Pillar 3 disclosures can be found on the Group's website, www.vanquisbankinggroup.com.

(e) Exposures to structured entities
As at the end of 2023, the Company has securitised £510.9m of receivables (2022: £520.2m). £174.0m of funding has been obtained by using retained notes as collateral in the Bank of England's TFSME (2022: £174.0m).

The Company holds an exposure to the performance of these vehicles in the form of retained notes and has a contractual right to the variable returns of the vehicles. This risk is limited to the performance of the underlying assets, which have not been derecognised in the financial statements. The Company has no exposure to other contractual risks associated with the vehicles; no additional credit enhancements have been provided beyond the exposure created by the retained notes.

NOTES TO THE FINANCIAL STATEMENTS

1 Segment reporting

IFRS 8 requires segment reporting to be based on the internal financial information reported to the chief operating decision maker. The Company's chief operating decision maker is deemed to be the Company and Group executive committee (ExCo), whose primary responsibility is to support the Chief Executive Officer in managing the Company's day-to-day operations and analyse trading performance. The Company's segments comprise credit cards, personal loans and second charge mortgages, which are those segments reported in the Company's management accounts as the primary means for analysing trading performance. The ExCo assesses profit performance using profit before tax measured on a basis consistent with the disclose in the Company's financial statements.

	Interest income		Fee and commission income		Profit before taxation	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Credit cards	**385.1**	341.6	**44.2**	47.0	**26.6**	146.1
Personal loans	**25.9**	13.1	**-**	-	**(15.0)**	(15.7)
Second charge mortgages	**0.4**	-	-	-	**(0.5)**	-
Total	**411.4**	354.7	**44.2**	47.0	**11.1**	130.4

The credit cards division includes £11.4m of intercompany interest income (2022: £3.0m), £24.2m of Cash balances held on deposit (2022: £5.4m) and £30.3m of net amounts recharged to the Company on a statutory basis (2022: £32.4m net amounts recharged to the Company).

2 Interest income

	2023 £m	2022 £m
Customer receivables (note 11)	**375.4**	346.3
Cash balances held on deposit (note 10)	**24.2**	5.4
Interest income from loan to fellow subsidiary undertakings (note 12)	**11.4**	0.9
Interest income from loan to ultimate parent undertaking (note 12)	**-**	2.1
Other interest	**0.4**	-
Total	**411.4**	354.7

3 Interest expense

	2023 £m	2022 £m
Interest payable on retail deposits	**57.6**	19.6
Interest payable on lease liabilities	**0.6**	0.6
Interest payable on collateralised loan	**9.0**	3.1
Interest payable to ultimate parent undertaking	**2.6**	1.2
Total	**69.8**	24.5

4 Profit before taxation

	2023 **£m**	2022 £m
Profit before taxation is stated after charging/(crediting):		
Amortisation of other intangible assets:		
- Computer software (note 16)	**8.6**	7.2
Depreciation of property, plant and equipment (note 15)	**1.2**	1.7
Loss on disposal of property, plant and equipment (note 15)	**0.6**	1.0
Depreciation of right-of-use asset (note 17)	**3.5**	6.4
Lease liability finance cost (note 3)	**0.6**	0.6
Loss on disposal of intangible assets (note 16)	**-**	2.0
Employment costs (prior to exceptional redundancy costs) (note 9)	**71.4**	77.2
Management recharges	**41.1**	44.5
IT annual licensing fee and service charges	**32.9**	26.0
Amortised directly attributable acquisition costs (note 11)	**14.8**	11.7
Impairment of amounts receivable from customers (note 11)	**150.9**	25.3
Exceptional item:	**6.9**	0.2
Redundancy - outsourcing and other staff exits (note 9(b))	**2.7**	0.2
Other outsourcing costs	**2.1**	-
Property exit costs (note 17)	**4.1**	-
Repayment Option Plan (ROP) provision release (note 24)	**(2.0)**	-

	2023 **£m**	2022 £m
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the financial statements	**0.9**	0.8
Total	**0.9**	0.8

An additional £35,000 was due to the Company's auditor in respect of non audit-related assurance services (2022: £34,000).

The ultimate parent undertaking recharges certain administrative costs to the Company in respect of services provided totalling £34.1m (2022: £28.1m).

5 Exceptional items

In 2023, exceptional items represent a net exceptional charge of £6.9m (2022: £0.2m) and comprise:

Charge	**2023 £m**	2022 £m
Exceptional items:		
– Redundancy - outsourcing and other staff exits	**2.7**	0.2
– Other outsourcing costs	**2.1**	-
– property exit costs	**4.1**	-
– Repayment Option Plan (ROP) provision release	**(2.0)**	-
Total exceptional cost	**6.9**	0.2

6 Tax charge

Tax charge in the income statement	**2023 £m**	2022 £m
Current tax	**0.1**	27.1
Deferred tax (note 19)	**2.0**	6.5
Impact of change in UK tax rate	**1.4**	3.0
Total tax charge	**3.5**	36.6

The tax credit in respect of exceptional items in 2023 amounts to £1.6 m (2022: credit of £0.1m) and represents tax at the mainstream corporation tax rate of 23.5% in respect of the £6.9m of exceptional costs.

The rate of tax charge on the profit before taxation for the year is higher than (2022: higher than) the average rate of mainstream corporation tax and bank corporation tax in the UK of 27.75% (2022: 27.0%). This can be reconciled as follows:

	2023 £m	2022 £m
Profit before taxation	**11.1**	130.4
Profit before taxation multiplied by the average standard rate of corporation tax and bank corporation tax surcharge of 27.75% (2022: 27%)	**(3.1)**	(35.2)
Effect of:		
- impact of change of UK tax rate (note (a))	**(1.4)**	(3.0)
- deferred tax assets written off (Note (b))	**(0.1)**	(0.1)
- profits not taxed for bank surcharge purposes (note (c))	**0.5**	2.0
- impact of permanent differences (note (d))	**(0.4)**	-
- benefit of capital losses (note (e))	**1.4**	-
- discount on payment for group tax losses (note (f))	**-**	3.3
- adjustment in respect of prior years related to group losses (note (g))	**-**	(2.9)
- adjustment in respect of prior years	**(0.4)**	(0.7)
Total tax charge	**(3.5)**	(36.6)

a) Impact of change of UK tax rates

In 2021, changes were enacted to increase the mainstream corporation tax rate from 19% to 25% with effect from 1 April 2023.

6 Tax charge (continued)

At 31 December 2021, deferred tax balances were re-measured 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 after 1 April 2023.

In 2022, further changes were enacted which, with effect from 1 April 2023, reduce 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 been measured at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (3%) of 28% (2022: 28%) except to the extent the temporary differences are expected to reverse when profits 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 £1.4m (2022: charge of £3.0m) represents the income statement adjustment to deferred tax as a result of these changes and no additional deferred tax charge (2022: £nil) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income.

b) Deferred tax assets written off

The tax charge in respect of deferred tax assets written off amounts to £0.1m (2022: tax charge of £0.1m) and relates to deferred tax assets in respect of share scheme awards where future tax deductions are expected to be lower (2022: lower) than previously anticipated.

c) Profits not taxed for bank surcharge purposes

Taxable profits for 2023 are below the annual threshold for bank corporation tax surcharge (£25m to 31 March 2023; £100m thereafter) below which profits are not subject to bank surcharge. This gives rise to a beneficial impact on the tax charge of £0.5m.

For 2022, the first £25m of the Company’s taxable profits were not subject to the bank corporation tax surcharge, giving rise to a beneficial impact on the tax charge in 2022 of £2.0m.

(d) Impact of permanent differences

These amount to £0.4m (2022: £nil) and primarily comprise impairments of intercompany loans for which tax deductions are not 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) Discount on payment for group tax losses

In 2022, a credit of £3.3m arose relating to tax losses of Group companies which are now discontinued which were surrendered as group relief to the Company and which the Company has paid for at a discounted price.

(g) Adjustment in respect of prior years related to group losses

In 2022 a tax charge of £2.9m arose in respect of prior years relating to adjustments to prior year tax losses of Group companies which were discontinued which were surrendered as group relief to the Company which the Company paid for at a discounted price.

7 Dividends

		2023 £m	2022 £m
2022 interim	- 55.7 pence per share	-	69.2
2022 interim	- 20.9 pence per share	-	25.9
Dividends paid		**-**	95.1

The directors are recommending a final dividend in respect of the financial year ended 31 December 2023 of 24.2p per share which will amount to an estimated dividend of £30.0m (2022: £nil).

8 Directors' remuneration

Following the alignment of the Company and Group boards, the emoluments of the directors are paid by the ultimate parent company, Vanquis Banking Group plc, and recharged to the Company as part of a management charge. The management charge amounted to £34.1m in 2023 (2022: £28.1m). This management charge also includes a recharge of administrative costs borne by the ultimate parent company on behalf of the Company and it is not possible to identify separately the amount relating to each director's emoluments. The emoluments of these directors are disclosed in the Annual Report and Financial Statements of Vanquis Banking Group plc.

9 Employee information

(a) The average monthly number of persons employed by the Company (including directors) was as follows:

	2023 Number	2022 Number
Analysed as:		
Full time	**1,007**	1,195
Part time	**139**	176
Total	**1,146**	1,371

(b) Employment costs – all employees (including directors) were as follows:

	2023 £m	2022 £m
Aggregate gross wages and salaries paid to the Company's employees	**61.4**	62.7
Employers' National Insurance contributions	**5.9**	8.4
Pension charge	**3.0**	5.1
Share-based payment charge	**1.1**	1.0
Total employment cost prior to exceptional costs	**71.4**	77.2
Exceptional redundancy cost	**2.7**	0.2
Total employment costs	**74.1**	77.4

The pension charge comprises contributions to the stakeholder pension scheme.

10 Cash and cash equivalents

	2023 £m	2022 £m
Cash and cash equivalents	**680.1**	413.0

Cash and cash equivalents include £681.5m in Bank of England Central reserve account (2022: £420.5m) held in accordance with the PRA's liquidity regime together with an operational buffer. The cash and cash equivalents amount also includes a current bank account balance of £2.7m (2022: £2.7m), and unpresented cheques of £5.7m (2022: £10.2m) reducing the reported balance.

To ensure that sufficient liquid resources are available to fulfil operational plans and meet financial obligations as they fall due in a stress event, the PRA requires that all regulated entities maintain a liquid assets buffer held in the form of high-quality, unencumbered assets. The total liquid resources required to be held is calculated in line with the Overall Liquidity Adequacy Rule (OLAR) and is set out in the ILAAP undertaken by the Company. Liquid resources must be maintained based upon daily stress tests linked to the key drivers of liquidity risk. This results in a dynamic liquid resources requirement.

11 Amounts receivable from customers

The Company's receivables comprise £1,277.7m (2022: £1,181.6m) in respect of credit cards, £102.4m (2022: £76.3m) in respect of loans and £2.8m (2022: £nil) in respect of second charge mortgages.

All of the Company's card receivables are due within one year. There is no fixed term for repayment of credit card balances other than a general requirement for customers to make a monthly minimum repayment towards their outstanding balance. For the majority of customers, this is currently the greater of 3% of the amount owed, plus any fees and interest charges in the month, or £10.

The Company's unsecured loan receivables are reported as current for amounts due within 12 months and non-current for amounts due in greater than 12 months. The loans are on a fixed repayment term with fixed payments over the period of the loan.

The Company's second charge mortgages receivables are reported as non-current for amounts due in greater than 12 months.

The gross receivable and allowance account which form the net amounts receivable from customers is as follows:

				2023 £m				2022 £m
	Credit cards	**Personal loans**	**Second charge mortgages**	**Total**	Credit cards	Personal loans	Second charge mortgages	Total
Gross amounts receivable from customers	**1,476.4**	**117.5**	**2.8**	**1,596.7**	1,452.0	85.5	-	1,537.5
Allowance account	**(198.7)**	**(15.1)**	**-**	**(213.8)**	(270.4)	(9.2)	-	(279.6)
Reported amounts receivable from customers	**1,277.7**	**102.4**	**2.8**	**1,382.9**	1,181.6	76.3	-	1,257.9

11 Amounts receivable from customers (continued)

Amounts receivable from customers for credit cards can be reconciled as follows:

				2023
Credit cards	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Gross carrying amount				
At 1 January	**1,116.6**	**148.7**	**186.7**	**1,452.0**
Originations	**479.5**	**-**	**-**	**479.5**
Drawdowns	**1,832.6**	**74.1**	**13.2**	**1,919.9**
Net transfers and changes in credit risk:				
- From stage 1 to 2	**(459.1)**	**459.1**	**-**	**-**
- From stage 1 to 3	**(52.3)**	**-**	**52.3**	**-**
- From stage 2 to 1	**247.3**	**(247.3)**	**-**	**-**
- From stage 2 to 3	**-**	**(151.8)**	**151.8**	**-**
- From stage 3 to 1	**9.3**	**-**	**(9.3)**	**-**
- From stage 3 to 2	**-**	**2.0**	**(2.0)**	**-**
Write-offs (regular)	**(13.3)**	**(9.6)**	**(31.5)**	**(54.4)**
Write-offs (debt sale)	**-**	**-**	**(217.3)**	**(217.3)**
Repayments	**(2,312.7)**	**(147.7)**	**(40.0)**	**(2,500.4)**
Interest and income fee	**340.5**	**45.4**	**7.8**	**393.7**
Other movements	**12.4**	**(11.5)**	**2.5**	**3.4**
At 31 December	**1,200.8**	**161.4**	**114.2**	**1,476.4**
Allowance account				
At 1 January	**(93.2)**	**(58.2)**	**(119.0)**	**(270.4)**
Movements through income statement:				
Originations	**(32.9)**	**-**	**-**	**(32.9)**
Drawdowns and net transfers and changes in credit risk				
- From stage 1 to 2	**73.4**	**(191.8)**	**-**	**(118.4)**
- From stage 1 to 3	**8.0**	**-**	**(28.4)**	**(20.4)**
- From stage 2 to 1	**(27.4)**	**94.1**	**-**	**66.7**
- From stage 2 to 3	**-**	**109.2**	**(126.0)**	**(16.8)**
- From stage 3 to 1	**(0.9)**	**-**	**3.0**	**2.1**
- From stage 3 to 2	**-**	**(0.9)**	**0.9**	**-**
- remeasurements within existing stage	**(26.8)**	**(25.1)**	**7.8**	**(44.1)**
- post model overlays and model recalibration	**8.8**	**7.1**	**11.1**	**27.0**
- write-offs	**(9.2)**	**(3.5)**	**(6.0)**	**(18.7)**
- debt sales	**-**	**-**	**15.4**	**15.4**
- derecognition of stage 3 interest	**-**	**-**	**5.1**	**5.1**
- recoveries	**-**	**-**	**7.2**	**7.2**
- revaluations	**-**	**-**	**(0.8)**	**(0.8)**
- Other movements	**1.7**	**1.9**	**(5.0)**	**(1.4)**
Total movements through income statement	**(5.3)**	**(9.0)**	**(115.7)**	**(130.0)**

11 Amounts receivable from customers (continued)

Movements through allowance account:				
Write-offs (regular)	**13.3**	**9.6**	**31.5**	**54.4**
Write-offs (debt sale)	**-**	**-**	**217.3**	**217.3**
Debt sale proceeds	**-**	**-**	**(71.3)**	**(71.3)**
Derecognition of stage 3 interest	**-**	**-**	**(5.1)**	**(5.1)**
Other	**-**	**-**	**6.4**	**6.4**
Allowance account at 31 December	**(85.2)**	**(57.6)**	**(55.9)**	**(198.7)**
Reported amounts receivable from customers at 31 December	**1,115.6**	**103.8**	**58.3**	**1,277.7**
Reported amounts receivable from customers at 1 January	**1,023.4**	**90.5**	**67.7**	**1,181.6**

				2022
Credit cards	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount				
At 1 January	883.8	340.9	192.5	1,417.2
Originations	434.1	-	-	434.1
Drawdowns	1,472.7	210.1	16.7	1,699.5
Net transfers and changes in credit risk:				
- From stage 1 to 2	(584.7)	584.7	-	-
- From stage 1 to 3	(20.2)	-	20.2	-
- From stage 2 to 1	532.4	(532.4)	-	-
- From stage 2 to 3	-	(180.1)	180.1	-
- From stage 3 to 1	21.5	-	(21.5)	-
- From stage 3 to 2	-	15.3	(15.3)	-
Write-offs (regular)	(9.8)	(12.6)	(111.0)	(133.4)
Write-offs (debt sale)	-	-	(54.0)	(54.0)
Repayments	(1,884.4)	(378.2)	(56.9)	(2,319.5)
Interest and income fee	271.2	101.0	8.0	380.2
Other movements	-	-	27.9	27.9
At 31 December	1,116.6	148.7	186.7	1,452.0
Allowance account				
At 1 January	(99.7)	(102.1)	(152.0)	(353.8)

11 Amounts receivable from customers (continued)

Movements through income statement:				
Originations	(51.3)			(51.3)
Drawdowns and net transfers and changes in credit risk				
- From stage 1 to 2	74.1	(210.6)	-	(136.5)
- From stage 1 to 3	4.6	-	(17.4)	(12.8)
- From stage 2 to 1	(55.8)	142.2	-	86.4
- From stage 2 to 3	-	99.8	(118.5)	(18.7)
- From stage 3 to 1	(1.4)	-	3.9	2.5
- From stage 3 to 2	-	(3.0)	3.0	-
- remeasurements within existing stage	(3.9)	(39.7)	14.6	(29.0)
- post model overlays and model recalibration	33.7	48.2	10.6	92.5
- write-offs	(7.4)	(5.6)	(22.4)	(35.4)
- debt sales	-	-	37.0	37.0
- derecognition of stage 3 interest	-	-	8.4	8.4
- recoveries	-	-	18.3	18.3
- revaluations	-	-	16.8	16.8
- Other movements	4.1	-	0.9	5.0
Total movements through income statement	(3.3)	31.3	(44.8)	(16.8)
Other movements:				
Write-offs (regular)	9.8	12.6	111.0	133.4
Write-offs (debt sale)	-	-	54.0	54.0
Debt sale proceeds	-	-	(65.7)	(65.7)
Derecognition of stage 3 interest	-	-	(8.4)	(8.4)
Other	-	-	(13.1)	(13.1)
Allowance account at 31 December	(93.2)	(58.2)	(119.0)	(270.4)
Reported amounts receivable from customers at 31 December	1,023.4	90.5	67.7	1,181.6
Reported amounts receivable from customers at 1 January	784.1	238.8	40.5	1,063.4

Total credit cards interest and fee income from customers of £393.7m (2022: £380.2m) comprises of £349.5m (2022: £333.2m) interest income and £44.2m (2022: £47.0m) of fee and commission income.

As at 31 December 2023 unutilised credit card commitments were £1,332.4m (2022: £1,370.9m).

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £3.4m (2022: £3.4m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

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

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

11 Amounts receivable from customers (continued)

	2023	2022
	£m	£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	**2.0**	0.7
Total post model (under)/overlay	**2.0**	16.3
Total (under)/overlays	**(10.7)**	16.3

(a) Model Overlay

Throughout 2023 the Company, 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 IFRS9 model suite across the Credit Cards and Personal Loans portfolios resulting in an impairment provision release of £12.7m. Enhanced segmentation, refreshed data calibration, and a refinement to model input parameters has indicated the need for a model rebuild underlay at Dec'23. The resultant level of ECL provision is considered to more accurately reflect the Company's current exposure to credit risk and takes into account how our receivables mix has evolved throughout recent months. It is expected this new model underlay will be retired when the incumbent IFRS9 models are substituted with the new suite of IFRS9 models during 1H24.

(b) Affordability

An additional IFRS 9 impairment provision was 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 as this is no longer required.

(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, 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.

11 Amounts receivable from customers (continued)

A breakdown of the gross credit card receivable by internal credit risk rating is shown below:

	Stage 1 £m	Stage 2 £m	Stage 3 £m	2023 Total £m
Good	**991.7**	**114.4**	**-**	**1,106.1**
Satisfactory	**209.1**	**47.0**	**-**	**256.1**
Lower quality	**-**	**-**	**114.2**	**114.2**
Total	**1.200.8**	**161.4**	**59.6**	**1,277.7**

	Stage 1 £m	Stage 2 £m	Stage 3 £m	2022 Total £m
Good	975.9	90.6	-	1,066.5
Satisfactory	140.7	58.1	-	198.8
Lower quality	-	-	186.7	186.7
Total	1,116.6	148.7	186.7	1,452.0

Low-quality receivables relate to defaulted accounts and are therefore assigned as stage 3. Satisfactory receivables consist of accounts that are above a prescribed PD cut off, dependent on the customer’s credit score. High quality receivables consist of accounts that are below a prescribed PD cut off, dependent on the customer’s credit score.

11 Amounts receivable from customers (continued)

Amounts receivable from customers for personal loans can be reconciled as follows:

				2023
Personal loans	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Gross carrying amount				
At 1 January	**78.1**	**2.1**	**5.3**	**85.5**
Originations	**109.4**	**-**	**-**	**109.4**
Net transfers and changes in credit risk:				
- From stage 1 to 2	**(22.1)**	**22.1**	**-**	**-**
- From stage 1 to 3	**(10.0)**	**-**	**10.0**	**-**
- From stage 2 to 1	**5.8**	**(5.8)**	**-**	**-**
- From stage 2 to 3	**-**	**(12.5)**	**12.5**	**-**
- From stage 3 to 1	**0.2**	**-**	**(0.2)**	**-**
- From stage 3 to 2	**-**	**0.1**	**(0.1)**	**-**
Write-offs	**-**	**-**	**(18.2)**	**(18.2)**
Repayments	**(81.3)**	**(1.2)**	**(1.9)**	**(84.4)**
Interest and fee income	**24.0**	**0.7**	**1.2**	**25.9**
Other movements	**-**	**-**	**(0.7)**	**(0.7)**
At 31 December	**104.1**	**5.5**	**7.9**	**117.5**
Allowance account				
At 1 January	**(5.0)**	**(0.7)**	**(3.5)**	**(9.2)**
Movements through income statement:				
Originations	**(8.4)**	**-**	**-**	**(8.4)**
Drawdowns and net transfers and changes in credit risk				
- From stage 1 to 2	**5.2**	**(8.7)**	**-**	**(3.5)**
- From stage 1 to 3	**2.2**	**-**	**(5.9)**	**(3.7)**
- From stage 2 to 1	**(0.9)**	**1.9**	**-**	**1.0**
- From stage 2 to 3	**-**	**5.3**	**(7.0)**	**(1.7)**
- From stage 3 to 1	**-**	**-**	**-**	**-**
- From stage 3 to 2	**-**	**-**	**-**	**-**
- remeasurements within existing stage	**(0.4)**	**-**	**0.6**	**0.2**
- post model overlays	**(0.3)**	**(0.3)**	**(0.8)**	**(1.4)**
- write-offs	**-**	**-**	**(7.9)**	**(7.9)**
- debt sales	**-**	**-**	**2.0**	**2.0**
- derecognition of stage 3 interest	**-**	**-**	**1.1**	**1.1**
- recoveries	**-**	**-**	**1.9**	**1.9**
- revaluations	**-**	**-**	**-**	**-**
- Other movements	**1.3**	**0.1**	**(1.9)**	**(0.5)**
Total movements through income statement	**(1.3)**	**(1.7)**	**(17.9)**	**(20.9)**

11 Amounts receivable from customers (continued)

Movements through allowance account:				
Write-offs	**-**	**-**	**18.2**	**18.2**
Debt sale proceeds	**-**	**-**	**(2.0)**	**(2.0)**
Derecognition of stage 3 interest	**-**	**-**	**(1.1)**	**(1.1)**
Other	**-**	**-**	**(0.1)**	**(0.1)**
Allowance account at 31 December	**(6.3)**	**(2.4)**	**(6.4)**	**(15.1)**
Reported amounts receivable from customers at 31 December	**97.8**	**3.1**	**1.5**	**102.4**
Reported amounts receivable from customers at 1 January	**73.1**	**1.4**	**1.8**	**76.3**

				2022
Personal loans	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Gross carrying amount				
At 1 January	29.9	1.8	2.0	33.7
Originations	90.0	-	-	90.0
Net transfers and changes in credit risk:				
- From stage 1 to 2	(3.1)	3.1	-	-
- From stage 1 to 3	(18.7)	-	18.7	-
- From stage 2 to 1	0.4	(0.4)	-	-
- From stage 2 to 3	-	(1.7)	1.7	-
- From stage 3 to 1	0.1	-	(0.1)	-
- From stage 3 to 2	-	-	-	-
Write-offs	-	-	(6.2)	(6.2)
Repayments	(32.5)	(1.1)	(10.2)	(43.8)
Interest and fee income	12.0	0.4	0.7	13.1
Other movements	-	-	(1.3)	(1.3)
At 31 December	78.1	2.1	5.3	85.5
Allowance account				
At 1 January	(3.5)	(0.8)	(1.3)	(5.6)

11 Amounts receivable from customers (continued)

Movements through income statement:				
Originations	(5.1)	-	-	(5.1)
Drawdowns and net transfers and changes in credit risk				
- From stage 1 to 2	0.6	(0.7)	-	(0.1)
- From stage 1 to 3	2.4	-	(3.5)	(1.1)
- From stage 2 to 1	-	(0.1)	-	(0.1)
- From stage 2 to 3	-	(0.4)	0.4	-
- From stage 3 to 1	-	-	-	-
- From stage 3 to 2	-	-	-	-
- remeasurements within existing stage	0.6	-	0.1	0.7
- post model overlays	0.8	0.2	0.1	1.1
- write-offs	-	-	(4.2)	(4.2)
- debt sales	-	-	-	-
- derecognition of stage 3 interest	-	-	0.1	0.1
- recoveries	-	-	0.9	0.9
- revaluations	-	-	-	-
- Other movements	(0.8)	1.1	(1.0)	(0.7)
Total movements through income statement	(1.5)	0.1	(7.1)	(8.5)
Movements through allowance account:				
Write-offs	-	-	6.3	6.3
debt sale proceeds	-	-	-	-
derecognition of stage 3 interest	-	-	(0.1)	(0.1)
Other	-	-	(1.3)	(1.3)
Allowance account at 31 December	(5.0)	(0.7)	(3.5)	(9.2)
Reported amounts receivable from customers at 31 December	73.1	1.4	1.8	76.3
Reported amounts receivable from customers at 1 January	26.4	1.0	0.7	28.1

Total personal loans interest and fee income from customers of £25.9m (2022: £13.1m) comprises solely of interest income.

An increase of 1% of the gross exposure into stage 2 from stage 1 would result in an increase in the allowance account of £0.4m (2022: £0.2m) based on applying the difference between the coverage ratios from stage 1 to stage 2 to the movement in gross exposure.

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

	2023	2022
	£m	£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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 Amounts receivable from customers (continued)

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

(a) Model overlay

Relates to new model development executed in 2023. Refer to Cards section for further details.

(b) Cost of living

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

A breakdown of the gross personal loan receivable by internal credit risk rating is shown below:

				2023
	Stage 1 £m	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Good	**73.1**	**0.6**	**-**	**73.7**
Satisfactory	**31.0**	**4.9**	**-**	**35.9**
Lower quality	**-**	**-**	**7.9**	**7.9**
Total	**104.1**	**5.5**	**7.9**	**117.5**

				2022
	Stage 1 £m	Stage 2 £m	Stage 3 £m	Total £m
Good	62.3	0.6	-	62.9
Satisfactory	15.8	1.5	-	17.3
Lower quality	-	-	5.3	5.3
Total	78.1	2.1	5.3	85.5

Low-quality receivables relate to defaulted accounts and are therefore assigned as stage 3. Satisfactory receivables consist of accounts that are above a prescribed PD cut off, dependent on the customer's credit score. High-quality receivables consist of accounts that are below a prescribed PD cut off, dependent on the customer's credit score.

11 Amounts receivable from customers (continued)

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

				2023 £m				2022 £m
	Credit cards	**Personal loans**	**Second charge mortgages**	**Total**	Credit cards	Personal loans	Second charge mortgages	Total
Brought forward	**30.3**	**1.3**	**-**	**31.6**	29.4	0.2	-	29.6
Capitalised	**15.1**	**1.5**	**0.1**	**16.7**	11.9	1.8	-	13.7
Amortised	**(13.1)**	**(1.6)**	**-**	**(14.7)**	(11.0)	(0.7)	-	(11.7)
Carried forward	**32.3**	**1.2**	**0.1**	**33.6**	30.3	1.3	-	31.6

The average effective interest rate for the year ended 31 December 2023 was 23.9% for credit cards (2022: 25%) and 25.8% for personal loans (2022: 28%)

The average period to maturity of the amounts receivable from customers within personal loans is 1.7 years (2022: 1.7 years). Within credit cards, for the majority of customers, there is no fixed term for repayment other than a general requirement for customers to make a monthly minimum repayment towards their outstanding balance. This is currently the greater of 3% of the amount owed plus any fees and interest charges in the month and £10.

12 Loan to related party

In August 2020, the Company issued a 2 year £70m loan with a fixed interest rate of 6.25% p.a. to Vanquis Banking Group plc, the Company's ultimate parent. The loan was repaid in full on 30 June 2022, then immediately advanced to its fellow subsidiary, Moneybarn No.1 Limited.

At 31 December 2023, the Company had extended loans to Moneybarn No.1 Limited, with a carrying amount of £398.4m (2022: £69.3m), net of the ECL impairment provision of £2.4m (2022: £0.7m). The fair value of the loan is approximately equal to the book value. Movements in this impairment provision are recognised within operating costs.

The interest rates applicable on the loan tranches are fixed at the point of drawdown and are based on the Company's average cost of retail funds (for the weighted average life) plus a margin and range from 2.43% to 6.48%. The Company recognised income on the loan to Moneybarn No.1 Limited of £11.4m in 2023 (2022: £0.9m), and, in 2022 £2.1m on the loan to Vanquis Banking Group plc. Accrued interest is repaid to the Company on the last business day of the month and is not compounded.

13 Trade and other receivables

Current assets	**2023 £m**	2022 £m
Other debtors	**12.0**	0.4
Prepayments and accrued income	**14.3**	12.9
Intercompany account	**34.8**	20.8
Finance lease receivable (a)	**6.3**	6.2
Total	**67.4**	40.3

The maximum exposure to credit risk of trade and other receivables is the carrying value of each class of receivable set out above. There is no collateral held in respect of trade and other receivables (2022: £nil). The fair value of trade and other receivables equates to their book value.

Prepayments and accrued income include £0.6m (2022: £0.5m) of inventory in the form of plastic card stock and stationery.

13 Trade and other receivables (continued)

(a) Finance lease receivable analysis

In December 2022, the Company entered into a finance lease arrangement to sub-lease 50% of the existing floor space of its London office. As a result the Company now recognises a lease receivable, representing the amount of the Company's net investment outstanding in respect of the finance lease. 50% of the corresponding right-of-use asset has been derecognised (see note 17).

A maturity analysis of the amounts receivable under the finance lease is shown below:

	2023 £m	2022 £m
Due within one year	-	-
Due between one and five years	3.9	2.9
Due in more than five years	2.9	3.9
Total	**6.8**	6.8
Unearned finance cost	(0.5)	(0.6)
Total lease receivable	**6.3**	6.2

Undiscounted lease payments analysed as:

	2023 £m	2022 £m
Recoverable after 12 months	6.8	6.8
Recoverable within 12 months	-	-
Total	**6.8**	6.8

Net investment in the lease analysed as:

	2023 £m	2022 £m
Recoverable after 12 months	6.4	6.3
Recoverable within 12 months	(0.1)	(0.1)
Total	**6.3**	6.2

The finance lease arrangement does not include variable payments. The average effective interest rate contracted is approximately 1.6% per annum. No impairment has been raised against the lease receivable.

14 Investments

Investments comprise shares in Visa, Inc. held by the Company which had a fair value of £5.4m as at 31 December 2023 (2022: £10.7m).

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.

14 Investments (continued)

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.

15 Property, plant and equipment

	Leasehold land and buildings £m	Equipment £m	Total £m
Cost			
At 1 January 2023	**4.4**	**7.6**	**12.0**
Additions	**0.5**	**1.4**	**1.9**
Disposals	**-**	**(1.8)**	**(1.8)**
At 31 December 2023	**4.9**	**7.2**	**12.1**
Accumulated depreciation			
At 1 January 2023	**1.9**	**5.3**	**7.2**
Charged to the income statement	**0.2**	**1.0**	**1.2**
Disposal	**-**	**(1.2)**	**(1.2)**
At 31 December 2023	**2.1**	**5.1**	**7.2**
Net book value at 31 December 2023	**2.8**	**2.1**	**4.9**
Net book value at 1 January 2023	**2.5**	**2.3**	**4.8**

	Leasehold land and buildings £m	Equipment £m	Total £m
Cost			
At 1 January 2022	4.7	6.7	11.4
Additions	1.6	0.9	2.5
Disposals	(1.9)	-	(1.9)
At 31 December 2022	4.4	7.6	12.0
Accumulated depreciation			
At 1 January 2022	2.5	3.9	6.4
Charged to the income statement	0.3	1.4	1.7
Disposal	(0.9)	-	(0.9)
At 31 December 2022	1.9	5.3	7.2
Net book value at 31 December 2022	2.5	2.3	4.8
Net book value at 1 January 2022	2.2	2.8	5.0

The loss on disposal of property, plant and equipment in 2023 amounted to £0.6m (2022: £1.0m). The loss comprised proceeds received of £nil (2022: £nil) less the net book value of disposals of £0.6m (2022: £1.0m).

16 Intangible assets

	Computer software £m	Computer software under development £m	Total £m
Cost			
At 1 January 2023	**36.3**	**11.6**	**47.9**
Additions	**-**	**12.5**	**12.5**
Transfers	**8.5**	**(8.5)**	**-**
Disposals	**-**	**-**	**-**
At 31 December 2023	**44.8**	**15.6**	**60.4**
Accumulated amortisation			
At 1 January 2023	**13.4**	**-**	**13.4**
Charged to the income statement	**8.6**	**-**	**8.6**
Disposals	**-**	**-**	**-**
At 31 December 2023	**22.0**	**-**	**22.0**
Net book value at 31 December 2023	**22.8**	**15.6**	**38.4**
Net book value at 1 January 2023	**22.9**	**11.6**	**34.5**

	Computer software £m	Computer software under development £m	Total £m
Cost			
At 1 January 2022	19.9	12.5	32.4
Additions	-	19.2	19.2
Transfers	20.1	(20.1)	-
Disposals	(3.7)	-	(3.7)
At 31 December 2022	36.3	11.6	47.9
Accumulated amortisation			
At 1 January 2022	7.9	-	7.9
Charged to the income statement	7.2	-	7.2
Disposals	(1.7)	-	(1.7)
At 31 December 2022	13.4	-	13.4
Net book value at 31 December 2022	22.9	11.6	34.5
Net book value at 1 January 2022	12.0	12.5	24.5

The loss on disposal of computer software in 2022 amounted to £2.0m and represented proceeds received of £nil less the net book value of disposals of £2.0m.

The Computer software are internally generated assets. The additions of £12.5m (2022: £19.2m) are all internally generated assets. The transfers of £8.5m (2022: £20.1m) relate to computer software that is now in use and therefore transferred out from computer software under development.

17 Right of use assets

	2023 £m	2022 £m
Cost		
At 1 January	**36.7**	45.7
Additions	**-**	-
Disposals	**-**	(9.0)
At 31 December	**36.7**	36.7
Accumulated depreciation and impairment		
At 1 January	**18.7**	15.1
Charged to the income statement	**3.5**	6.4
Impairment	**4.1**	-
Disposals	**-**	(2.8)
At 31 December	**26.3**	18.7
Net book value at 31 December	**10.4**	18.0
Net book value at 1 January	**18.0**	30.6

All right-of-use assets relate to property leases.

Disposals in 2022 relate to a partial sub-lease of the Company's London office, as discussed in note 13. The sub-leased portion of the office has been de-recognised from right-of-use assets.

The impairment relates to a property that was fully vacated from August 2023.

18 Derivative financial instruments

The Company is counterparty to eight internal retail deposit swaps, which were transacted with Vanquis Banking Group plc to hedge interest rate risk on deposits. As at December 2023, seven swaps have been in a hedging relationship.

	2023		2022	
	Notional £m	**Fair value £m**	Notional £m	Fair value £m
Internal retail deposit swaps - liability	**120.0**	**(1.0)**	-	-
Internal retail deposit swaps - asset	**260.0**	**1.2**	-	-
Total at 31 December	**380.0**	**0.2**	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18 Derivative financial instruments (continued)

	2023		2022	
	FV adjustment for hedged risk	**Hedge ineffectiveness**	FV adjustment for hedge risk	Hedge ineffectiveness
	£m	**£m**	£m	£m
Internal retail deposit swaps - liability	**0.5**	**0.0**	-	-
Internal retail deposit swaps - asset	**(0.6)**	**(0.3)**	-	-
Total at 31 December	**(0.1)**	**(0.3)**	-	-

The fair value adjustment of £0.1m (2022: £nil) is included within retail deposits.

Hedge ineffectiveness is recognised within interest expense.

Had hedge accounting not been applied, the Company would recognise a total credit to the income statement of £0.7m (2022: £nil).

19 Deferred tax

Deferred tax is a future tax liability or asset resulting from temporary differences between the accounting value of assets and liabilities and their value for tax purposes or from tax losses carried forward at the reporting date.

Deferred tax arises primarily in respect of: (a) property, plant and equipment which is depreciated on a different basis for tax purposes (accelerated capital allowances); (b) the opening balance sheet adjustments to restate the IAS 39 balance sheet onto an IFRS 9 basis for which tax deductions are available over 10 years; (c) the investment in the preference shares in VISA Inc which are recognised at fair value for accounting purposes but which are taxed only on disposal; and (d) other temporary differences, which include: (i) the opening balance sheet adjustment in respect of the change of accounting treatment of directly attributable acquisition costs which is taxable over 10 years; (ii) the opening balance sheet adjustment in respect of the adoption of IFRS 16 (Leases) which is deductible over the average period of the relevant leases; (iii) deductions for employee share awards which are recognised differently for tax purposes; (iv) certain cost provisions for which tax deductions are only available when the costs are paid; and (v) intangible fixed assets relating to R&D activity where tax deductions are claimed in the year of expenditure.

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 re-measured 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 after 1 April 2023.

In 2022, further changes were enacted which, with effect from 1 April 2023, reduce 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 2022 and movements in deferred tax balances during the year were therefore measured at the combined mainstream corporation tax rate (25%) and bank corporation tax surcharge rate (3%) of 28% except to the extent the temporary differences were expected to reverse when profits were expected to be below the bank surcharge threshold, in which case deferred tax balances were measured at the combined rate of 25%.

Deferred tax balances at 31 December 2023 have been remeasured at 25% to the extent that temporary differences to which they relate are expected to reverse when profits are below the bank surcharge threshold.

19 Deferred tax (continued)

A tax charge of £1.4m (2022: charge of £3.0m) represents the income statement adjustment to deferred tax as a result of these changes and no additional deferred tax charge (2022: £nil) has been taken directly to other comprehensive income in respect of items reflected in other comprehensive income.

Asset	**2023 £m**	2022 £m
At 1 January	**15.5**	25.0
Charge to the income statement	**(2.0)**	(6.5)
Impact of change in the UK tax rate:		
- charge to the income statement	**(1.4)**	(3.0)
At 31 December	**12.1**	15.5

An analysis of the deferred tax asset for the Company is set out below:

2023	**Accelerated capital allowances £m**	**IFRS 9 £m**	**VISA Inc £m**	**Other temporary differences £m**	**Total £m**
At 1 January	**1.1**	**20.6**	**(3.0)**	**(3.2)**	**15.5**
(Charge)/credit to the income statement	**-**	**(3.5)**	**1.3**	**0.2**	**(2.0)**
Impact of change in the UK tax rate:	**-**	**-**	**-**	**-**	**-**
- (charge)/credit to the income statement	**(0.1)**	**(2.1)**	**0.4**	**0.4**	**(1.4)**
At 31 December	**1.0**	**15.0**	**(1.3)**	**(2.6)**	**12.1**

2022	**Accelerated capital allowances £m**	**IFRS 9 £m**	**VISA Inc £m**	**Other temporary differences £m**	**Total £m**
At 1 January	1.3	28.5	(3.0)	(1.8)	25.0
Credit/(charge) to the income statement	(0.1)	(4.0)	(0.5)	(1.9)	(6.5)
Credit on other comprehensive income:					
- on fair value movements in investments	-	-	-	-	-
Impact of change in the UK tax rate:					
- credit/(charge) to the income statement	(0.1)	(3.9)	0.5	0.5	(3.0)
At 31 December	1.1	20.6	(3.0)	(3.2)	15.5

No deferred tax asset is provided in respect of capital losses carried forward of £7.4m (2022: £13.1m) as it is not probable that future chargeable gains will be realised against which these losses can be utilised.

20 Financial instruments

(a) Classification and measurement

The following table sets out the carrying value of the Company's financial assets and liabilities in accordance with the categories of financial instruments set out in IFRS 9. Assets and liabilities outside the scope of IFRS 9 are shown within non-financial assets/liabilities:

				2023
	Investments held at fair value £m	**Amortised cost £m**	**Non-financial assets/ liabilities £m**	**Total £m**
Assets				
Cash and cash equivalents	-	680.1	-	680.1
Amounts receivable from customers	-	1,382.9	-	1,382.9
Loan to related party	-	398.4	-	398.4
Trade and other receivables	-	53.1	14.3	67.4
Investments	5.4	-	-	5.4
Property, plant and equipment	-	-	4.9	4.9
Intangible assets	-	-	38.4	38.4
Right-of-use assets	-	-	10.4	10.4
Current tax assets	-	-	8.3	8.3
Derivative financial instruments	1.2	-	-	1.2
Deferred tax assets	-	-	12.1	12.1
Total assets	**6.6**	**2,514.5**	**88.4**	**2,609.5**
Liabilities				
Retail deposits	-	1,950.5	-	1,950.5
Collateralised loan	-	174.7	-	174.7
Lease liabilities	-	25.3	-	25.3
Trade and other payables	-	61.6	-	61.6
Provisions	-	-	2.7	2.7
Derivative financial instruments	1.0	-	-	1.0
Total liabilities	**1.0**	**2,212.1**	**2.7**	**2,215.8**

20 Financial instruments (continued)

The carrying value for all financial assets represents the maximum exposure to credit risk.

	2022			
	Investments held at fair value £m	Amortised cost £m	Non-financial assets/ liabilities £m	Total £m
Assets				
Cash and cash equivalents	-	413.0	-	413.0
Amounts receivable from customers	-	1,257.9	-	1,257.9
Loan to related party	-	69.3	-	69.3
Trade and other receivables	-	27.4	12.9	40.3
Investments	10.7	-	-	10.7
Property, plant and equipment	-	-	4.8	4.8
Intangible assets	-	-	34.5	34.5
Right-of-use assets	-	-	18.0	18.0
Current tax assets	-	-	3.4	3.4
Deferred tax assets	-	-	15.5	15.5
Total assets	10.7	1,767.6	89.1	1,867.4
Liabilities				
Retail deposits	-	1,100.6	-	1,100.6
Collateralised loan	-	173.7	-	173.7
Lease liabilities	-	30.8	-	30.8
Trade and other payables	-	175.1	-	175.1
Provisions	-	-	2.2	2.2
Total liabilities	-	1,480.2	2.2	1,482.4

(b) Fair values of financial assets and liabilities held at fair value

The Company holds certain financial assets and liabilities at fair value, grouped into Levels 1 to 3 of the fair value hierarchy on the degree to which the fair value is observable. The following financial assets and liabilities are held at fair value:

			2023
	Level 1 £m	**Level 2 £m**	**Level 3 £m**
Assets			
Investments			
Visa Inc. shares	**-**	**-**	**5.4**
Internal retail deposit swaps	**-**	**0.2**	**-**
Total assets	**-**	**0.2**	**5.4**

			2022
	Level 1 £m	Level 2 £m	Level 3 £m
Assets			
Investments			
Visa Inc. shares	6.1	-	4.6
Internal retail deposit swaps	-	-	-
Total assets	6.1	-	4.6

20 Financial instruments (continued)

Level 1 fair value measurements are those derived from quoted market prices in active markets for identical assets and liabilities. The Company holds Visa Class A Common Stock in Level 1, which was converted from the preferred stock after the sixth anniversary conversion event. The common stock (35,200 of Class A Common shares) was fully sold after the year-end on 24 February 2023 for $219.13 per share.

Level 2 fair value measurements are those derived from inputs other than quoted market prices included in Level 1 that are observable for the asset or liability either directly or indirectly.

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). The Company holds Visa preferred stock in Level 3. The valuation has been determined using a combination of observable and non-observable inputs. As the common stock share price of Visa Inc. is readily available, this input is deemed to be observable. However, certain assumptions have been made in respect of the illiquidity adjustment to the share price and the likelihood of future litigation costs. These inputs are therefore deemed to be a significant unobservable input.

Transfers between the different levels of the fair value hierarchy would be made when the inputs used to measure the fair value no longer satisfy the conditions required to be classified in a certain level within the hierarchy. There has been a transfer of £6.1m of Visa Inc shares from Level 3 to Level 1 in 2022, following the conversion and subsequent sale of Class A Common shares.

The following table sets out their movement during the year:

	2023 £m	2022 £m
At 1 January	**10.7**	9.1
Gain recognised in income statement	**0.9**	1.6
Disposal of investment	**(6.2)**	-
Total assets	**5.4**	10.7

The illiquidity adjustment has been estimated at around 6% and the expected future litigation costs have been estimated around 15% of the Visa Inc. share price. These assumptions are consistent with the prior year.

The higher the illiquidity and future litigation costs the lower the fair value. The sensitivity to the unobservable inputs, in isolation, is set out in the table below:

	2023 £m	2022 £m
Illiquidity +/- 1%	**0.1**	0.1
Future litigation costs +/- 1%	**0.1**	0.1

21 Bank and other borrowings

(a) Borrowing facilities

A breakdown of borrowings is shown below:

	2023 £m	2022 £m
Retail deposits:	**1,924.9**	1,092.2
- accrued interest	**25.6**	8.4
Total retail deposits	**1,950.5**	1,100.6
Bank and other borrowings:		
- TFSME	**174.0**	174.0
- accrued interest	**1.6**	1.3
- arrangement fees	**(0.9)**	(1.6)
Total bank and other borrowings	**174.7**	173.7
Total borrowings	**2,125.2**	1,274.3

21 Bank and other borrowings (continued)

(b) Retail deposits

As at 31 December 2023, £1,950.5 (2022: £1,100.6m) of fixed-rate, fixed-term and notice retail deposits of 6-month, one, two, three, four and five years had been taken. The deposits were issued at rates of between 0.1% and 6% (2022: 0.1% and 5.0%)

TFSME

In January 2021, Vanquis Bank Limited, via a special purpose entity, issued a series of asset backed floating rate notes as part of the securitisation of credit card receivables. The senior notes issued in the transaction have been rated AAAsf/Aaa(sf)/AAAsf by Fitch Ratings, Kroll Bond Rating Agency and Standard & Poor's, respectively, and the bonds are listed on the London Stock Exchange. The majority of the senior rated notes have been placed as collateral with the Bank of England to support borrowing of £174m from the Bank of England Term Funding Scheme with additional incentives for Small and Medium-sized Enterprises (TFSME) during 2021, at a rate of 21bps over bank rate.

£510.9m (2022: £520.2m) of the Company's credit card receivables are pledged as collateral for the £174.0m borrowed under the TFSME

(c) Maturity profile of borrowings and facilities

The maturity profile of borrowings is as follows:

	2023 £m	2022 £m
Repayable:		
In less than one year	**1,130.2**	594.4
Between one and two years	**610.2**	307.9
Between two and five years	**384.8**	372.0
Total	**2,125.2**	1,274.3

As at 31 December 2023, the weighted average period to maturity of committed facilities was 1.2 years (2022: 2.1 years).

(d) Fair values of liabilities

The fair value of the Company's borrowings is compared to their book values as follows:

	2023		2022	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
Retail deposits	**1,950.5**	**1,916.2**	1,100.6	1,068.7
Collateralised loan	**174.7**	**174.7**	173.7	173.7
Total	**2,125.2**	**2,090.9**	1,274.3	1,242.4

Fair value has been calculated by discounting the expected future cash flows at the relevant market interest rate yield curves prevailing at the balance sheet date and are categorised within level 3 of the fair value hierarchy.

The fair value of the collateralised loan is approximately equal to the book value.

22 Lease liabilities

A maturity analysis of the lease liabilities is shown below:

	2023 £m	2022 £m
Due within one year	**6.3**	6.2
Due between one and five years	**14.5**	18.6
Due in more than five years	**6.3**	8.4
Total	**27.1**	33.2
Unearned finance cost	**(1.8)**	(2.4)
Total lease liabilities	**25.3**	30.8

The total cash outflow for leases in the year amounted to £6.2m (2022: £6.1m). The Company has options to terminate its leases in September 2026 and January 2026.

The Right of use asset in relation to one property has been impaired by £4.1m in the year as the property has been fully vacated, see note 17.

23 Trade and other payables

Current liabilities	2023 £m	2022 £m
Trade payables	**2.5**	4.3
Other payables including taxation and social security	**2.1**	1.6
Accruals and deferred income	**14.4**	22.1
Amounts held on deposit for ultimate parent undertaking	**15.0**	90.0
Intercompany trading account	**27.6**	57.1
Total	**61.6**	175.1

The fair value of trade, other payables, amounts held on deposit and intercompany trading account equates to their book value (2022: fair value equated to book value).

24 Provisions

Provision	2023 £m	2022 £m
At 1 January	**2.2**	5.3
Created	**3.9**	-
Utilised	**(1.2)**	(0.8)
Released	**(2.2)**	(2.3)
At 31 December	**2.7**	2.2
Analysed as: - due within one year	**2.7**	2.2
- due in more than one year	**-**	-
Total	**2.7**	2.2

Provisions of £2.7m at 31 December 2023 relates to potential customer compliance matters (2022: £0.2m).

(a) ROP refund programme

The Repayment Option Plan (ROP) provision of £nil (2022: £2.0m) principally reflects the estimated cost of the forward flow of complaints more generally which may be received and in respect of which compensation may need to be paid. The remaining ROP provision was released as it was no longer required.

24 Provisions (continued)

(b) Customer compliance

Increased provision of £2.7m (2022: £0.2m) relates to general customer compliance matters and includes an element to cover spurious, speculative complaints submitted by claims management companies.

25 Share capital

		2023	2022
		Issued and fully paid	Issued and fully paid
Ordinary shares of £1 each	**- £m**	**124.2**	124.2
	- number (m)	**124.2**	124.2

There are no shares issued and not fully paid at the end of the year (2022: no shares)

26 Share-based payments

Vanquis Banking Group plc operates the following equity-settled share schemes: the Restricted Share Plan (RSP) and associated Company Share Option Plan (CSOP), the Long Term Incentive Scheme (LTIS), employee savings-related share option schemes (typically referred to as Save As You Earn schemes (SAYE)), and the Deferred Bonus Plan (DBP) (formerly known as the Performance Share Plan or PSP), where shares in the ultimate parent company are available to the employees of the Company.

During 2023, awards/options have been granted under the RSP/CSOP, DBP/PSP and SAYE schemes (2022: RSP/CSOP, DBP/PSP and SAYE).

(a) Equity-settled schemes

The charge to the income statement during the year was £1.1m (2022: £1.0m) for equity-settled schemes. The fair value per award/option granted and the assumptions used in the calculation of the equity settled share-based payment charges are as follows:

			2023			2022
	RSP/CSOP	**DBP/PSP**	**SAYE**	RSP/CSOP	DBP/PSP	SAYE
Grant date	**11-Apr-23**	**11-Apr-23**	**03-Oct-23**	07-Apr-22	07-Apr-22	05-Oct-22
Share price at grant date (£)	**2.31**	**2.31**	**1.19**	2.89	2.89	1.75
Exercise price (£)	**-**	**-**	**0.87**	-	-	1.43
Shares awarded / under option	**804,848**	**-**	**2,235,960**	414,231	92,707	1,222,483
Vesting period (years)	**3**	**3**	**3 & 5**	3	3	3 and 5
Expected volatility	**-**	**-**	**52.0%-56.7%**	-	-	60.7%-61.9%
Option life (years)	**3**	**3**	**Up to 5**	3	3	Up to 5
Expected life (years)	**3**	**3**	**Up to 5**	3	3	Up to 5
Risk-free rate	**-**	**-**	**4.7%-4.9%**	-	-	4.1%-4.2%
Expected dividends expressed as a dividend yield	**n/a**	**n/a**	**3.4%-6.9%**	n/a	n/a	8.6%-10.9%
Fair value per award/option (£)	**1.84**	**1.84**	**0.25-0.26**	2.59	2.59	0.43-0.51

26 Share-based payments (continued)

A reconciliation of share option movements during the year is shown below:

	RSP/CSOP		LTIS		SAYE		DBP/PSP	
2023	**Number**	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**	**Number**	**Weighted average exercise price £**
Outstanding at 1 January	**1,081,662**	**-**	**8,417**	**-**	**1,222,483**	**1.85**	**157,037**	**-**
Granted	**804,848**	**-**	**-**	**-**	**2,235,960**	**0.87**	**-**	**-**
Cancelled	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Lapsed	**(298,004)**	**-**	**(8,417)**	**-**	**(814,501)**	**1.85**	**-**	**-**
Exercised	**(254,452)**	**-**	**-**	**-**	**(8,488)**	**1.82**	**-**	**-**
Vested	**(120,853)**	**-**	**-**	**-**	**-**	**-**	**(64,330)**	**-**
Transferred	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Outstanding at 31 December	**1,213,201**	**-**	**-**	**-**	**2,635,454**	**1.04**	**92,707**	**-**
Exercisable at 31 December	**12,870**	**-**	**-**	**-**	**36,908**	**1.64**	**-**	**-**

	RSP/CSOP		LTIS		SAYE		DBP/PSP	
2022	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £	Number	Weighted average exercise price £
Outstanding at 1 January	944,186	-	152,837	-	1,167,388	2.25	80,821	-
Granted	414,231	-	-	-	498,164	1.43	92,707	-
Cancelled	-	-	-	-	-	-	-	-
Lapsed	(478,693)	-	(144,420)	-	(443,069)	2.36	-	-
Exercised	-	-	-	-	-	-	-	-
Vested	-	-	-	-	-	-	(16,491)	-
Transferred	201,938	-	-	-	-	-	-	-
Outstanding at 31 December	1,081,662	-	8,417	-	1,222,483	1.85	157,037	-
Exercisable at 31 December	-	-	-	-	9,944	2.26	-	-

Share awards outstanding under the LTIS scheme at 31 December 2023 had an exercise price of £nil (2022: £nil) and a weighted average remaining contractual life of 1.8 years (2022: 0.2 years).

Share options outstanding under the SAYE schemes at 31 December 2023 had exercise prices ranging from 87p to 182p (2022: 143p to 501p) and a weighted average remaining contractual life of 1.4 years (2022: 2.0 years).

Share awards outstanding under the DBP/PSP schemes at 31 December 2023 had an exercise price of £nil (2022: £nil) and a weighted average remaining contractual life of 1.3 years (2022: 1.4 years).

Share awards outstanding under the RSP schemes at 31 December 2023 had an exercise price of £nil and a weighted average remaining contractual life of 1.7 years (2022: 1.5 years).

Share awards outstanding under the CSOP schemes at 31 December 2023 had an exercise price ranging from 75p to 334p (2022: 241p to 334p) and a weighted average remaining contractual life of 1.7 years (2022: 1.5 years).

27 Related party transactions

(a) Receipt of services from related parties

During the year, the Company was charged £52.5m (2022: £28.1m) by its ultimate parent, Vanquis Banking Group plc, in relation to the provision of various head office and central support services. The Company was also charged the following from fellow subsidiaries for the provision of support services, £5.1m (2022: £27.2m) from PFG Corporate Services Limited and £3.3m (2022: £1.8m) from Moneybarn Limited, including collection and debt recovery services.

(b) Provision of services and other charges to related parties

The Company charged its ultimate parent, Vanquis Banking Group plc, £18.3m (2022: £8.2m) in respect of seconded employees. The Company also charged a fellow subsidiary, Moneybarn Limited, £12.2m (2022: £0.8m) in respect of operations management support services.

(c) Loan to related party

In August 2020, the Company issued a 2 year £70m loan with a fixed interest rate of 6.25% p.a. to Vanquis Banking Group plc, the Company's ultimate parent. The loan was repaid in full on 30 June 2022, then immediately advanced to its fellow subsidiary, Moneybarn No.1 Limited.

At 31 December 2023, the Company had extended loans to Moneybarn No.1 Limited, with a carrying amount of £398.4m (2022: £69.3m), net of the ECL impairment provision of £2.4m (2022: £0.7m). The fair value of the loan is approximately equal to the book value.

The interest rates applicable on the loan tranches are fixed at the point of drawdown and are based on the Company's average cost of retail funds (for the weighted average life) plus a margin and range from 2.43% to 6.48%. The Company recognised income on the loan to Moneybarn No.1 Limited of £11.2m in 2023 (2022: £0.9m), and, in 2022 £2.1m on the loan to Vanquis Banking Group plc. Accrued interest is repaid to the Company on the last business day of the month and is not compounded.

(d) Amounts held on deposit for ultimate parent undertaking

Funds are placed on deposit on behalf of the ultimate parent Company, with the Bank of England. The deposit amount as at 31 December 2023 of £15m (2022: £90m) is included within trade and other payables. The deposit is repayable on demand to Vanquis Banking Group plc.

The Company pays interest on the deposit at a rate of Bank of England Bank Rate less 0.125 per cent and is calculated on a daily basis and on the basis of a 365-day year. Accrued interest is paid to Vanquis Banking Group on the date of each meeting of the Bank of England's Monetary Policy Committee.

(e) Securitisation

In January 2021 the Company entered into a securitisation structure over £453m of receivables. Special purpose vehicles (SPVs) were established, including Oban Cards 2021-1 plc and Oban Cards Receivables Trustee Limited. Both SPVs are controlled by the Company.

Oban Cards Receivables Trustee Limited acquired a beneficial interest in the transferred receivables in the structure. Oban Cards 2021-1 plc, which holds an interest in Oban Cards Receivables Trustee Limited, issued notes which serve as the collateral for the £174m collateralised loan borrowed from the Bank of England under the TFSME during 2021.

27 Related party transactions (continued)

(f) Related party balances outstanding

Details of the Company's related party balances outstanding at 31 December are set out below:

	2023 £m	2022 £m
Vanquis Banking Group plc	**(37.5)**	(114.2)
PFG Corporate Services Limited	**(5.1)**	(27.2)
Provident Financial Holdings Limited	**5.2**	(5.6)
Moneybarn Limited	**8.9**	0.8
Moneybarn No. 1 Limited	**398.4**	70.0
Oban Cards 2021-1 plc	**-**	0.2
Oban Cards Receivables Trustee Limited	**20.7**	19.7
Related party balances outstanding	**390.6**	(56.3)

28 Reconciliation of profit after taxation to cash generated from operations

	2023 £m	2022 £m
Profit after taxation	**7.6**	93.8
Adjusted for:		
- tax charge	**3.5**	36.6
- interest expense	**69.2**	23.9
- interest on lease liability	**0.6**	0.6
- share-based payment charge	**1.1**	1.0
- impairment charge	**150.9**	25.3
- amortisation of intangible assets	**8.6**	7.2
- depreciation of property, plant and equipment	**1.2**	1.7
- depreciation of right-of-use asset	**3.5**	6.4
- impairment of right of use asset	**4.1**	-
- loss on disposal of intangible assets	**-**	2.0
- loss on disposal of property, plant and equipment	**0.6**	1.0
- provisions	**0.5**	(3.1)
- revaluation of investment	**(1.1)**	(1.6)
- movement in intercompany loan provision	**1.7**	-
Changes in operating assets and liabilities:		
- amounts receivable from customers	**(275.9)**	(191.7)
- repayment of loan to related party	**-**	(70.0)
- increase/reissuance of loans to related party	**(330.8)**	70.0
- trade and other receivables	**(26.9)**	(4.3)
- trade and other payables	**(112.5)**	76.4
Cash (used in)/generated from operations	**(494.1)**	75.2

28 Reconciliation of profit after taxation to cash generated from operations (continued)

The table below details changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities.

						2023
		Cash changes		**Non-cash changes**		
	1 January 2023	**Financing cash flows**	**Lease payments**	**Interest**	**Amortised fees**	**31 December 2023**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Collateralised loan	**(173.7)**	**(0.6)**	**-**	**-**	**(0.4)**	**(174.7)**
Retail deposits	**(1,100.6)**	**(815.2)**	**-**	**(34.7)**	**-**	**(1,950.5)**
Lease liabilities	**(30.8)**	**-**	**6.1**	**(0.6)**	**-**	**(25.3)**
Total	**(1,305.1)**	**(815.8)**	**6.1**	**(35.3)**	**(0.4)**	**(2,150.5)**

						2022
		Cash changes		Non-cash changes		
	1 January 2022	Financing cash flows	Lease payments	Interest	Amortised fees	31 December 2022
	£m	£m	£m	£m	£m	£m
Collateralised loan	(172.2)	1.6	-	(2.6)	(0.5)	(173.7)
Retail deposits	(1,018.6)	(82.1)	-	0.1	-	(1,100.6)
Lease liabilities	(37.6)	-	6.1	0.7	-	(30.8)
Total	(1,228.4)	(80.5)	6.1	(1.8)	(0.5)	(1,305.1)

29 Country-by-country reporting

The Company provides credit cards, loans and second charge mortgages to underserved non-standard consumers and operates solely in the United Kingdom.

	UK 2023	UK 2022
Average number of employees (number)	**1,146**	1,371
Turnover (£m)	**411.4**	349.3
Pre-tax profit or (loss) (£m)	**11.1**	130.4
Corporation tax paid (£m)	**6.1**	13.4
Public subsidies received (£m)	**-**	-

30 Ultimate parent undertaking and controlling party

The immediate parent undertaking of the Company is Provident Financial Holdings Limited.

The ultimate parent undertaking and controlling party is Vanquis Banking Group plc, a company incorporated in the United Kingdom, which is the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of Vanquis Banking Group plc may be obtained from the Company Secretary, Vanquis Banking Group plc, No.1 Godwin Street, Bradford BD1 2SU.

31 Subsidiary undertakings and exemption from presenting consolidated financial statements

In January 2021, the Company entered into a securitisation structure over £453m of receivables. Three special purpose vehicles, which the Company controls and therefore recognises as its subsidiaries, were established under this securitisation structure.

The Company's subsidiaries are:

- Oban Cards 2021-1 Holdings Limited;
- Oban Cards 2021-1 PLC; and
- Oban Cards Receivables Trustee Limited

All three subsidiaries are registered at 10th Floor 5 Churchill Place, London, England, E14 5HU.

The Company has not prepared consolidated financial statements and has elected to take the exemption from presenting consolidated financial statements for a parent that is itself a subsidiary, as it meets all of the following conditions:

- The Company is itself a wholly-owned subsidiary and its ultimate parent, Vanquis Banking Group plc, does not object to the Company not presenting consolidated financial statements;
- The Company's debt or equity instruments are not traded in a public market;
- The Company does not file its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
- The ultimate parent, Vanquis Banking Group plc, produces financial statements available for public use that comply with IFRS standards, in which subsidiaries are consolidated in accordance with IFRS 10.

32 Contingent liabilities

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

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

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

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

ALTERNATIVE PERFORMANCE MEASURES

In addition to statutory results and key performance indicators (KPIs) reported under International Financial Reporting Standards (IFRS), the Company provides certain alternative performance measures (APMs). These APMs are used internally by management and are also deemed helpful in understanding the Company's underlying performance. These non-statutory measures should not be considered as replacements for IFRS measures. The definition of these non-statutory measures may not be comparable to similarly titled measures reported by other companies.

APM	Method of calculation	Relevance
Average gross receivables	Average of gross customer interest earning balances for the 13 months ended 31 December	This is used to smooth the seasonality of receivables in calculating performance KPIs.
Asset yield (%)	Interest income for the 12 months ended 31 December as a percentage of average gross receivables	This measure shows the returns generated from customer receivables to allow comparison to other banks and banking groups
Risk-adjusted margin (%)	Total income, excluding exceptional items, less impairment charge for the 12 months ended 31 December as a percentage of average gross receivables	This measure shows the returns from customers after impairment charges
Impairment provision coverage ratio (%)	Impairment provision divided by gross receivables as at 31 December	This ratio is a measure of potential credit impairment losses as a percentage of gross receivables