



First quarter 2025 trading statement

Return to profit

London - 14 May 2025 - Vanquis Banking Group plc ('the Group' or 'Vanquis'), the specialist bank, today published its first quarter trading statement for the three months to 31 March 2025.

Ian McLaughlin, Chief Executive Officer, commented: "Vanquis' strategic delivery remains on track. The Group returned to profitability and grew gross customer interest earning balances, building on the momentum shown during 4Q 2024.

"Operating costs remained well controlled and credit quality was robust, with our customers continuing to show financial resilience. Our technology transformation programme, Gateway, is progressing as planned, enhancing our efficiency, scalability, and unlocking further long-term cost benefits.

"We welcome the revised Financial Ombudsman Service (FOS) fee structure implemented on 1 April, which has led to a reduction in unmerited Claims Management Company (CMC) complaint referrals to the FOS since its introduction. Complaint costs were in line with expectations in the first quarter.

"Vanquis plays an important role in UK banking, and I am pleased with the momentum we are building. We remain focused on supporting our customers while delivering sustainable and profitable growth for all stakeholders."

Key metrics

Three months ending	31 Mar 25	31 Dec 24	QoQ % Change	31 Mar 24 ⁴	YoY % Change
Gross customer interest earning balances ¹	2,313	2,308	0.2%	2,273	1.8%
- <i>Excluding Personal Loan portfolio sale</i>	2,313	2,259	2.4%	2,180	6.1%
Net receivables	2,176	2,155	1.0%	2,039	6.7%
- <i>Excluding Personal Loans portfolio sale</i>	2,176	2,111	3.1%	1,957	11.2%
Net interest margin (NIM) ²	17.8%	17.8%	-	18.9%	(1.1%)
Tier 1 capital ratio ³	18.8%	18.8%	-	19.6%	(0.8%)

Financial highlights

- **Gross customer interest earning balances** grew 0.2% in the quarter to £2,313m, or 2.4% excluding the Personal Loan portfolio sale announced with FY24 results.
 - **Credit Card** balances were broadly stable. The Group delivered successful new product launches in the quarter and remains committed to a measured approach to growth in 2025 through deeper customer engagement and retention strategies.
 - **Vehicle Finance** portfolio performance outpaced expectations, and an additional debt sale was completed in the quarter. However, with planned measured new business growth ahead of the new Gateway IT platform launch in mid-2026, balances declined 2%.
 - **Second Charge Mortgage** balances continued to grow at a steady monthly rate, reaching nearly £300m by the end of 1Q25.
 - The **Personal Loan portfolio sale** completed at quarter-end, generating a small gain, and reducing gross customer interest-earning balances by £49m and net receivables by £44m.
- **Net receivables** grew 1.0% in the quarter to £2.176m. or 3.1% excluding the Personal Loan portfolio sale.

...performance grew strong in the quarter as a result of strong underlying and personal loan portfolio sales, reflecting interest-earning balance growth, lower impairment coverage required on lower-risk Second Charge Mortgages, and robust credit performance in Credit Cards and Vehicle Finance.

- **NIM** was flat quarter-on-quarter at 17.8%.
- The **Tier 1 capital ratio** remained stable at 18.8%. The Personal Loan portfolio sale contributed c.25bps to the ratio from the removal of associated Risk Weighted Assets (RWAs). Excluding this, RWAs increased, reflecting higher receivables.

Strengthening our platform: customer, operations, technology

- A new IT platform now centralises customer data, improving service, cutting costs and boosting efficiency. The platform enables faster, more personalised service by giving teams a complete view of each customer's history and preferences.
- Active Snoop users rose 10% to 322k, with Vanquis customers using Snoop increasing by 15% to 46k. Snoop remains a cost-effective acquisition channel, with origination costs around 10% of other channels, while providing valuable money management tools for customers.
- The Gateway transformation remains on track for mid-2026 completion.
 - A new mobile app and new Credit Card onboarding and decisioning platform is expected to go live in the coming quarters.

Complaints

- Complaint costs were in line with expectations in 1Q25 and the Group did not experience a significant spike in complaint volumes submitted to the FOS ahead of the revised fee structure implemented on 1 April 2025. Since then, the Group has seen a meaningful reduction in complaints referred to the FOS, as expected, although it is too early to determine the full impact of the revised fee structure.
- Vanquis continues to engage with regulators to address industry-wide complaint challenges.
- Legal proceedings are ongoing against the CMC responsible for the highest volume of unmerited claims in recent years.

Motor Finance commission disclosures

- The Supreme Court appeal outcome with respect to the judgment regarding motor finance commission disclosure practices is not expected before July 2025, with no further update at this time.
- Vanquis believes its position is materially different from the cases subject to the ruling, with all customers signing a pre-contractual document confirming a commission will be paid.
- The judgment relates to dealer broker commissions. Only c.10% of Vanquis' Vehicle Finance commission payments between January 2013 and October 2024 were made to dealer brokers, representing £23m in commissions.
- In accordance with IAS 37, the Group has not made a provision for this matter but has recognised a contingent liability.
- As previously stated, Vanquis is not subject to the FCA's ongoing Motor Commission Review, which is focused on Discretionary Commission Arrangements (DCAs). Vanquis did not participate in DCAs.

Footnotes

1. *Gross customer interest earning balances excludes post charge off assets and deferred acquisition costs, which are included in gross and net receivables.*
2. *Net interest margin (NIM) is calculated as Interest income less interest expense for the three months period to 31 March and 31 December respectively, as a percentage of average gross customer interest earning balances for the three months to the period end, using a 4-point month end average. 1Q25 NIM excluding Personal Loans would have been 17.9%.*
3. *The Tier 1 ratio is calculated as the ratio of the Group's Tier 1 capital as a percentage of the Group's risk-weighted assets measured in accordance with the UK Capital Requirements Regulation. If 1Q25 profits had been verified the Tier 1 ratio would have increased to 19.0%.*
4. *Key metrics for the three months ending 31 March 2024 have been restated to reflect the impact of the Vehicle Finance Stage 3 receivables review.*

Enquiries

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