NewDay BondCo Plc

Investor quarterly reporting package

31 March 2021

Disclaimer

This quarterly report (this "Document") is being provided in accordance with (1) Section 4.03(a)(2) of the indenture, dated as of January 25, 2017, among NewDay BondCo plc, Deutsche Trustee Company Limited, as trustee, HSBC Corporate Trustee Company (UK) Limited, as security agent, the guarantors and certain other parties thereto, and (ii) clause 25 of the £30m Super Senior Revolving Facility Agreement dated January 25, 2017 among NewDay Group (Jersey) Limited (the "Company"), Citigroup Global Markets Limited, Credit Suisse AG, London branch, HSBC Bank plc and certain other parties thereto, in compliance with the obligations thereunder.

This Document comprises (i) the unaudited consolidated interim financial information of the Company for the three months ended 31 March 2021 (contained in the Appendix to this Document) and (ii) additional financial and non-financial information in relation to the Company together with its subsidiaries and subsidiary undertakings (the "Group"). **All financial information contained in this Document relates to the consolidated financial results of the Company (and not, except where expressly stated to be the case, NewDay BondCo plc)**. The financial information contained in this Document has not been audited or verified by any independent accounting firm. All non-financial information contained in this Document relates to the business, assets and operations of the Group.

Certain financial data included in this Document consists of "non-IFRS financial measures". These non-IFRS (International Financial Reporting Standards) financial measures, as defined by the Company, may not be comparable to similarly-titled measures as presented by other companies, nor should they be considered as an alternative to the historical financial results or other indicators of the Company's cash flow based on IFRS. Even though the non-IFRS financial measures are used by management to assess the Company's financial position, financial results and liquidity and these types of measures are commonly used by investors, they have important limitations as analytical tools, and you should not consider them in isolation or as substitutes for analysis of the Company's financial position or results of operations as reported under IFRS. The inclusion of such non-IFRS financial measures in this Document or any related presentation should not be regarded as a representation or warranty by the Company, any member of the Group, any of their respective affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations of the Company and should not be relied upon when making an investment decision.

References to adjusted EBITDA throughout this Document in respect of periods ended prior to 31 December 2020 are references to "Consolidated EBITDA" as defined in the legal documentation relating to the £425m Senior Secured Notes issued by NewDay BondCo plc on 25 January 2017 (the Senior Secured Debt) and the Super Senior Revolving Credit Facility entered into by the Company on 25 January 2017 (the Revolving Credit Facility) based on EU IFRS at the relevant time. However, references to "adjusted EBITDA" throughout this Document in respect of periods ended 31 December 2020 (which have been calculated in accordance with EU IFRS) and 31 March 2021 (which have been calculated in accordance with UK IFRS) are not the same as "Consolidated EBITDA" as defined in the legal documentation relating to the Senior Secured Debt and Revolving Credit Facility due to the fact that adjusted EBITDA for such periods excludes the performance of the Unsecured Personal Loans business. In addition, all ratios, baskets and calculations required under the terms of the Senior Secured Debt and Revolving Credit Facility are based on UK IFRS as in force as at 1 January 2021 (subject to certain adjustments permitted or required under the terms of the Senior Secured Debt and Revolving Credit Facility which, amongst other things, disregard the impact of IFRS 9 'Financial Instruments' and IFRS 16 'Leases'). As a result, such ratios, baskets and calculations may differ significantly from any ratios or figures which are contained in this Document. In particular, except where otherwise expressly stated to be the case, references to "Senior Secured Debt to adjusted EBITDA" and "adjusted EBITDA to pro forma cash interest expense" contained in this Document have been calculated (subject to certain adjustments) in accordance with UK IFRS as in force as at 31 March 2021 (or, in respect of periods ending prior to 31 March 2021, EU IFRS at the relevant time). As a result, such figures will differ significantly from the calculation of Consolidated Senior Secured Net Leverage Ratio and Fixed Charge Corporate Debt Coverage Ratio (as defined under the terms of the Senior Secured Debt and Revolving Credit Facility).

This Document may contain forward-looking statements. All statements other than statements of historical fact included in this Document are forward-looking statements. Forward-looking statements express the Company's current expectations and projections relating to their financial condition, results of operations, plans, objectives, future performance and business. These statements may include, without limitation, any statements preceded by, followed by or including words such as "aim," "anticipate," "believe," "can have," "could," "estimate," "expect," "intend," "likely," "may," "plan," "project," "should," "target," "will," "would" and other words and terms of similar meaning or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control (including, but not limited to, the effects of the COVID-19 pandemic and uncertainties about its impact and duration) that could cause the Company's actual results, performance or achievements to be materially different from the expected results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which it will operate in the future. You acknowledge that circumstances may change and the contents of this Document may become outdated as a result. Further information on the primary risks of the business and the Group's risk management process is set out in the Risk Management and Mapping Our Risks sections of the 2020 Annual Report and Financial Statements (as updated by the quarterly reports produced throughout the year); these documents are available at www.newday.co.uk. All forward-looking statements made on or after the date of this Document and attributable to the Company or any member of the Group are expressly qualified in their entirety by the primary risks set out in these documents. Many of these risks are, and will be, exacerbated by the COVID-19 pandemic and any further disruption to the consumer credit market and economic environment as a result.

The information contained in this Document should be considered in the context of the circumstances prevailing at the time and will not be updated to reflect material developments that may occur after the date of this Document. The information and opinions in this Document are provided as at the date of this Document and are subject to change without notice. None of the Company, any member of the Group, any of their respective affiliates, advisors or representatives or any other person shall have any liability whatsoever (in negligence or otherwise) for any loss howsoever arising from any use of this Document or its contents or otherwise arising in connection with this Document, or any action taken by you or any of your officers, employees, agents or associates on the basis of the information in this Document.

Introduction[1]

Highlights

- Adjusted EBITDA profit of £36.2m[2] for the quarter ended 31 March 2021 (31 March 2020: £2.5m loss).
- Free cash flow available for growth and debt service of £56.5m (31 March 2020: £7.2m). Group cash excluding funding overlaps was £324.8m as at 31 March 2021 (31 March 2020: £208.0m), of which £132.4m was held outside the securitisation structures (31 March 2020: £84.2m).
- Continued investment in digital capabilities and the launch of next generation credit models with enhanced customer underwriting capabilities.
- Launched *Bip* in April 2021, the Group's digital credit product.
- Customer spend was depressed as a result of the UK lockdown with £1.1bn spend in the period (31 March 2020: £1.4bn). Online spend as a proportion of retail spend increased to 55% and 71% for Own-brand and Co-brand respectively (31 March 2020: 41% and 48%). Customer spend increased to £451.2m in April 2021 as the UK's lockdown measures were progressively released, an increase of 58% from April 2020.
- New account volumes of 220,000 (31 March 2020: 275,000), representing a circa 19%[3] market share, with all accounts originated digitally through the Group's in-house digital acquisition platform.
- Closing receivables of £2,752.6m (31 March 2020: £2,854.8m).
- Expected credit loss (ECL) allowance as a proportion of receivables of 20.0% as at 31 March 2021 (31 December 2020: 19.3%) with the impact of the deterioration in the UK economic outlook largely unchanged. Underlying collections performance remains strong and the Group's charge-off rate improved to 8.9% (31 March 2020: 11.5%).
- Continued focus on customer service with an average year-to-date Net Promoter Score of +65 (31 March 2020: +69) and an average year-to-date Net Easy Score of +73 (31 March 2020: +73).
- Successfully issued £400.0m of asset-backed securities from the Own-brand securitisation programme (of which £37.6m was retained by the Group), including $135.0m raised from US capital markets.
- Repaid the full £30.0m drawn from the Revolving Credit Facility and, in April 2021, settled £244.3m of maturing bonds with proceeds from previous financing deals completed in 2020.
- VFN headroom of £1.1bn as at 31 March 2021 to fund receivables growth (31 March 2020: £0.8bn).
- Sale of the Unsecured Personal Loans receivables portfolio resulting in a net gain of £3.0m on disposal.
- Net corporate Senior Secured Debt to adjusted EBITDA ratio of 3.7x[2] which is more closely aligned to pre-COVID-19 performance (31 December 2020: (15.5)x).
- Adjusted EBITDA to pro forma cash interest expense coverage of 0.9x[2] (31 December 2020: (0.4)x).

[1] In 2021, the Group's receivables in its Unsecured Personal Loans (UPL) business were sold, consequently the results of the UPL business are classified as a discontinued operation in the Group's financial statements. Accordingly, the comparative information has been restated to show the UPL business as a discontinued operation unless stated otherwise, see note 4 of the appendix for further details.

[2] The calculations of (i) adjusted EBITDA, (ii) net corporate Senior Secured Debt to adjusted EBITDA and (iii) adjusted EBITDA to pro forma cash interest expense, have each been calculated (subject to certain adjustments) in accordance with UK IFRS as in force as at 31 March 2021 (or, in respect of periods ending prior to 31 March 2021, EU IFRS at the relevant time). As a result, such figures/ratios will differ significantly from all ratios, baskets and calculations made in accordance with the terms of the Senior Secured Debt and/or Revolving Credit Facility (in particular, the "Fixed Charge Corporate Debt Coverage Ratio" and "Consolidated Senior Secured Net Leverage Ratio") which are currently calculated in accordance with UK IFRS as in force as at 1 January 2021 (subject to certain adjustments permitted or required under the terms of the Senior Secured Debt and Revolving Credit Facility which, amongst other things, disregard the impact of IFRS 9 'Financial Instrument' and IFRS 16 'Leases').

[3] Estimated based on eBenchmarkers data as at 31 March 2021.

Key performance indicators and other unaudited financial data

	Quarter ended March 2021 £m	Quarter ended March 2020 restated[1] £m	Year ended March 2021 £m	Year ended December 2020 £m
Receivables	2,752.6	2,854.8	2,752.6	2,844.5
Own-brand	1,708.8	1,754.2	1,708.8	1,718.2
Co-brand	1,043.8	1,100.6	1,043.8	1,126.3
Risk-adjusted income	90.5	47.8	233.5	190.8
Underlying profit/(loss) before tax from continuing operations	33.5	(4.7)	16.6	(21.6)
Adjusted EBITDA[2]	36.2	(2.5)	27.2	(11.5)
Free cash flow available for growth and debt service	56.5	7.2	129.2	79.9
Impairment rate (%)	9.6	18.2	13.9	16.0
Own-brand (%)	8.9	24.5	16.5	20.5
Co-brand (%)	10.7	8.3	9.7	9.1
Charge-off rate (%)	8.9	11.5	10.0	10.6
Own-brand (%)	10.9	15.7	12.7	13.9
Co-brand (%)	5.8	5.0	5.8	5.5
Underlying cost-income ratio (%)	36.3	29.3	35.2	33.3
Advance rate[3] (%)	88.0	89.0	88.0	87.7
Own-brand[3] (%)	84.1	86.0	84.1	83.9
Co-brand[3] (%)	94.4	93.8	94.4	93.5
Ratio of net corporate Senior Secured Debt to adjusted EBITDA[2,3]	n/a	n/a	3.7x	(15.5)x
Ratio of adjusted EBITDA to pro forma cash interest expense[2]	n/a	n/a	0.9x	(0.4)x

[1] In 2021, the Group's receivables in its UPL business were sold, consequently the results of the UPL business are classified as a discontinued operation in the Group's financial statements. Accordingly, the comparative information has been restated to show the UPL business as a discontinued operation unless stated otherwise, see note 4 of the appendix for further details.

[2] See footnote 2 on page 2.

[3] In the normal course of business, the Group issues new funding which is used to replace maturing debt and depending on timing this can lead to funding overlaps which temporarily increase the Group's cash balance and the amount of debt it has undertaken which is not reflective of the Group's underlying position. Accordingly, the calculations of (i) net corporate Senior Secured Debt to adjusted EBITDA and (ii) advance rate, have both been adjusted to remove the impact of such funding overlaps.

Overview

The financial information on pages 2 to 12 reflects the performance of the Group for the quarter and year ended 31 March 2021.

The Group reported adjusted EBITDA of £36.2m[1] for the quarter ended 31 March 2021 (31 March 2020: £2.5m loss). The explicit strengthening of the Group's balance sheet in 2020 positioned the business well for a strong start to 2021 and although the COVID-19 pandemic continues to impact performance this result represents the Group's third successive quarter of adjusted EBITDA growth.

As the COVID-19 restrictions remain in force, customer spend remains lower than pre-pandemic levels and the Group opened 220,000 new accounts (31 March 2020: 275,000). This, and a tightening of credit underwriting criteria in 2020, resulted in a receivables reduction of 4% to £2,752.6m (31 March 2020: £2,854.8m). Customer spend increased to £451.2m in April as the UK's lockdown measures were progressively released, an increase of 58% from April 2020.

The Group's balance sheet remains strong. ECL allowance coverage increased to 20.0% (31 December 2020: 19.3%) with the impact of the deterioration in the UK economic outlook largely unchanged.

Free cash flow available for growth and debt service totalled £56.5m in the period (31 March 2020: £7.2m). Group cash excluding funding overlaps was £324.8m as at 31 March 2021 (31 March 2020: £208.0m). The Group repaid its £30.0m Revolving Credit Facility and raised funding which will be used to repay bonds maturing in August 2021.

The Group successfully issued £400.0m of asset-backed securities from the Own-brand securitisation programme (of which £37.6m was retained by the Group), including $135.0m raised from US capital markets.

The following table reconciles the statutory result to adjusted EBITDA.

	Quarter ended March 2021 £m	Quarter ended March 2020 restated[2] £m	Year ended March 2021 £m	Year ended December 2020 £m
Statutory profit/(loss) before tax from continuing operations	**11.2**	**(30.4)**	**(87.3)**	**(128.9)**
Senior Secured Debt interest and related costs	8.3	8.5	33.9	34.1
Fair value unwind	(0.3)	-	(1.0)	(0.7)
Payment protection insurance (PPI)	-	-	7.7	7.7
Debenhams asset write-off	-	-	7.4	7.4
Depreciation and amortisation including amortisation of intangibles arising on the Acquisition	17.0	15.4	65.0	63.4
Impairment of customer and retail partner relationships intangible assets arising on the Acquisition	-	4.0	1.5	5.5
Adjusted EBITDA[1]	**36.2**	**(2.5)**	**27.2**	**(11.5)**

For the quarter ended 31 March 2021, the Group reported a statutory profit before tax from continuing operations of £11.2m (31 March 2020: £30.4m statutory loss before tax from continuing operations). The statutory result before tax for the current and comparative periods include a number of items, detailed below, which do not relate to the Group's underlying business performance:

- Senior Secured Debt interest and related costs includes the interest charge and other costs associated with the issuance and servicing of £425m Senior Secured Notes by NewDay BondCo plc on 25 January 2017 (the Senior Secured Debt) and the Super Senior Revolving Credit Facility entered into by the Company on 25 January 2017 (the Revolving Credit Facility). In January 2021, the Group repaid in full the £30.0m drawn down from the Revolving Credit Facility;
- fair value unwind reflects the amortisation of fair value adjustments on the Group's acquired portfolios and debt issued;
- PPI primarily reflects uplifts to the Group's PPI provision for revisions to expected remediation costs. As at 31 March 2021, the Group reported a PPI provision of £5.0m (31 March 2020: £8.9m);

[1] See footnote 2 on page 2.

[2] In 2021, the Group's receivables in its UPL business were sold, consequently the results of the UPL business are classified as a discontinued operation in the Group's financial statements. Accordingly, the comparative information has been restated to show the UPL business as a discontinued operation unless stated otherwise, see note 4 of the appendix for further details.

- the Debenhams asset write-off represents a one-off charge for previously capitalised costs relating to the Group's retail partnership with Debenhams that will no longer be recovered following Debenhams' administration. The asset was originally being amortised over the life of the contract with Debenhams;
- depreciation and amortisation for the quarter ended 31 March 2021 includes £14.3m (31 March 2020: £13.2m) related to the amortisation of the purchase price that was attributed to intangible assets arising on completion of the Group's acquisition of NewDay Group Holdings S.à r.l. together with its subsidiaries and structured entities (the Acquisition) on 26 January 2017; and
- impairment of customer and retail partner relationships intangible assets arising on the Acquisition primarily represents a write-down of the carrying value of the Group's retail partner relationship with Laura Ashley following its administration.

The following table reconciles adjusted EBITDA to free cash flow available for growth and debt service:

	Quarter ended March 2021 £m	Quarter ended March 2020 restated[1] £m	Year ended March 2021 £m	Year ended December 2020 £m
Adjusted EBITDA[2]	**36.2**	**(2.5)**	**27.2**	**(11.5)**
Change in ECL allowance	(0.9)	49.7	85.4	136.0
Adjusted EBITDA excluding change in ECL allowance[2]	**35.3**	**47.2**	**112.6**	**124.5**
Change in working capital	28.1	(29.5)	43.2	(14.4)
PPI provision utilisation	(0.3)	(1.0)	(11.6)	(12.3)
Capital expenditure	(2.5)	(3.2)	(10.9)	(11.6)
Tax paid	(4.1)	(6.3)	(4.1)	(6.3)
Free cash flow available for growth and debt service	**56.5**	**7.2**	**129.2**	**79.9**

Business developments

The COVID-19 pandemic continues to impact the Group's results however the actions taken in 2020 to explicitly strengthen the Group's balance sheet provided a springboard for a strong start to 2021. Adjusted EBITDA increased to £36.2m[2] (31 March 2020: £2.5m loss). Free cash flow available for growth and debt service was £56.5m (31 March 2020: £7.2m) and the Group's closing cash balance was £324.8m excluding funding overlaps (31 March 2020: £208.0m).

A combination of reduced customer spend and tightening of credit underwriting during 2020, both driven by the pandemic, resulted in a 4% contraction in receivables period-on-period to £2,752.6m (31 March 2020: £2,854.8m). Spend in the quarter was £1.1bn (31 March 2020: £1.4bn) and the Group processed 26.6m transactions (31 March 2020: 30.7m). Customer spend increased to £451.2m in April 2021 as the UK's lockdown measures were progressively released, an increase of 58% from April 2020.

In Q1, approximately 19%[3] of all credit cards issued in the UK were issued by the Group. New account volumes totalled 220,000 in the quarter (31 March 2020: 275,000) with strong growth in the Own-brand portfolio offset by fewer new accounts in the Co-brand portfolio as a result of certain high street partners closing stores or otherwise ceasing to trade due to a combination of COVID-19 restrictions and administration processes. As previously announced, the Group plans to reinvigorate its relationship with a large proportion of customers who hold an existing Arcadia, Debenhams or Laura Ashley branded card by offering them an own-branded *Pulse* Mastercard with exciting new benefits if the Group does not reach an agreement with the buyers of the relevant brands to continue to offer the Group's existing products.

As at 31 March 2021, the Group reported a 5.1%[4] market share of receivables (31 March 2020: 4.2%) and 3.1%[4] market share of spend (31 March 2020: 2.8%). The Group continues to target online spend and e-tail partnerships to grow market share. The Group's proportion of spend that is originated online outperforms the market[5] with online spend as a proportion of retail spend increasing to 55% and 71% for Own-brand and Co-brand respectively (31 March 2020: 41% and 48%). E-tail partner spend accounted for 29% of total spend (31 March 2020: 18%).

[1] In 2021, the Group's receivables in its UPL business were sold, consequently the results of the UPL business are classified as a discontinued operation in the Group's financial statements. Accordingly, the comparative information has been restated to show the UPL business as a discontinued operation unless stated otherwise, see note 4 of the appendix for further details.

[2] See footnote 2 on page 2.

[3] Estimated based on eBenchmarkers data as at 31 March 2021.

[4] Bank of England data as at 31 March 2021. Market share metrics calculated as total NewDay volumes as a proportion of Bank of England data credit card volumes.

[5] Compared to Office for National Statistics data (internet spend as a proportion of total retail spend).

In April 2021, the Group launched *Bip* which is a digital credit solution run entirely from a customer's phone or electronic device without the need for a physical plastic card and, in January 2021, the Group rolled-out its next generation credit models facilitating enhanced customer underwriting capabilities.

The Group's Customer Manifesto is embedded throughout the business and drives the Group's purpose of helping people move forward with credit. This helps drive positive customer outcomes with the Group achieving a high average year-to-date Net Promoter Score of +65 (31 March 2020: +69) and an average year-to-date Net Easy Score of +73 (31 March 2020: +73). Additionally, as at 31 March 2021, 173,000 customers have registered for the Group's financial education tool '*Aqua* coach'.

From a funding perspective, the Group successfully raised £400.0m of asset-backed debt from the Own-brand securitisation programme (of which £37.6m was retained within the Group), including $135.0m raised from US capital markets. Part of the proceeds from this deal will be used to refinance £280.9m of bonds due to mature in August 2021. The Group also repaid the full £30.0m drawn from the Revolving Credit Facility.

Following the cessation of new lending in 2020, the Group successfully sold its UPL receivables portfolio in Q1. This resulted in a £3.0m net gain on disposal which is presented separately from underlying profit. The Group continues to service the UPL portfolio on behalf of the purchaser pursuant to a transitional services agreement. It is anticipated that servicing will be transferred later in 2021.

The £150.0m floating rate Senior Secured Debt and the Revolving Credit Facility each reference LIBOR which is due to be discontinued on 31 December 2021. As a result, the Group is reviewing the options available to best address this. This may include, amongst other things, seeking amendments to the terms of such financings, on-market or off-market purchases of the £150.0m floating rate Senior Secured Debt (or refinancing some part of it) or other refinancing arrangements. However, no final decision has been taken in this regard and therefore there is no certainty that the Group will carry out any such transactions.

Acquiring new customers that create long-lasting relationships

The Group continues targeted investment in acquiring new customers with the aim of delivering sustainable increases in profits from long-term customers. The following table shows the performance of the Group segmented by new and existing customers[1].

	Adjusted EBITDA[2] (£m)			
	Quarter ended March 2021	**Quarter ended March 2020**	**Impact of forecast deterioration in the UK economy on the impairment charge**	**Adjusted quarter ended March 2020**
New customers	(22.3)	(22.6)	2.1	(20.5)
Existing customers	58.5	20.1	28.8	48.9
Total	**36.2**	**(2.5)**	**30.9**	**28.4**

Digital capabilities

The Group continues to make significant investment to build leading in-house digital and data platforms, creating differentiation from competitors and driving higher levels of customer satisfaction. These platforms are fully cloud-based and developed by the Group's in-house engineering team, with the aim of enabling the rapid launch of new products and partners while driving a significant reduction in operational costs.

The Group's digital platform is designed to effortlessly support multiple brands and partners through a white-label approach where components can be customised to enable seamless and efficient integration. The platform is PCI compliant and is built on serverless technology, giving scale and cost advantage and includes tokenisation capability to protect highly-sensitive customer and card data. It also allows the Group to use new data sources and create value driving predictive models from its growing transactional data assets.

The flexibility arising from the Group's platforms allows the Group to offer a wide range of products including buy now pay later, instalment plans and 0% interest offer periods. The Group reported 132% and 111% receivables growth year-on-year for buy now pay later and instalment plan products. In April 2021, the Group launched *Bip* which is a digital credit solution run entirely from a customer's phone or electronic device without the need for a physical plastic card.

In Q1, and following several enhancements to its platforms in 2020, the Group rolled-out next generation credit models facilitating enhanced customer underwriting capabilities.

The Group's digital e-servicing and mobile application platforms have proven to be very successful and popular such that 88% of active customers are registered for e-servicing and 99% of servicing and 88% of collections transactions are now being processed through digital channels.

[1] New customers are those that have been with the Group for less than 12 months. Existing customers are those that have been with the Group for more than 12 months.

[2] See footnote 2 on page 2.

Management discussion and analysis

Description of income statement components

A brief description of the component parts of the Group's income statement are:

Interest income

Interest income primarily relates to income earned on all interest-earning assets, which mainly comprise loans and advances to customers.

Cost of funds

Cost of funds primarily relates to the interest expense on interest-bearing liabilities, which mainly comprise debt funding.

Fee and commission income

Fee and commission income primarily relates to card fees based on customer transaction events and certain card servicing activities, interchange fees and other income, including insurance commission, profit shares and merchant transaction fee commission.

Impairment losses on loans and advances to customers

Expected credit loss (ECL) allowances are recognised on origination of financial assets, based on their anticipated credit loss. The expected loss allowances are measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial asset.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition (or if it was purchased or originated credit-impaired) and 12-month ECL measurement applies if it has not.

Operating costs

Operating costs primarily include servicing costs, administrative costs, commissions to retailers, advertising and marketing costs, professional fees, movements in provisions (other than impairment provisions on loans and advances to customers), IT costs, change costs, collection fees, lease liability interest expense, depreciation of property and equipment and amortisation of intangible assets.

Salaries and benefits

Salaries and benefits represent costs relating to employees including contributions payable to a defined contribution pension plan and redundancy related expenses.

Consolidated management basis income statement

The table below details the management basis income statement:

	Quarter ended March 2021 £m	Quarter ended March 2020 restated[1] £m	Year ended March 2021 £m	Year ended December 2020 £m
Interest income	163.3	179.5	637.2	653.4
Cost of funds	(14.5)	(15.7)	(59.0)	(60.2)
Net interest income	**148.8**	**163.8**	**578.2**	**593.2**
Fee and commission income	8.3	15.3	37.2	44.2
Total income	**157.1**	**179.1**	**615.4**	**637.4**
Impairment losses on loans and advances to customers	(66.6)	(131.3)	(381.9)	(446.6)
Risk-adjusted income	**90.5**	**47.8**	**233.5**	**190.8**
Servicing costs	(22.1)	(24.6)	(95.1)	(97.6)
Change costs	(10.4)	(8.0)	(41.5)	(39.1)
Marketing and partner payments	(10.5)	(12.9)	(44.8)	(47.2)
Collection fees	5.4	8.1	22.8	25.5
Contribution	**52.9**	**10.4**	**74.9**	**32.4**
Salaries, benefits and overheads	(19.4)	(15.1)	(58.3)	(54.0)
Underlying profit/(loss) before tax from continuing operations	**33.5**	**(4.7)**	**16.6**	**(21.6)**
Add back: depreciation and amortisation	2.7	2.2	10.6	10.1
Adjusted EBITDA[2]	**36.2**	**(2.5)**	**27.2**	**(11.5)**
Senior Secured Debt interest and related costs	(8.3)	(8.5)	(33.9)	(34.1)
Fair value unwind	0.3	-	1.0	0.7
PPI	-	-	(7.7)	(7.7)
Debenhams asset write-off	-	-	(7.4)	(7.4)
Depreciation and amortisation including amortisation of intangibles arising on the Acquisition	(17.0)	(15.4)	(65.0)	(63.4)
Impairment of customer and retail partner relationships intangible assets arising on the Acquisition	-	(4.0)	(1.5)	(5.5)
Profit/(loss) before tax from continuing operations	**11.2**	**(30.4)**	**(87.3)**	**(128.9)**

Interest income

The Group's interest income reduced by 9% to £163.3m (31 March 2020: £179.5m). Income growth was impacted by both the contraction in receivables resulting from lower spend driven by the COVID-19 pandemic and payment holidays extended to customers which suspend interest and fees for the duration of the holiday.

Cost of funds

Funding costs reduced by 8% to £14.5m (31 March 2020: £15.7m). This was driven primarily by the contraction in receivables and reductions to the Bank of England base rate, partly offset by funding overlaps.

Fee and commission income

Fee and commission income reduced by 46% to £8.3m (31 March 2020: £15.3m) primarily due to lower spend in the period reducing fee earning activity and the suspension of fees on accounts that have been extended short-term interventions during the pandemic such as payment holidays and payment freezes.

[1] In 2021, the Group's receivables in its UPL business were sold, consequently the results of the UPL business are classified as a discontinued operation in the Group's financial statements. Accordingly, the comparative information has been restated to show the UPL business as a discontinued operation unless stated otherwise, see note 4 of the appendix for further details.

[2] See footnote 2 on page 2.

Impairment losses on loans and advances to customers

The Group's impairment charge reduced by £64.7m, or 49%, and was £66.6m for the period (31 March 2020: £131.3m). Underlying collection performance remained strong and the Group has yet to see any notable worsening of charge-off rates driven by the pandemic. The proportion of Own-brand customers with two missed payments (or more) after six months reduced over the last year to 3.6% (31 March 2020: 9.3%). In Co-brand, the rate reduced to 3.0% (31 March 2020: 3.9%).

In 2020, the Group significantly uplifted its ECL allowance for higher anticipated credit losses driven by the worsening UK economic outlook. In Q1, the Group's ECL allowance remained stable to finish the quarter at £549.3m, or 20.0% of gross receivables (31 December 2020: £550.2m, or 19.3%) with the impact of the UK economic outlook largely unchanged. The movement in the ECL allowance included: i) a £5.8m release resulting from improved unemployment forecasts driving a reduction in anticipated credit losses; ii) a £9.3m[1] decrease resulting from the reduction in receivables since the year end; and iii) a £14.2m uplift resulting from underlying performance including the impact of potential losses from customers that have taken a payment holiday or payment freeze. As a result, the Group's impairment rate for the quarter reduced to 9.6% (31 March 2020: 18.2%).

Operating costs

Servicing costs reduced by 10% to £22.1m (31 March 2020: £24.6m). This was driven by lower receivables and benefits realised from investment in recent years in the Group's digital platform which is reducing the cost to service the Group's customer base.

Change costs increased by 30% to £10.4m (31 March 2020: £8.0m) which was primarily driven by costs incurred on strategic projects aimed at broadening the Group's digital capabilities and product offerings.

Marketing and partner payment costs reduced by 19% to £10.5m (31 March 2020: £12.9m) primarily due to the Co-brand portfolio reporting fewer new accounts and lower partner payments as a result of high street partners closing stores or otherwise ceasing to trade due to a combination of COVID-19 restrictions and the administration processes for certain high street partners.

Collection fee income reduced by 33% to £5.4m (31 March 2020: £8.1m). This was due to lower collection activity arising from lower receivables and temporarily suspended customer payments as a result of the payment holidays and payment freezes extended to customers following the COVID-19 pandemic.

Salaries, benefits and overheads

Salaries, benefits and overheads increased by 28% to £19.4m (31 March 2020: £15.1m) driven in part by higher expected discretionary payments reflecting the improved business performance in 2021.

Underlying cost-income ratio

A reduction in income and higher costs driven by the factors detailed above resulted in the Group's underlying cost-income ratio increasing to 36.3% (31 March 2020: 29.3%).

Adjusted EBITDA

Adjusted EBITDA increased to £36.2m[2] (31 December 2020: £11.5m loss, 31 March 2020: £2.5m loss) and represents the third consecutive quarter of EBITDA growth. Adjusted EBITDA including the result of the discontinued operation (which represents "Consolidated EBITDA" as defined in the terms of the Senior Secured Debt and Revolving Credit Facility) increased to £39.5m[2] (31 December 2020: £16.0m loss).

[1] Calculated as the movement in the opening to closing receivables multiplied by the opening ECL allowance coverage at segment level.

[2] See footnote 2 on page 2.

Cash flows

	Quarter ended March 2021 £m	Quarter ended March 2020 £m	Year ended March 2021 £m	Year ended December 2020 £m
Net cash generated from operating activities	208.2	40.0	328.3	160.1
Net cash used in investing activities	(2.5)	(3.2)	(10.9)	(11.6)
Net cash generated from financing activities	126.4	19.1	327.6	220.3
Net increase in cash and cash equivalents	**332.1**	**55.9**	**645.0**	**368.8**
Cash and cash equivalents at the start of the period	520.9	152.1	208.0	152.1
Cash and cash equivalents at the end of the period	**853.0**	**208.0**	**853.0**	**520.9**

Net cash generated from operating activities

Net cash generated from operating activities was £208.2m (31 March 2020: £40.0m) and was primarily driven by the pay down of the Group's receivables in the quarter and £67.2m of cash received from the sale of UPL receivables.

Net cash used in investing activities

Net cash used in investing activities of £2.5m (31 March 2020: £3.2m) represents investment in intangible assets and property and equipment.

Net cash generated from financing activities

Net cash generated from financing activities of £126.4m (31 March 2020: £19.1m) represents £362.4m of funding received from asset-backed securities issued in the quarter net of: i) repayments of debt for the contraction in receivables in the quarter; ii) the settlement of the UPL VFN following completion of the receivables sale; and iii) the repayment of the £30.0m Revolving Credit Facility.

As at 31 March 2021, the Group's cash balance included £528.2m arising from funding overlaps (31 March 2020: £nil).

Funding

The Group proactively monitors its funding requirements to ensure it remains appropriately positioned to finance its operations. In 2021, the Group strengthened its funding position through several transactions:

- raising £400.0m of asset-backed debt from the Own-brand securitisation programme (of which £37.6m was retained within the Group), including $135.0m raised from US capital markets. Part of the proceeds from this deal will be used to refinance £280.9m of bonds due to mature in August 2021;
- repaying in full the UPL VFN using the proceeds from the receivables sale completed in Q1;
- repaying £30.0m drawn from the Revolving Credit Facility; and
- in April, repaying £244.3m of maturing asset-backed debt in the Co-brand securitisation programme using the proceeds of a financing transaction completed in October 2020.

In addition to this, the Group has the right to extend the maturity date of all its asset-backed term debt by one year.

As at 31 March 2021, the Group reported VFN headroom of £1.1bn and after adjusting for debt in respect of which the Group has already raised funds to repay:

- 20% of the Group's borrowings will be due for repayment in less than one year, 41% will be due in one to two years and 39% will be due in over two years; and
- the average maturity of the Group's funding facilities was 1.7 years.

Segmental analysis

The Group's reportable operating segments comprise Own-brand, Co-brand and Other. Each segment offers different products and services and is managed in line with the Group's management and internal reporting structure. Segment performance is assessed on the basis of contribution. The segments are as follows:

- Own-brand: this segment serves near-prime customers who are typically new to credit or have a poor or limited credit history. The segment issues credit cards under the *Aqua, marbles* and *Fluid* brands, and also includes two closed portfolios. From April 2021, this portfolio issues digital credit through the *Bip* brand;
- Co-brand: this segment provides credit products in partnership with established retail, e-tail and consumer brands. These products include store cards, co-branded credit cards and the Group's digital revolving credit product, *NewPay*. In addition to this, the Group also has a portfolio of closed credit cards and point-of-sale finance products; and
- Other: this segment primarily represents strategic projects aimed at broadening the Group's digital capabilities and product offerings. This segment was established in 2021 for reporting to the chief operating decision maker and prior period comparatives have not been revised for this segment because its comparative results in prior periods were immaterial.

These segments reflect how internal reporting is provided to management and how management allocate resources and assess performance.

In February 2021, the Group sold the receivables in its UPL business to a third party. Consequently, the UPL segment is no longer presented as a separate operating segment and is presented in the Group's Financial Statements as a discontinued operation.

Own-brand segmental performance

	Quarter ended March 2021 £m	Quarter ended March 2020 £m	Year ended March 2021 £m	Year ended December 2020 £m
Net interest income	102.5	113.9	397.3	408.7
Fee and commission income	5.4	10.3	22.6	27.5
Total income	**107.9**	**124.2**	**419.9**	**436.2**
Impairment losses on loans and advances to customers	(37.8)	(107.7)	(278.1)	(348.0)
Risk-adjusted income	**70.1**	**16.5**	**141.8**	**88.2**
Servicing costs	(11.1)	(11.3)	(45.2)	(45.4)
Change costs	(4.8)	(4.7)	(23.4)	(23.3)
Marketing costs	(3.3)	(3.4)	(11.6)	(11.7)
Collection fees	3.2	4.9	13.4	15.1
Contribution	**54.1**	**2.0**	**75.0**	**22.9**

The Own-brand segment opened 140,000 new accounts in the period (31 March 2020: 118,000) and reported a 3% contraction in receivables year-on-year to £1,708.8m (31 March 2020: £1,754.2m). Lower customer spend driven by the COVID-19 pandemic was the main driver of the contraction in receivables.

Net interest income reduced by 10% to £102.5m (31 March 2020: £113.9m). This was driven by the contraction in receivables and payment holidays extended to customers, which suspend interest and fees for the duration of the holiday.

Fee and commission income decreased by 48% to £5.4m (31 March 2020: £10.3m) primarily due to the suspension of fees on accounts that have been extended short-term interventions during the pandemic, such as payment holidays and payment freezes, and lower spend in the period reducing fee earning activity.

Impairment reduced by 65% to £37.8m (31 March 2020: £107.7m). Underlying collection performance remains strong and the portfolio has yet to see any notable worsening of charge-off rates driven by the pandemic. The proportion of receivables entering delinquency reduced to 2.8% (31 March 2020: 3.8%). In 2020, the Group significantly uplifted its ECL allowance for higher anticipated credit losses driven by the worsening UK economic outlook. In Q1, the ECL allowance reduced by £13.8m to finish the quarter at £443.3m, or 25.9% of gross receivables (31 December 2020: £457.1m, or 26.6%). The reduction in ECL allowance was in part driven by a refinement to the Group's provisioning methodology which resulted in a £9.4m release of ECL for Own-brand. The segment's impairment rate for the quarter reduced to 8.9% (31 March 2020: 24.5%).

Servicing costs of £11.1m were marginally lower than 2020 (31 March 2020: £11.3m).

Change costs of £4.8m were marginally higher than 2020 (31 March 2020: £4.7m).

Marketing costs of £3.3m were marginally lower than 2020 (31 March 2020: £3.4m).

Collection fees reduced by 35% to £3.2m (31 March 2020: £4.9m). This was due to lower collection activity arising from temporarily suspended customer payments as a result of the payment holidays and payment freezes extended to customers following the COVID-19 pandemic.

As a result of the factors above, and predominantly due to the lower impairment charge, the segment reported a contribution of £54.1m for the quarter ended 31 March 2021 (31 March 2020: £2.0m).

Co-brand segmental performance

	Quarter ended March 2021 £m	Quarter ended March 2020 £m	Year ended March 2021 £m	Year ended December 2020 £m
Net interest income	46.3	49.9	180.9	184.5
Fee and commission income	2.8	5.0	14.5	16.7
Total income	**49.1**	**54.9**	**195.4**	**201.2**
Impairment losses on loans and advances to customers	(28.8)	(23.6)	(103.8)	(98.6)
Risk-adjusted income	**20.3**	**31.3**	**91.6**	**102.6**
Servicing costs	(11.0)	(13.3)	(49.9)	(52.2)
Change costs	(3.9)	(3.3)	(16.4)	(15.8)
Marketing and partner payments	(7.2)	(9.5)	(33.2)	(35.5)
Collection fees	2.2	3.2	9.4	10.4
Contribution	**0.4**	**8.4**	**1.5**	**9.5**

The Co-brand portfolio opened 80,000 new accounts in the period (31 March 2020: 157,000) and reported a contraction in receivables of 5% to £1,043.8m (31 March 2020: £1,100.6m). New account volumes and receivables were impacted by the COVID-19 pandemic and cessation of trade for certain high street partners.

Net interest income reduced by 7% to £46.3m (31 March 2020: £49.9m) which was driven primarily by the reduction in receivables.

Fee and commission income decreased by 44% to £2.8m (31 March 2020: £5.0m) primarily due to lower spend in the period reducing fee earning activity.

Impairment increased by 22% to £28.8m (31 March 2020: £23.6m). Underlying collection performance remains strong with the proportion of receivables entering delinquency increasing marginally to 1.7% (31 March 2020: 1.6%). The portfolio has yet to see any notable worsening of charge-off rates driven by the pandemic with the rate increasing primarily as a result of a targeted shift to online-originated accounts which have an associated higher risk compared to store-originated accounts. In 2020, the Group significantly uplifted its ECL allowance for higher anticipated credit losses driven by the worsening UK economic outlook. In Q1, the ECL allowance increased by £12.9m to finish the quarter at £106.0m, or 10.2% of gross receivables (31 December 2020: £93.1m, or 8.3%). The increase in ECL allowance was in part driven by a refinement to the Group's provisioning methodology which resulted in a £12.1m uplift of ECL for Co-brand. The segment's impairment rate for the quarter increased to 10.7% (31 March 2020: 8.3%).

Servicing costs reduced by 17% to £11.0m (31 March 2020: £13.3m) which was driven primarily by a reduction in receivables and account volumes.

Change costs increased by 18% to £3.9m (31 March 2020: £3.3m) which was driven by costs incurred to develop the Group's digital capabilities with the aim to enhance customer and partner experiences.

Marketing and partner payment costs reduced by 24% to £7.2m (31 March 2020: £9.5m) reflecting the lower profit share with retail partners driven in part by high street partners closing stores or otherwise ceasing to trade due to a combination of COVID-19 restrictions and the administration processes for certain high street partners.

Collection fees reduced by 31% to £2.2m (31 March 2020: £3.2m) due to less spend activity and lower receivables.

As a result of the factors above, Co-brand contribution reduced to £0.4m (31 March 2020: £8.4m).

Other segmental performance

Other reported negative contribution of £1.6m (31 March 2020: £nil) resulting from investment in strategic change projects aimed at broadening the Group's digital capabilities and product offerings.

Appendix

Consolidated interim financial information

NewDay Group (Jersey) Limited

Consolidated interim financial information

31 March 2021

Consolidated interim financial information

Consolidated income statement and consolidated statement of comprehensive income

	Note	Three months ended 31 March 2021 £m	Three months ended 31 March 2020 restated[1] £m	Year ended 31 December 2020 £m
Continuing operations				
Interest and similar income	3	163.5	180.0	654.6
Interest and similar expense	3	(22.9)	(24.8)	(95.3)
Net interest income		**140.6**	**155.2**	**559.3**
Fee and commission income	3	13.5	23.2	68.8
Impairment losses on loans and advances to customers	3, 6	(67.1)	(131.5)	(449.6)
Risk-adjusted income	3	**87.0**	**46.9**	**178.5**
Personnel expense		(25.4)	(23.4)	(87.4)
Other operating expenses		(50.4)	(53.9)	(220.0)
Total operating expenses	3	**(75.8)**	**(77.3)**	**(307.4)**
Profit/(loss) before tax from continuing operations	3	**11.2**	**(30.4)**	**(128.9)**
Tax (expense)/income		(4.0)	1.5	4.8
Profit/(loss) after tax from continuing operations		**7.2**	**(28.9)**	**(124.1)**
Discontinued operation				
Profit/(loss) after tax from discontinued operation	4	3.3	(1.5)	(4.5)
Profit/(loss) after tax		**10.5**	**(30.4)**	**(128.6)**
Other comprehensive income				
Items that may subsequently be reclassified to the income statement				
Effective portion of changes in fair value of cash flow hedges		1.9	22.2	(10.4)
Net income statement transfer from hedging reserve		0.9	(20.1)	13.3
Other comprehensive income		**2.8**	**2.1**	**2.9**
Total comprehensive income/(expense)		**13.3**	**(28.3)**	**(125.7)**

Notes 1 to 16 form an integral part of this consolidated interim financial information.

[1] In 2021, the Group's receivables in its Unsecured Personal Loans (UPL) business were sold, consequently the results of the UPL business are classified as a discontinued operation in the Group's Financial Statements. Accordingly, the comparative information has been restated to show the UPL business as a discontinued operation unless stated otherwise, see note 4 for further details.

Consolidated balance sheet

	Note	As at 31 March 2021 £m	As at 31 March 2020 £m	As at 31 December 2020 £m
Assets				
Loans and advances to banks	5	914.6	264.0	584.6
Loans and advances to customers	6	2,316.1	2,617.0	2,404.2
Other assets		39.5	73.5	50.8
Derivative financial assets	7	1.5	7.8	-
Current tax assets		2.2	0.8	1.8
Deferred tax assets		2.1	0.4	2.1
Property and equipment		18.8	22.3	19.8
Intangible assets	8	196.9	250.0	210.4
Goodwill		279.9	279.9	279.9
Loans and advances to customers held for sale	4	-	-	69.2
Total assets		**3,771.6**	**3,515.7**	**3,622.8**
Liabilities				
Debt issued and other borrowed funds	9	3,365.0	3,067.6	3,246.8
Other liabilities		93.4	73.1	77.8
Derivative financial liabilities	7	29.7	2.5	27.5
Current tax liabilities		0.4	0.1	0.1
Provisions	10	10.3	15.9	11.1
Total liabilities		**3,498.8**	**3,159.2**	**3,363.3**
Net assets		**272.8**	**356.5**	**259.5**
Equity attributable to owners of the Company				
Share capital and share premium		-	-	-
Equity instruments		593.9	593.9	593.9
Capital contribution		20.2	19.8	20.2
Hedging reserve		0.7	(2.9)	(2.1)
Retained losses		(342.0)	(254.3)	(352.5)
Total equity		**272.8**	**356.5**	**259.5**

Notes 1 to 16 form an integral part of this consolidated interim financial information.

Consolidated statement of changes in equity

	Share capital and share premium £m	Equity instruments £m	Capital contribution £m	Hedging reserve £m	Retained losses £m	Total equity £m
As at 31 December 2020	-	593.9	20.2	(2.1)	(352.5)	259.5
Total comprehensive income for the period:						
Profit after tax	-	-	-	-	10.5	10.5
Other comprehensive income	-	-	-	2.8	-	2.8
As at 31 March 2021	**-**	**593.9**	**20.2**	**0.7**	**(342.0)**	**272.8**

	Share capital and share premium £m	Equity instruments £m	Capital contribution £m	Hedging reserve £m	Retained losses £m	Total equity £m
As at 31 December 2019	-	593.9	30.5	(5.0)	(223.9)	395.5
Return paid on loan from immediate parent company[1]	-	-	(10.7)	-	-	(10.7)
Total comprehensive expense for the period:						
Loss after tax	-	-	-	-	(30.4)	(30.4)
Other comprehensive income	-	-	-	2.1	-	2.1
As at 31 March 2020	**-**	**593.9**	**19.8**	**(2.9)**	**(254.3)**	**356.5**
Return paid on loan from immediate parent company[1]	-	-	0.4	-	-	0.4
Total comprehensive expense for the period:						
Loss after tax	-	-	-	-	(98.2)	(98.2)
Other comprehensive income	-	-	-	0.8	-	0.8
As at 31 December 2020	**-**	**593.9**	**20.2**	**(2.1)**	**(352.5)**	**259.5**

Notes 1 to 16 form an integral part of this consolidated interim financial information.

[1] In 2020, the Group paid a return of £10.3m to Nemean MidCo Limited, its immediate parent, which was used by Nemean MidCo Limited to fund its acquisition of a controlling stake in Pay4Later Limited (which trades under the name Deko). The return was made in accordance with the £529.2m loan agreement between NewDay Group (Jersey) Limited and Nemean MidCo Limited which, consistent with the requirements of IFRS, is reported as an equity instrument in the Group's Financial Statements.

Consolidated statement of cash flows

	Note	Three months ended 31 March 2021 £m	Three months ended 31 March 2020 restated[1] £m	Year ended 31 December 2020 £m
Operating activities				
Profit/(loss) after tax		10.5	(30.4)	(128.6)
Reconciliation of profit/(loss) after tax to net cash generated from operating activities:				
Tax expense/(income)		4.0	(1.5)	(4.8)
Interest and similar expense		22.9	24.8	95.3
Interest and similar expense from discontinued operation	4	0.1	0.7	2.3
Depreciation of property and equipment		1.3	1.3	5.4
Charge on disposal of property and equipment		-	-	0.2
Amortisation and impairment of intangible assets	8	15.7	18.1	58.0
Impairment and charge on disposal of intangible assets	8	-	-	6.2
Impairment and charge on disposal of intangible assets from discontinued operation	8	-	-	0.5
Impairment losses on loans and advances to customers		67.1	131.5	449.6
Impairment losses on loans and advances to customers from discontinued operation	4	1.0	5.0	16.4
Changes in operating assets and liabilities:				
Decrease/(increase) in restricted cash		2.1	(2.4)	(10.1)
Decrease/(increase) in loans and advances to customers including those held for sale		89.2	(43.7)	(229.6)
Decrease/(increase) in other assets		11.3	(16.9)	5.8
Increase/(decrease) in other liabilities		16.3	(9.7)	(2.4)
Decrease in provisions		(0.8)	(2.0)	(6.8)
Interest and similar expense paid		(28.4)	(28.5)	(91.0)
Tax paid		(4.1)	(6.3)	(6.3)
Net cash generated from operating activities		**208.2**	**40.0**	**160.1**
Cash flows from investing activities				
Purchases of property and equipment		(0.3)	(1.3)	(2.7)
Investment in intangible assets	8	(2.2)	(1.9)	(8.9)
Net cash used in investing activities		**(2.5)**	**(3.2)**	**(11.6)**
Cash flows from financing activities				
Proceeds from debt issued and other borrowed funds	9	378.9	100.2	1,012.5
Repayment of debt issued and other borrowed funds	9	(251.9)	(69.6)	(778.6)
Payment of principal element of lease liabilities		(0.6)	(0.8)	(3.3)
Return paid on loan from immediate parent company		-	(10.7)	(10.3)
Net cash generated from financing activities		**126.4**	**19.1**	**220.3**
Net increase in cash and cash equivalents		332.1	55.9	368.8
Cash and cash equivalents at the start of the period		520.9	152.1	152.1
Cash and cash equivalents at the end of the period	5	**853.0**	**208.0**	**520.9**

Notes 1 to 16 form an integral part of this consolidated interim financial information.

[1] In 2021, the Group's receivables in its UPL business were sold, consequently the results of the UPL business are classified as a discontinued operation in the Group's Financial Statements. Accordingly, the comparative information has been restated to show the UPL business as a discontinued operation unless stated otherwise, see note 4 for further details.

Notes to the consolidated interim financial information

1. Corporate information

NewDay Group (Jersey) Limited (the Company) was incorporated in Jersey as a private limited company on 26 September 2016. The address of its registered office is 27 Esplanade, St Helier, Jersey, JE1 1SG. Nemean MidCo Limited has been the sole shareholder of the Company since incorporation. The ultimate parent undertaking is Nemean TopCo Limited, a private limited company incorporated in Jersey.

2. Accounting policies

2.1 Basis of preparation

The consolidated interim financial information (the interim financial information) do not constitute statutory financial statements within the meaning of section 105 of the Companies (Jersey) Law 1991. The Annual Report and Financial Statements of NewDay Group (Jersey) Limited (the statutory Financial Statements) for the year ended 31 December 2020 were approved by the Board of Directors of NewDay Group (Jersey) Limited on 10 March 2021. Those statutory Financial Statements contained an unqualified audit report and did not draw attention to any matters of emphasis. The statutory Financial Statements are available on the Group's website (www.newday.co.uk).

In accordance with the terms of the Senior Secured Debt and Revolving Credit Facility, for reporting purposes, the Company has elected that "IFRS" shall mean International Financial Reporting Standards (IFRS) endorsed from time to time by the United Kingdom. As a result, this interim financial information has been prepared in accordance with UK-adopted International Accounting Standards (UK IFRS) whilst the prior period comparatives contained herein have been prepared in accordance with IFRS as endorsed by the EU (EU IFRS). Both sets of standards were the same as at 1 January 2021 and the Group's accounting policies have been consistently applied in the current period and prior period comparatives. The interim financial information for the three months ended 31 March 2021 was approved by the Board of Directors on 10 May 2021.

For the avoidance of doubt, it should also be noted that, in accordance with the terms of the Senior Secured Debt and Revolving Credit Facility, NewDay BondCo plc has elected that, all ratios, baskets and calculations that are based on IFRS and carried out in accordance with the terms of the Senior Secured Debt and Revolving Credit Facility, shall be computed in accordance with IFRS endorsed by the United Kingdom as in effect at 1 January 2021 provided that the impact of IFRS 9 'Financial Instruments' and IFRS 16 'Leases' shall be disregarded.

Going concern

As at 10 May 2021, the Group has the following debt maturing in the next twelve months:

- £723.6m (including £354.1m through a cross-currency interest rate swap) of asset-backed term debt principal within the Own-brand securitisation programme; and
- £159.3m and £21.5m of principal drawn from variable funding notes (VFNs), on commitments totalling £450.0m and £175.0m, within the Own-brand and Co-brand securitisation programmes respectively.

In order to deliver the growth plans, it is the Directors' intention to refinance the funding due to mature with new asset-backed term debt and VFNs. If new funding cannot be obtained in line with the Group's growth plans, the Directors note that the Group can, if required, exercise an option to extend the maturity date on all its asset-backed term debt and VFNs by one year. In February 2021, the Group raised £362.4m of cash from the issuance of publicly listed asset-backed term debt in the Own-brand securitisation programme. It is the Directors' intention to use this cash to settle £283.9m of debt (inclusive of amounts fixed using cross-currency interest rate swaps) due to mature in August 2021. As at 10 May 2021, the Group has undrawn VFNs of £226.2m and £374.7m within the Own-brand and Co-brand securitisations programmes with a maturity in excess of twelve months which can be used to fund future growth and refinance maturing debt (subject to sufficient headroom).

In addition to regular forecasting of performance, the Group has undertaken various stress scenarios to assess the impact on profitability, cash flows, the balance sheet and compliance with funding covenants. This information is formally presented to the Board for review, and has been approved by the Board, along with consideration of the potential impact of contingent liabilities on the Group.

These stress scenarios show that in a severe but plausible downturn where there is no ability to raise new financing, the Group could continue to operate with the financing available under its existing facilities and covenants, and in the event that there is limited headroom on the Group's financing, the Directors also have the ability to alter the Group's growth plans to maintain adequate headroom.

The Directors also considered the impact of Brexit and the COVID-19 pandemic on the Group including conducting scenario analysis of the potential impact on profitability and capital markets and assessing the Group's ability to refinance in this scenario. Considering the scenario analysis and the Group's current funding position, the Directors are satisfied that the Group and the Company have the resources necessary to continue in business for a period of at least twelve months after the approval of the interim financial information and are of the opinion that the Group and the Company continue to be a going concern. Therefore, the interim financial information is prepared on the going concern basis.

Notes to the consolidated interim financial information (continued)

2.1 Basis of preparation (continued)

Basis of consolidation

The interim financial information comprise the consolidated Financial Statements of the Company and its subsidiaries (together with certain structured entities (SEs) that the Group consolidates) as at 31 March 2021. The subsidiaries and SEs consolidated into the interim financial information are disclosed in note 27 of the 2020 statutory Financial Statements. The Financial Statements of the Group's subsidiaries (including SEs that the Group consolidates) are prepared for the same reporting period as the Company using consistent accounting policies.

Subsidiaries are fully consolidated from the date that control is transferred to the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity, has the exposure or rights to the variable returns from the involvement with the entity, and is able to use its power to affect the amount of returns for the Group.

All intra-Group balances, transactions, income and expenses are eliminated in full.

2.2 Summary of significant accounting policies

The accounting policies adopted in the interim financial information are consistent with those adopted and disclosed in the statutory Financial Statements for the year ended 31 December 2020 and are detailed in those statutory Financial Statements, except for i) corporation tax which in interim periods is accrued using the expected effective tax rate for the full year, and ii) the amortisation method for the Group's acquired intellectual property intangible assets which has changed from a straight-line method to a unit-of-production method that reflects the expected usage of the asset over the remainder of its life. The change in amortisation method has been treated as a change in accounting estimate.

2.3 Significant accounting judgements, estimates and assumptions

The preparation of Financial Statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of income and expense during the reporting period. The significant accounting judgements, estimates and assumptions exercised by management in determining the amounts recognised in the interim Financial Statements are consistent with those adopted in the statutory Financial Statements for the year ended 31 December 2020 with the exception of those used in the expected credit loss (ECL) allowance on loans and advances to customers. The changes to the ECL allowance are detailed further below. A full assessment of the judgements, estimates and assumptions for the year ended 31 December 2020 are detailed on page 91 to 95 of the 2020 Annual Report and Financial Statements.

ECL allowance on loans and advances to customers

The changes to the significant accounting judgements, estimates and assumptions used within the ECL allowance on loans and advances to customers are the use of: i) forward-looking information; and ii) post model adjustments (PMAs).

Forward-looking information

The Group continues to monitor the impact of the COVID-19 pandemic and Brexit on the UK economic outlook. The forward-looking information incorporated into the Group's ECL allowance is adjusted when the economic outlook changes. The following table details the key forward-looking information incorporated into the Group's ECL allowance over the five-year outlook period used in the Group's ECL provisioning model.

Notes to the consolidated interim financial information (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

	UK unemployment rate forecast over five-year outlook period %			ECL allowance assuming 100% probability weighting	Probability weighting used in reported ECL allowance
	Peak	**Minimum**	**Average**	**£m**	**%**
31 March 2021					
Upside	5.8	3.8	4.6	485.3	5
Base	6.4	4.2	5.1	508.2	50
Downside 1	9.1	4.5	6.5	590.5	40
Downside 2	11.9	4.8	8.0	694.1	5
31 December 2020					
Upside	6.9	3.8	4.9	490.0	5
Base	8.6	4.6	6.0	541.1	60
Downside 1	10.2	5.5	7.1	590.5	30
Downside 2	12.7	5.5	8.0	680.0	5

A summary of the assumptions in each scenario as at 31 March 2021 is as follows:

- the upside scenario assumes an immediate rebound to the UK economy as COVID-19 restrictions on all sectors are lifted and Brexit-related issues are resolved with new trade agreements resulting in an improvement in consumer confidence. The unemployment rate is expected to peak at 5.8% in Q4 2021 before gradually falling to pre-pandemic levels of 3.9% by the end of 2023;
- the base scenario assumes a phased rebound to the UK economy as restrictions on retail and hospitality sectors are lifted in phases. Consumer confidence increases as the restrictions are lifted throughout 2021. Following the end of furlough schemes, the unemployment rate is forecast to peak at 6.4% in Q4 2021 before gradually falling almost back to pre-COVID-19 levels by the end of the five-year outlook period, reaching 4.2%;
- the downside 1 scenario assumes the UK economy takes longer to recover with some sectors of the economy having to wait longer for a full easing of restrictions and continued post-Brexit trading friction. The unemployment rate peaks at 9.1% in Q4 and remains elevated before gradually reducing to 4.5% at the end of the five-year outlook period; and
- the downside 2 scenario assumes the UK economy is hit harder by the phasing of COVID-19 business interruptions and ongoing issues following Brexit. The UK economy is expected to take longer to recover with unemployment rates reaching 11.9% in Q4 2021 immediately after the Government furlough scheme ends and remains elevated for the duration of the forecast period as business struggles to recover. The unemployment rate reduces to 4.8% by the end of the five-year outlook period which is significantly above the pre-pandemic rate.

As at 31 March 2021, the impact of weighting these scenarios increased the ECL allowance on loans and advances to customers by £41.1m compared to the base scenario ECL allowance (31 December 2020: £22.2m).

PMAs

The Group uses PMAs to adjust modelled ECL outcomes when it is deemed that the underlying model methodology has not fully captured anticipated credit losses. The following table details the PMAs incorporated within the ECL allowance.

	As at 31 March 2021 £m	As at 31 December 2020 £m
COVID-19 related	68.4	38.5
Forward-looking information	15.6	24.6
Model performance	29.1	21.2
Total PMAs	**113.1**	**84.3**

Notes to the consolidated interim financial information (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

The methodologies used to calculate PMAs are based on similar principles to those used in the underlying model methodology, with the inputs and calculations subject to regular oversight and review consistent with the underlying model output. A summary of each category of PMA is as follows:

- COVID-19 related PMAs represent adjustments to ECL arising from changes in customer behaviour and model inputs driven by the pandemic that are not captured appropriately by the underlying model methodology. This includes the additional losses expected to be incurred on accounts that have taken a payment deferral, such as a payment holiday or payment freeze;
- the forward-looking information PMA represents the use of a proxy on the Co-brand portfolio to consider the impact of forward-looking information on ECL. The Group uses its Own-brand model for considering the impact of changes in forward-looking information on ECL as a proxy for use on its Co-brand loans and advances to customers; and
- model performance PMAs represent adjustments to modelled outcomes including normalisation for recent experience and the outcome of periodic model validations.

See note 12.2 for further details of the Group's ECL allowance.

2.4 Adoption of new and revised standards

The following new standards, interpretations and amendments to existing standards are mandatory for the first time for the period ended 31 March 2021 but do not have a significant impact on the Group:

- Amendments to IFRS 16 'Leases' for COVID-19 related rent concessions; and
- Interest Rate Benchmark Reform - Phase 2 (amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

2.5 Standards issued but not yet effective

The following accounting standards have been issued by the International Accounting Standards Board but have not been early adopted by the Group:

- Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. This amendment clarifies the costs that comprise the costs of fulfilling a contract. This amendment is not expected to have a significant impact on the Group's Financial Statements;
- Amendment to IAS 16 'Property, Plant and Equipment' for proceeds before intended use. This amendment provides more guidance on accounting for the proceeds from selling items before the related item of property, plant and equipment is available for use. The amendment is not expected to have a significant impact on the Group's Financial Statements;
- Amendments to IFRS 3 'Business Combinations' and references to the Conceptual Framework. The amendments are not expected to have a significant impact on the Group's Financial Statements;
- Amendments to IAS 1 'Presentation of Financial Statements'. The amendments provide more guidance on the definition of a current and non-current liability. The amendments are not expected to have a significant impact on the Group's Financial Statements;
- IFRS 17 'Insurance Contracts'. IFRS 17 replaces IFRS 4 'Insurance Contracts' and establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts. This standard is not expected to have a significant impact on the Group's Financial Statements;
- Amendments to IFRS 10 and IAS 28 for the sale or contribution of assets between an investor and its associate or joint venture. The amendments are not expected to have a significant impact on the Group's Financial Statements; and
- Annual improvements to IFRS Standards 2018-2020. This is not expected to have a significant impact on the Group's Financial Statements.

Notes to the consolidated interim financial information (continued)

3. Segment information

The Group's operating performance on a segmental basis is regularly reviewed by management. These segmental results contain various reclassifications from the statutory results. The Group's reportable segments comprise Own-brand, Co-brand and Other, which are the segments reported to the chief operating decision maker, which is deemed to be the Chief Executive Officer and the Management Committee. Each segment offers different products and services and is managed in line with the Group's management and internal reporting structure. Segment performance is assessed on the basis of contribution. The segments are as follows:

- Own-brand: this segment serves near-prime customers who are typically new to credit or have a poor or limited credit history. The segment issues credit cards under the Aqua, marbles and Fluid brands, and also includes two closed portfolios. From April 2021, this portfolio issues digital credit through the Bip brand;
- Co-brand: this segment provides credit products in partnership with established retail, e-tail and consumer brands. These products include store cards, co-branded credit cards and the Group's digital revolving credit product, NewPay. In addition to this, the Group also has a portfolio of closed credit cards and point-of-sale finance products; and
- Other: this segment primarily represents strategic projects aimed at broadening the Group's digital capabilities and product offerings. This segment was established in 2021 for reporting to the chief operating decision maker and prior period comparatives have not been revised for this segment because its comparative results in prior periods were immaterial.

In February 2021, the Group sold the receivables in its UPL business to a third party. Consequently, the UPL segment is no longer presented as a separate operating segment and is presented in the Group's Financial Statements as a discontinued operation.

These segments reflect how internal reporting is provided to management and how management allocate resources and assess performance. Segment performance is assessed on the basis of contribution. The accounting policies of the reportable segments are consistent with the Group's accounting policies. The Group's activities are managed across Jersey, Luxembourg and the UK. However, the Group only offers products to customers in the UK. Capital expenditure is not allocated to individual segments as property and equipment is managed at Group level.

Seasonality

Seasonal Christmas spending and peak promotional periods by Co-brand partners throughout the year drive an increase in interest income earned in the months following this activity. However, the impact of the COVID-19 pandemic, including the payment holidays extended to customers which suspend interest and fees for the duration of the holiday, has a more significant impact on reported profits than underlying seasonality drivers.

Notes to the consolidated interim financial information (continued)

3. Segment information (continued)

The table below presents the performance on a segmental basis, for the three months ended 31 March 2021, in line with reporting to the chief operating decision maker:

Three months ended 31 March 2021	Own-brand £m	Co-brand £m	Other £m	Total £m
Interest income	111.6	51.7	-	163.3
Cost of funds	(9.1)	(5.4)	-	(14.5)
Net interest income	**102.5**	**46.3**	**-**	**148.8**
Fee and commission income	5.4	2.8	0.1	8.3
Impairment losses on loans and advances to customers	(37.8)	(28.8)	-	(66.6)
Risk-adjusted income	**70.1**	**20.3**	**0.1**	**90.5**
Servicing costs	(11.1)	(11.0)	-	(22.1)
Change costs	(4.8)	(3.9)	(1.7)	(10.4)
Marketing and partner payments	(3.3)	(7.2)	-	(10.5)
Collection fees	3.2	2.2	-	5.4
Contribution	**54.1**	**0.4**	**(1.6)**	**52.9**
Salaries, benefits and overheads				(19.4)
Underlying profit before tax				**33.5**
Add back: depreciation and amortisation				2.7
Adjusted EBITDA[1]				**36.2**
Senior Secured Debt interest and related costs				(8.3)
Fair value unwind				0.3
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition				(17.0)
Profit before tax from continuing operations				**11.2**
Gross receivables	**1,708.8**	**1,043.8**	**-**	**2,752.6**

The table below presents a reconciliation of the reclassifications from the statutory performance to the results shown in the segmental analysis:

Three months ended 31 March 2021 reconciling items	Statutory £m	Fair value unwind £m	Cost recovery fees £m	Senior Secured Debt interest and related costs £m	Other £m	Segmental basis £m
Interest income	163.5	(0.3)	-	-	0.1	163.3
Cost of funds	(22.9)	-	-	8.3	0.1	(14.5)
Fee and commission income	13.5	-	(5.2)	-	-	8.3
Impairment losses on loans and advances to customers	(67.1)	-	-	-	0.5	(66.6)
Risk-adjusted income	**87.0**	**(0.3)**	**(5.2)**	**8.3**	**0.7**	**90.5**
Total operating expenses	(75.8)	0.3	5.2	(8.3)	(0.7)	(79.3)[2]
Profit before tax from continuing operations	**11.2**	**-**	**-**	**-**	**-**	**11.2**

Fair value unwind reflects the amortisation of the fair value adjustment on the Group's acquired receivables which is excluded from contribution on a segmental basis.

Cost recovery fees are presented as a component of collection fees on a segmental basis rather than income.

Senior Secured Debt interest and related costs represents the £8.3m interest and related costs on the £425.0m Senior Secured Debt and £30.0m Revolving Credit Facility, which are excluded from contribution on a segmental basis.

[1] See footnote 2 on page 2.

[2] Includes all items below risk-adjusted income on the segmental basis income statement above.

Notes to the consolidated interim financial information (continued)

3. Segment information (continued)

Other largely represents operational losses included within servicing costs on a segmental basis rather than impairment on loans and advances to customers and also IFRS 16 interest expense arising from the unwind of lease liabilities which is presented in servicing costs and overheads on a segmental basis rather than cost of funds.

The table below presents the performance on a segmental basis, for the three months ended 31 March 2020, in line with reporting to the chief operating decision maker:

Three months ended 31 March 2020 restated[1]	**Own-brand £m**	**Co-brand £m**	**Total £m**
Interest income	123.6	55.9	179.5
Cost of funds	(9.7)	(6.0)	(15.7)
Net interest income	**113.9**	**49.9**	**163.8**
Fee and commission income	10.3	5.0	15.3
Impairment losses on loans and advances to customers	(107.7)	(23.6)	(131.3)
Risk-adjusted income	**16.5**	**31.3**	**47.8**
Servicing costs	(11.3)	(13.3)	(24.6)
Change costs	(4.7)	(3.3)	(8.0)
Marketing and partner payments	(3.4)	(9.5)	(12.9)
Collection fees	4.9	3.2	8.1
Contribution	**2.0**	**8.4**	**10.4**
Salaries, benefits and overheads			(15.1)
Underlying loss before tax			**(4.7)**
Add back: depreciation and amortisation			2.2
Adjusted EBITDA[2]			**(2.5)**
Senior Secured Debt interest and related costs			(8.5)
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition			(15.4)
Impairment of customer and retail partner relationships intangible assets arising on the Acquisition			(4.0)
Loss before tax from continuing operations			**(30.4)**
Gross receivables	**1,754.2**	**1,100.6**	**2,854.8**

Three months ended 31 March 2020 reconciling items restated[1]	**Statutory £m**	**Fair value unwind £m**	**Cost recovery fees £m**	**Senior Secured Debt interest and related costs £m**	**Other £m**	**Segmental basis £m**
Interest income	180.0	(0.3)	-	-	(0.2)	179.5
Cost of funds	(24.8)	0.3	-	8.5	0.3	(15.7)
Fee and commission income	23.2	-	(7.9)	-	-	15.3
Impairment losses on loans and advances to customers	(131.5)	-	-	-	0.2	(131.3)
Risk-adjusted income	**46.9**	**-**	**(7.9)**	**8.5**	**0.3**	**47.8**
Total operating expenses	(77.3)	-	7.9	(8.5)	(0.3)	(78.2)[3]
Loss before tax from continuing operations	**(30.4)**	**-**	**-**	**-**	**-**	**(30.4)**

[1] In 2021, the Group's receivables in its UPL business were sold, consequently the results of the UPL business are classified as a discontinued operation in the Group's Financial Statements. Accordingly, the comparative information has been restated to show the UPL business as a discontinued operation unless stated otherwise, see note 4 for further details.

[2] See footnote 2 on page 2.

[3] Includes all items below risk-adjusted income on the segmental basis income statement above.

Notes to the consolidated interim financial information (continued)

3. Segment information (continued)

The table below presents the performance on a segmental basis, for the year ended 31 December 2020, in line with reporting to the chief operating decision maker:

Year ended 31 December 2020	Own-brand £m	Co-brand £m	Total £m
Interest income	446.1	207.3	653.4
Cost of funds	(37.4)	(22.8)	(60.2)
Net interest income	**408.7**	**184.5**	**593.2**
Fee and commission income	27.5	16.7	44.2
Impairment losses on loans and advances to customers	(348.0)	(98.6)	(446.6)
Risk-adjusted income	**88.2**	**102.6**	**190.8**
Servicing costs	(45.4)	(52.2)	(97.6)
Change costs	(23.3)	(15.8)	(39.1)
Marketing and partner payments	(11.7)	(35.5)	(47.2)
Collection fees	15.1	10.4	25.5
Contribution	**22.9**	**9.5**	**32.4**
Salaries, benefits and overheads			(54.0)
Underlying loss before tax			**(21.6)**
Add back: depreciation and amortisation			10.1
Adjusted EBITDA[1]			**(11.5)**
Senior Secured Debt interest and related costs			(34.1)
Fair value unwind			0.7
PPI			(7.7)
Debenhams asset write-off			(7.4)
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition			(63.4)
Impairment of customer and retail partner relationships intangible assets arising on the Acquisition			(5.5)
Loss before tax from continuing operations			**(128.9)**
Gross receivables	**1,718.2**	**1,126.3**	**2,844.5**

The table below presents a reconciliation of the reclassifications from the statutory performance to the results shown in the segmental analysis:

Year ended 31 December 2020 reconciling items	Statutory £m	Fair value unwind £m	Cost recovery fees £m	Senior Secured Debt interest and related costs £m	Other £m	Segmental basis £m
Interest income	654.6	(1.1)	-	-	(0.1)	653.4
Cost of funds	(95.3)	0.4	-	34.1	0.6	(60.2)
Fee and commission income	68.8	-	(24.6)	-	-	44.2
Impairment losses on loans and advances to customers	(449.6)	-	-	-	3.0	(446.6)
Risk-adjusted income	**178.5**	**(0.7)**	**(24.6)**	**34.1**	**3.5**	**190.8**
Total operating expenses	(307.4)	0.7	24.6	(34.1)	(3.5)	(319.7)[2]
Loss before tax from continuing operations	**(128.9)**	**-**	**-**	**-**	**-**	**(128.9)**

[1] See footnote 2 on page 2.

[2] Includes all items below risk-adjusted income on the segmental basis income statement above.

Notes to the consolidated interim financial information (continued)

4. Discontinued operation

Following a strategic review of its operations, the Group closed its UPL segment to new lending in March 2020. Towards the end of 2020, the Group made the decision to market for sale the UPL loans and advances to customers portfolio and committed to a plan to sell the loans. This sale was concluded in February 2021 resulting in a gain on sale from the outstanding loans and advances to customers at the completion date of £3.0m, net of selling costs. The other assets and liabilities of the UPL business were not included within the sale process. The cash received from this sale was used to settle in full the outstanding UPL VFN. Following the repayment of the UPL VFN, the UPL segment was discontinued.

The UPL segment was not classified as held for sale or a discontinued operation as at 31 March 2020. The comparative consolidated statement of profit or loss and other comprehensive income has been restated to show the discontinued operation separately from continuing operations.

a) Results of discontinued operation

	Three months ended 31 March 2021 £m	Three months ended 31 March 2020 £m	Year ended 31 December 2020 £m
Interest and similar income	1.8	5.5	18.0
Interest and similar expense	(0.1)	(0.7)	(2.3)
Net interest income	**1.7**	**4.8**	**15.7**
Impairment losses on loans and advances to customers	(1.0)	(5.0)	(16.4)
Risk-adjusted income/(expense)	**0.7**	**(0.2)**	**(0.7)**
Servicing costs	(0.4)	(0.3)	(2.1)
Advertising and marketing costs	-	(0.1)	(0.1)
Project expenses	-	(0.9)	(1.1)
Impairment and charge on disposal of intangible assets	-	-	(0.5)
Total operating expenses	**(0.4)**	**(1.3)**	**(3.8)**
Gain on sale of loans and advances to customers	3.0	-	-
Profit/(loss) before tax from discontinued operation	**3.3**	**(1.5)**	**(4.5)**
Tax expense	-	-	-
Profit/(loss) after tax from discontinued operation	**3.3**	**(1.5)**	**(4.5)**

The results of discontinued operation includes all income and expenses that are directly attributable to the UPL business unit.

b) Cash flows generated from/(used in) discontinued operation

	Three months ended 31 March 2021 £m	Three months ended 31 March 2020 £m	Year ended 31 December 2020 £m
Net cash generated from/(used in) operating activities	72.4	(8.0)	30.4
Net cash (used in)/generated from financing activities	(54.2)	4.8	(22.5)
Net cash flows generated from/(used in) discontinued operation	**18.2**	**(3.2)**	**7.9**

Notes to the consolidated interim financial information (continued)

4. Discontinued operation (continued)

c) Loans and advances to customers held for sale
As per the requirements of IFRS 5 ‘Non-current Assets Held for Sale and Discontinued Operations’, the UPL loans and advances to customers were classified as held for sale as at 31 December 2020.

	As at 31 December 2020 £m
Gross loans and advances to customers held for sale	82.3
ECL allowance on loans and advances to customers held for sale	(13.1)
Loans and advances to customers held for sale	**69.2**

d) Gain on sale of loans and advances to customers held for sale
The table below shows the gain realised from the sale, which completed in February 2021, of the loans and advances to customers held for sale.

	£m
Cash consideration received	67.2
Carrying value of loans and advances to customers held for sale at transaction date	(62.7)
Costs to sell	(1.5)
Gain on sale of loans and advances to customers	**3.0**

5. Loans and advances to banks

	As at 31 March 2021 £m	**As at 31 March 2020 £m**	**As at 31 December 2020 £m**
Loans and advances to banks	853.0	208.0	520.9
Restricted cash	61.6	56.0	63.7
	914.6	**264.0**	**584.6**
Cash and cash equivalents	**853.0**	**208.0**	**520.9**

Loans and advances to banks are held with large commercial banks. Restricted cash of £61.6m (31 March 2020: £56.0m, 31 December 2020: £63.7m) is restricted for more than three months and consists of ring-fenced cash for credit balances on loans and advances to customers, as well as cash restricted due to covenants in place in accordance with the Group’s funding structure. As at 31 March 2021, £132.4m of the cash and cash equivalents balance is held by entities outside of the securitisation structure (31 March 2020: £84.2m, 31 December 2020: £132.9m).

In January 2021, the Group repaid £30.0m drawn from its Super Senior Revolving Credit Facility.

Notes to the consolidated interim financial information (continued)

6. Loans and advances to customers

	As at 31 March 2021 £m	As at 31 March 2020 £m	As at 31 December 2020 £m
Gross loans and advances to customers	2,865.4	3,092.0	2,954.4
ECL allowance	(549.3)	(475.0)	(550.2)
Loans and advances to customers	**2,316.1**	**2,617.0**	**2,404.2**

There is no fixed term for repayment of credit card loans other than a contractual requirement for customers to make a minimum monthly repayment towards their outstanding balance.

For details of the credit risk arising on loans and advances to customers see note 12.2.

7. Derivative financial instruments

The Group uses derivative financial instruments, namely cross-currency interest rate swaps, to manage the interest rate and foreign exchange rate risks arising from the Group's foreign currency denominated asset-backed term debt.

The Group has designated its derivative financial instruments as hedging instruments in qualifying cash flow hedges. Their fair value has been calculated by discounting contractual future cash flows using relevant market interest rate yield curves and forward foreign exchange rates prevailing at the balance sheet date. The notional amounts and fair values of derivative financial instruments at the period end were as follows:

	As at 31 March 2021			As at 31 March 2020		
	Notional amount £m	Assets £m	Liabilities £m	Notional amount £m	Assets £m	Liabilities £m
Cash flow hedges	424.1	1.5	(29.7)	362.1	7.8	(2.5)
Derivative financial instruments	**424.1**	**1.5**	**(29.7)**	**362.1**	**7.8**	**(2.5)**

	As at 31 December 2020		
	Notional amount £m	Assets £m	Liabilities £m
Cash flow hedges	328.7	-	(27.5)
Derivative financial instruments	**328.7**	**-**	**(27.5)**

All cash flow hedges are deemed to be effective and the fair value thereof has been deferred in equity within the hedging reserve. There was no impact on the income statement in the period in respect of the movement in the fair value of ineffective cash flow hedges (31 March 2020: £nil, 31 December 2020: £nil).

Notes to the consolidated interim financial information (continued)

8. Intangible assets

	Acquired customer and retail partner relationships £m	Acquired brand and trade names £m	Acquired intellectual property £m	Internally generated intangibles £m	Total £m
Cost as at 1 January 2021	313.4	27.8	51.9	26.7	419.8
Additions	-	-	-	2.2	2.2
Cost as at 31 March 2021	**313.4**	**27.8**	**51.9**	**28.9**	**422.0**
Amortisation as at 1 January 2021	(167.5)	(5.4)	(29.0)	(7.5)	(209.4)
Charge to the income statement	(11.5)	(0.3)	(2.5)	(1.4)	(15.7)
Amortisation as at 31 March 2021	**(179.0)**	**(5.7)**	**(31.5)**	**(8.9)**	**(225.1)**
Net book value as at 31 March 2021	**134.4**	**22.1**	**20.4**	**20.0**	**196.9**
Net book value as at 31 December 2020	145.9	22.4	22.9	19.2	210.4
Net book value as at 31 March 2020	180.9	23.5	28.4	17.2	250.0

In 2021, the amortisation method for the Group's acquired intellectual property intangible assets changed from a straight-line method to a unit-of-production method. The revised method reflects the expected usage of the asset over the remainder of its life. The change in amortisation method has been treated as a change in accounting estimate.

9. Debt issued and other borrowed funds

	As at 31 March 2021 £m	As at 31 March 2020 £m	As at 31 December 2020 £m
Senior Secured Debt and associated facilities	430.0	460.2	465.4
Asset-backed term debt	2,338.4	1,885.3	1,979.7
Variable funding notes	611.8	740.2	817.2
	3,380.2	3,085.7	3,262.3
Capitalised debt funding fees	(15.2)	(18.1)	(15.5)
Debt issued and other borrowed funds	**3,365.0**	**3,067.6**	**3,246.8**

In connection with the Acquisition in 2017, NewDay BondCo plc issued £425.0m Senior Secured Debt comprising £275.0m Fixed Rate Senior Secured Notes due 2024 and £150.0m Floating Rate Senior Secured Notes due 2023. In addition, certain subsidiaries of the Group entered into a £30.0m Super Senior Revolving Credit Facility and, in March 2020, the Group completed a £30.0m drawdown from this facility which was subsequently repaid in full in January 2021.

Debt issued and other borrowed funds includes publicly listed asset-backed securities and variable funding notes provided by a number of different investors. This debt issued (provided at LIBOR, SOFR or SONIA plus margin) is backed by securitised outstanding loans and advances to customers. As at 31 March 2021, £1,719.7m is to fund the Own-brand portfolio (31 March 2020: £1,510.6m, 31 December 2020: £1,443.7m) and £1,230.5m is to fund the Co-brand portfolio (31 March 2020: £1,033.4m, 31 December 2020: £1,299.0m). Following the sale of the UPL loans and advances to customers in February 2021, the UPL VFN was repaid in full and there is no longer any outstanding debt in this portfolio (31 March 2020: £81.5m, 31 December 2020: £54.2m).

Notes to the consolidated interim financial information (continued)

9. Debt issued and other borrowed funds (continued)

A reconciliation of debt issued and other borrowed funds during the three months ended 31 March 2021 is as follows:

		Cash flows		Non-cash movements	
	As at 1 January 2021 £m	**Proceeds from debt issued £m**	**Repayment of debt issued £m**	**Other £m**	**As at 31 March 2021 £m**
Senior Secured Debt and associated facilities	465.4	-	(30.0)	(5.4)	430.0
Asset-backed term debt	1,979.7	362.4	-	(3.7)	2,338.4
Variable funding notes	817.2	16.5	(221.9)	-	611.8
Debt issued and other borrowed funds	**3,262.3**	**378.9**	**(251.9)**	**(9.1)**	**3,380.2**

Other non-cash movements includes movements in accrued interest and foreign exchange gains and losses on the US dollar denominated debt.

A reconciliation of debt issued and other borrowed funds during the three months ended 31 March 2020 is as follows:

		Cash flows		Non-cash movements	
	As at 1 January 2020 £m	**Proceeds from debt issued £m**	**Repayment of debt issued £m**	**Other £m**	**As at 31 March 2020 £m**
Senior Secured Debt and associated facilities	435.4	30.0	-	(5.2)	460.2
Asset-backed term debt	1,865.3	-	-	20.0	1,885.3
Variable funding notes	739.8	70.2	(69.6)	(0.2)	740.2
Debt issued and other borrowed funds	**3,040.5**	**100.2**	**(69.6)**	**14.6**	**3,085.7**

A reconciliation of debt issued and other borrowed funds during the year ended 31 December 2020 is as follows:

		Cash flows		Non-cash movements	
	As at 1 January 2020 £m	**Proceeds from debt issued £m**	**Repayment of debt issued £m**	**Other £m**	**As at 31 December 2020 £m**
Senior Secured Debt and associated facilities	435.4	30.0	-	-	465.4
Asset-backed term debt	1,865.3	354.1	(227.8)	(11.9)	1,979.7
Variable funding notes	739.8	628.4	(550.8)	(0.2)	817.2
Debt issued and other borrowed funds	**3,040.5**	**1,012.5**	**(778.6)**	**(12.1)**	**3,262.3**

Notes to the consolidated interim financial information (continued)

9. Debt issued and other borrowed funds (continued)

The scheduled maturities of debt issued and other borrowed funds are as follows:

	As at 31 March 2021 £m	As at 31 March 2020 £m	As at 31 December 2020 £m
Debt issued and other borrowed funds repayable in:			
Less than one year	1,105.8	561.5	1,129.2
Between one and two years	1,164.8	1,091.2	1,098.7
Between two and five years	1,109.6	1,433.0	980.2
Other	-	-	54.2
	3,380.2	**3,085.7**	**3,262.3**

Within amounts repayable in less than one year is £525.9m of debt (including accrued interest) which will be repaid with funding raised by two separate financing transactions completed in 2020 and 2021. The cash raised from these transactions is reported within loans and advances to banks as at 31 March 2021.

In January 2021, the Group repaid in full the £30.0m principal drawn from the Super Senior Revolving Credit Facility.

In February 2021, the Group sold its outstanding loans and advances to customers held for sale in its UPL portfolio to a third party. Part of the proceeds from this sale were used to settle the UPL VFN in full.

In February 2021, the Group completed a financing transaction which raised £400.0m of asset-backed debt from its Own-brand securitisation programme (of which £37.6m was retained within the Group), including $135.0m raised from US capital markets. Part of the proceeds from this deal will be used to refinance £280.9m of bonds due to mature in August 2021.

In April 2021, the Group settled £244.3m of maturing asset-backed debt in the Co-brand securitisation programme using the proceeds of a financing transaction completed in October 2020.

10. Provisions

The movement in provisions during the period is as follows:

	PPI provision £m	Other provisions £m	Total provisions £m
As at 1 January 2021	5.3	5.8	11.1
Released during the period	-	(0.5)	(0.5)
Utilised during the period	(0.3)	-	(0.3)
As at 31 March 2021	**5.0**	**5.3**	**10.3**

	PPI provision £m	Other provisions £m	Total provisions £m
As 1 January 2020	9.9	11.0	20.9
Released during the period	-	(1.5)	(1.5)
Utilised during the period	(1.0)	(2.5)	(3.5)
As at 31 March 2020	**8.9**	**7.0**	**15.9**
Arising during the period	7.7	0.8	8.5
Utilised during the period	(11.3)	(2.0)	(13.3)
As at 31 December 2020	**5.3**	**5.8**	**11.1**

Payment Protection Insurance

The PPI provision relates to the Group's liabilities in respect of matters relating to the sale of PPI policies to cardholders. Whilst the Group has not sold any PPI policies directly, in certain circumstances it may be liable for PPI policies that were sold to cardholders whose accounts were subsequently acquired by, or assigned to, the Group, by previous owners.

Notes to the consolidated interim financial information (continued)

10. Provisions (continued)

As at 31 March 2021, the Group received an enquiry from a third party, with which it is jointly liable for certain PPI-related costs, to contribute an amount in the order of £7.3m to a historic remediation exercise on previously settled claims. The third party has not established a basis for the claim and management deem it unlikely the Group will be required to contribute the amount claimed. The Group has recorded this as a contingent liability.

11. Fair value of financial instruments

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- level 2: other techniques for which all inputs, other than observable unadjusted quoted prices included within level 1, having a significant effect on the recorded fair value are observable, either directly or indirectly; and
- level 3: techniques which use inputs having a significant effect on the recorded fair value not based on observable market data.

Derivative financial instruments are recognised at fair value and are classified as level 2 (31 March 2020: level 2, 31 December 2020: level 2) as they are not traded in an active market and their fair value is determined by discounting expected future cash flows using interest rate yield curves and forward foreign exchange rates prevailing at the period end. See note 7 for further details.

Financial instruments carried at amortised cost

The 2020 Annual Report and Financial Statements details the key principles and valuation methodologies used to estimate the fair value of financial instruments. These have been consistently applied in this interim financial information.

Set out below is a comparison, by class, of the carrying value and fair value of the Group's financial instruments. During the period there have been no transfers between levels (31 March 2020: none, 31 December 2020: none).

As at 31 March 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total carrying value £m	Fair value £m
Financial assets					
Loans and advances to banks	-	914.6	-	914.6	914.6
Loans and advances to customers	-	-	2,316.1	2,316.1	2,524.1
Other assets	-	23.5	-	23.5	23.5
Total financial assets	**-**	**938.1**	**2,316.1**	**3,254.2**	**3,462.2**
Financial liabilities					
Debt issued and other borrowed funds	-	(3,365.0)	-	(3,365.0)	(3,360.6)
Other liabilities	-	(93.3)	-	(93.3)	(93.3)
Total financial liabilities	**-**	**(3,458.3)**	**-**	**(3,458.3)**	**(3,453.9)**

Notes to the consolidated interim financial information (continued)

11. Fair value of financial instruments (continued)

As at 31 March 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total carrying value £m	Fair value £m
Financial assets					
Loans and advances to banks	-	264.0	-	264.0	264.0
Loans and advances to customers	-	-	2,617.0	2,617.0	2,799.7
Other assets	-	44.3	-	44.3	44.3
Total financial assets	**-**	**308.3**	**2,617.0**	**2,925.3**	**3,108.0**
Financial liabilities					
Debt issued and other borrowed funds	-	(3,067.6)	-	(3,067.6)	(2,859.6)
Other liabilities	-	(72.5)	-	(72.5)	(72.5)
Total financial liabilities	**-**	**(3,140.1)**	**-**	**(3,140.1)**	**(2,932.1)**

As at 31 December 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total carrying value £m	Fair value £m
Financial assets					
Loans and advances to banks	-	584.6	-	584.6	584.6
Loans and advances to customers	-	-	2,404.2	2,404.2	2,613.4
Other assets	-	36.0	-	36.0	36.0
Loans and advances to customers held for sale	-	69.2	-	69.2	73.7
Total financial assets	**-**	**689.8**	**2,404.2**	**3,094.0**	**3,307.7**
Financial liabilities					
Debt issued and other borrowed funds	-	(3,246.8)	-	(3,246.8)	(3,200.6)
Other liabilities	-	(77.8)	-	(77.8)	(77.8)
Total financial liabilities	**-**	**(3,324.6)**	**-**	**(3,324.6)**	**(3,278.4)**

Loans and advances to banks

These items have a short-term maturity (usually less than three months) and it is assumed that their carrying value approximates to their fair value as a result of their short time horizon to maturity. These have been classified as level 2 because these items can be repriced using market observable inputs.

Loans and advances to customers

This contains the receivables related to credit card and loan balances that have been issued by the Group. The fair value of these instruments is based on valuation inputs that have been derived from historical performance of the Group's portfolios which would not be observable to a market participant and as such these financial instruments have been classified as level 3.

Other assets

Other assets consist of other receivables. The fair value of these receivable balances approximates to their carrying value as there have been no significant changes to market conditions that would have caused a difference between the two values. As the assets can be repriced using market observable inputs these have been classified as level 2.

Loans and advances to customers held for sale

This consists of the loan and advances to customers from the Group's UPL portfolio. The fair value of these instruments is derived from the price received from the third party that purchased the loans and advances to customers in February 2021. Consequently, these assets have been classified as level 2.

Notes to the consolidated interim financial information (continued)

11. Fair value of financial instruments (continued)

Debt issued and other borrowed funds

The debt issued contains Senior Secured Debt and associated facilities, asset-backed term securities and variable funding notes. For the Senior Secured Debt, excluding the Revolving Credit Facility, and asset-backed term debt an observable market price is available; however, such debt is not actively traded, therefore the fair value has been estimated using prices quoted by banks and they have been classified as level 2. The senior variable funding notes and Revolving Credit Facility's fair value approximates to its carrying value. The variable funding notes and Revolving Credit Facility are private bilateral agreements that can be drawn upon and repaid by the borrower. These issuances have been classified as level 2.

Other liabilities

Other liabilities largely consist of accounts payable. The fair value of other liabilities approximates to their carrying value because there have been no significant changes to market conditions that would have caused a difference between these two values. These have been classified as level 2 because these items can be repriced using market observable inputs.

12. Risk management

12.1 Introduction

Risk is inherent in the Group's activities, but is managed through a process of ongoing identification, measurement and monitoring, with respect to pre-determined risk appetite settings and other controls performed by the Board. The Group controls risk via the operation of a Risk Management Framework.

Save to the extent described in the Company's quarterly reports published during the course of the year, the principal risks and uncertainties affecting the Group remain largely unchanged from those disclosed in the 2020 Annual Report and Financial Statements of the Group. An assessment of the principal risks and uncertainties, together with the controls and processes which are in place to monitor and mitigate the risks where possible, are detailed on pages 49 to 56 of the 2020 Annual Report and Financial Statements, and are summarised below:

- Strategic risk: the risks arising from a sub-optimal business strategy or business model that may lead to financial loss, reputational damage or failure to meet internal and/or public policy objectives;
- Macroeconomic risk: the risk that adverse movements in economic trends in the UK have a detrimental effect on the anticipated returns and business strategy of the Group;
- Credit risk: the risk that unexpected losses may arise as a result of customers failing to meet their obligations to repay;
- Regulatory risk: the risk that a change in laws or regulations governing the Group may affect the business model, which may have a material impact on the performance and profitability of the business. Additionally, the risk that the Group fails to comply with legal or regulatory requirements which could lead to reputational damage, enforcement action and/or financial loss;
- Operational risk: the risk of reputational damage, regulatory censure and/or financial loss resulting from inadequate or failed internal processes and systems, people and systems or from external events including internal and external fraud. Based on the Group's operating model, this extends to all of the services and processes provided by third parties;
- Conduct risk: the risk of customer detriment arising from inappropriate culture, products, business model, governance and processes which may result in reputational damage, regulatory censure and/or financial loss;
- Financial risk: the risk of inaccuracies in financial and management reporting and/or inadequate management of liquidity, funding and cash which could impact the Group's reputation or result in financial losses and/or withdrawal of funding; and
- Market risk: the risk of direct or indirect losses that arise from fluctuations in values of, or income from, assets or in movements in interest or exchange rates or credit spreads. This risk also incorporates the risk of funding markets that the Group is dependent on no longer being open or available in adverse macroeconomic environments.

Whilst the impact on the UK economy resulting from the COVID-19 pandemic has had a significant impact on the Group risk management (as disclosed in the 2020 Annual Report and Financial Statements of the Group), the ongoing impact of COVID-19 and the underlying impact of Brexit remains uncertain. The Group's proactive risk management approach ensures it is appropriately supported to execute strategic deliverables. With respect to post-Brexit risks, all of the Group's operations take place within the UK and therefore the Group does not currently expect there to be a material impact on the operational side of the business.

Notes to the consolidated interim financial information (continued)

12. Risk management (continued)

12.1 Introduction (continued)

The Group proactively monitors its funding requirements to ensure it remains appropriately positioned to finance its operations. In 2021, the Group strengthened its funding position through several transactions:

- a £400.0m issuance of asset-backed securities (of which £37.6m was retained internally within the Group) in the Own-brand securitisation programme in February. Part of the proceeds from this deal will be used to refinance £280.9m of bonds due to mature in August 2021;
- settled the UPL VFN in full in February using part of the proceeds from the sale of the outstanding loans and advances to customers held for sale; and
- repaid the £30.0m Revolving Credit Facility in January, this facility is available to be drawn again if required.

12.2 Credit risk

The Group is exposed to credit risk on loans and advances to customers and other financial assets. Credit risk is the risk that the Group will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and monitoring exposures in relation to such limits, as detailed on page 110 of the 2020 Annual Report and Financial Statements.

Credit quality analysis

In accordance with IFRS 9, the Group uses a forward-looking ECL model. An ECL allowance is to be recognised on origination of a credit agreement, based on its anticipated credit loss. Allowances are assessed collectively for ECL on loans and advances to customers due to the fact that balances are not individually significant. Further details of the Group's ECL impairment assessment methodology are detailed on page 113 of the 2020 Annual Report and Financial Statements.

The following table details the internal measures used to determine the credit quality of loans and advances to customers.

Credit quality	12-month probability of default	Credit quality description
Risk grade 1	0% – 5.89%	Up-to-date accounts which have a very high likelihood of being fully recovered
Risk grade 2	5.90% – 19.99%	Up-to-date accounts which have a high likelihood of being fully recovered
Risk grade 3	20.00% – 99.99%	Up-to-date accounts which may be fully recovered but where the likelihood of default is higher
Delinquent		Accounts that are up to two monthly payments in arrears and have not defaulted
Defaulted		Accounts that are at least three monthly payments in arrears, forborne, insolvent or bankrupt

Loans and advances to customers in risk grades 1, 2 and 3 are currently continuing to make payments when due.

Following the outbreak of the COVID-19 pandemic and the subsequent FCA guidance, the Group has extended additional short-term arrangements, being payment holidays and payment freezes, to customers which temporarily suspend the requirement for them to make their contractual monthly payment. As at 31 March 2021, the total loans and advances to customers that were on either a payment holiday or payment freeze was £90.3m (31 December 2020: £107.7m including loans and advances held for sale), with a maximum balance at any one point in time during the period of £113.1m (year ended 31 December 2020: £364.1m). As at 31 March 2021, these interventions have had the following impact on staging over and above the underlying modelled ECL staging:

- accounts on a first arrangement payment holiday or payment freeze, totalling £36.0m (31 March 2020: no impact, 31 December 2020: £43.6m), and those accounts that have finished an arrangement in the last three months and are currently up-to-date, totalling £39.8m (31 March 2020: no impact, 31 December 2020: £52.3m), are reported in stage 2; and
- accounts on a second arrangement payment holiday or payment freeze, totalling £36.0m (31 March 2020: no impact, 31 December 2020: £42.7m), are reported in stage 3.

Additionally, as at 31 March 2021, the impact of the worsening forward-looking information and behavioural score related PMAs resulted in £10.8m and £53.9m of up-to-date accounts transitioning to stage 2, respectively (31 March 2020: £nil, 31 December 2020: £30.0m and £46.2m respectively). The following table contains an analysis of the credit risk exposure of the Group's loans and advances to customers for which an ECL allowance is recognised.

Notes to the consolidated interim financial information (continued)

12. Risk management (continued)

12.2 Credit risk (continued)

As at 31 March 2021	Group Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI[1] £m	Total £m
Risk grade 1	1,089.7	12.7	-	0.6	1,103.0
Risk grade 2	1,041.7	88.8	-	1.2	1,131.7
Risk grade 3	103.2	179.5	-	0.3	283.0
Delinquent	-	67.6	-	0.1	67.7
Defaulted	-	-	278.8	1.2	280.0
Gross loans and advances to customers	**2,234.6**	**348.6**	**278.8**	**3.4**	**2,865.4**
ECL allowance	(208.0)	(162.2)	(177.7)	(1.4)	(549.3)
Loans and advances to customers	**2,026.6**	**186.4**	**101.1**	**2.0**	**2,316.1**

As at 31 March 2020	Group Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Risk grade 1	1,257.4	17.4	-	0.6	1,275.4
Risk grade 2	1,093.9	55.7	-	1.3	1,150.9
Risk grade 3	145.2	125.8	-	0.4	271.4
Delinquent	-	117.9	-	0.1	118.0
Defaulted	-	-	274.1	2.2	276.3
Gross loans and advances to customers	**2,496.5**	**316.8**	**274.1**	**4.6**	**3,092.0**
ECL allowance	(182.7)	(118.4)	(171.0)	(2.9)	(475.0)
Loans and advances to customers	**2,313.8**	**198.4**	**103.1**	**1.7**	**2,617.0**

As at 31 December 2020	Group Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Risk grade 1	1,209.3	20.5	-	0.7	1,230.5
Risk grade 2	1,032.8	95.7	-	1.3	1,129.8
Risk grade 3	114.2	196.6	-	0.3	311.1
Delinquent	-	81.1	-	0.1	81.2
Defaulted	-	-	282.7	1.4	284.1
Gross loans and advances to customers (including those held for sale)	**2,356.3**	**393.9**	**282.7**	**3.8**	**3,036.7**
ECL allowance (including ECL allowance on loans and advances to customers those held for sale)	(213.9)	(168.1)	(178.6)	(2.7)	(563.3)
Loans and advances to customers (including those held for sale)	**2,142.4**	**225.8**	**104.1**	**1.1**	**2,473.4**

Loans and advances to banks and other financial assets are all classified as stage 1 as at 31 March 2021 (31 March 2020: stage 1, 31 December 2020: stage 1).

[1] Purchased or originated credit-impaired.

Notes to the consolidated interim financial information (continued)

12. Risk management (continued)

12.2 Credit risk (continued)

The following tables present the credit risk exposure of the Group's loan and advances to customers on a segmental basis:

	Own-brand				
As at 31 March 2021	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**POCI £m**	**Total £m**
Risk grade 1	326.5	2.7	-	0.4	329.6
Risk grade 2	879.4	53.6	-	1.2	934.2
Risk grade 3	98.5	158.4	-	0.3	257.2
Delinquent	-	48.7	-	0.1	48.8
Defaulted	-	-	220.5	0.6	221.1
Gross loans and advances to customers	**1,304.4**	**263.4**	**220.5**	**2.6**	**1,790.9**
ECL allowance	(164.2)	(133.8)	(144.2)	(1.1)	(443.3)
Loans and advances to customers	**1,140.2**	**129.6**	**76.3**	**1.5**	**1,347.6**

	Own-brand				
As at 31 March 2020	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**POCI £m**	**Total £m**
Risk grade 1	313.4	2.7	-	0.3	316.4
Risk grade 2	915.1	37.2	-	1.2	953.5
Risk grade 3	137.8	113.0	-	0.4	251.2
Delinquent	-	85.8	-	0.1	85.9
Defaulted	-	-	225.5	1.0	226.5
Gross loans and advances to customers	**1,366.3**	**238.7**	**225.5**	**3.0**	**1,833.5**
ECL allowance	(152.0)	(103.8)	(143.0)	(2.1)	(400.9)
Loans and advances to customers	**1,214.3**	**134.9**	**82.5**	**0.9**	**1,432.6**

	Own-brand				
As at 31 December 2020	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**POCI £m**	**Total £m**
Risk grade 1	309.1	2.6	-	0.4	312.1
Risk grade 2	864.2	58.0	-	1.2	923.4
Risk grade 3	109.2	174.4	-	0.3	283.9
Delinquent	-	56.9	-	0.1	57.0
Defaulted	-	-	218.9	0.6	219.5
Gross loans and advances to customers	**1,282.5**	**291.9**	**218.9**	**2.6**	**1,795.9**
ECL allowance	(172.1)	(142.5)	(140.4)	(2.1)	(457.1)
Loans and advances to customers	**1,110.4**	**149.4**	**78.5**	**0.5**	**1,338.8**

Notes to the consolidated interim financial information (continued)

12. Risk management (continued)

12.2 Credit risk (continued)

As at 31 March 2021	Co-brand Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Risk grade 1	763.2	10.0	-	0.2	773.4
Risk grade 2	162.3	35.2	-	-	197.5
Risk grade 3	4.7	21.1	-	-	25.8
Delinquent	-	18.9	-	-	18.9
Defaulted	-	-	58.3	0.6	58.9
Gross loans and advances to customers	**930.2**	**85.2**	**58.3**	**0.8**	**1,074.5**
ECL allowance	(43.8)	(28.4)	(33.5)	(0.3)	(106.0)
Loans and advances to customers	**886.4**	**56.8**	**24.8**	**0.5**	**968.5**

As at 31 March 2020	Co-brand Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Risk grade 1	849.1	4.2	-	0.3	853.6
Risk grade 2	172.2	17.8	-	0.1	190.1
Risk grade 3	7.2	12.7	-	-	19.9
Delinquent	-	26.9	-	-	26.9
Defaulted	-	-	45.1	1.2	46.3
Gross loans and advances to customers	**1,028.5**	**61.6**	**45.1**	**1.6**	**1,136.8**
ECL allowance	(25.1)	(11.9)	(25.2)	(0.8)	(63.0)
Loans and advances to customers	**1,003.4**	**49.7**	**19.9**	**0.8**	**1,073.8**

As at 31 December 2020	Co-brand Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Risk grade 1	841.0	10.0	-	0.3	851.3
Risk grade 2	165.0	37.3	-	0.1	202.4
Risk grade 3	4.9	22.1	-	-	27.0
Delinquent	-	20.5	-	-	20.5
Defaulted	-	-	56.5	0.8	57.3
Gross loans and advances to customers	**1,010.9**	**89.9**	**56.5**	**1.2**	**1,158.5**
ECL allowance	(37.1)	(22.3)	(33.1)	(0.6)	(93.1)
Loans and advances to customers	**973.8**	**67.6**	**23.4**	**0.6**	**1,065.4**

Notes to the consolidated interim financial information (continued)

12. Risk management (continued)

12.2 Credit risk (continued)

	UPL			
As at 31 March 2020	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Risk grade 1	94.9	10.5	-	**105.4**
Risk grade 2	6.6	0.7	-	**7.3**
Risk grade 3	0.2	0.1	-	**0.3**
Delinquent	-	5.2	-	**5.2**
Defaulted	-	-	3.5	**3.5**
Gross loans and advances to customers	**101.7**	**16.5**	**3.5**	**121.7**
ECL allowance	(5.6)	(2.7)	(2.8)	(11.1)
Loans and advances to customers	**96.1**	**13.8**	**0.7**	**110.6**

	UPL			
As at 31 December 2020	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Risk grade 1	59.2	7.9	-	67.1
Risk grade 2	3.6	0.4	-	4.0
Risk grade 3	0.1	0.1	-	0.2
Delinquent	-	3.7	-	3.7
Defaulted	-	-	7.3	7.3
Gross loans and advances to customers held for sale	**62.9**	**12.1**	**7.3**	**82.3**
ECL allowance on loans and advances to customers held for sale	(4.7)	(3.3)	(5.1)	(13.1)
Loans and advances to customers held for sale	**58.2**	**8.8**	**2.2**	**69.2**

The UPL loans and advances to customers were sold in February 2021 therefore the balance is nil as at 31 March 2021.

Notes to the consolidated interim financial information (continued)

12. Risk management (continued)

12.2 Credit risk (continued)

The following table reconciles the movement in the Group ECL allowance during the period:

	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
ECL allowance as at 31 December 2020 (including on loans and advances to customers held for sale)	(213.9)	(168.1)	(178.6)	(2.7)	(563.3)
Transfers between stages	(4.7)	37.2	(32.5)	-	-
Remeasurement of ECL[1]	13.3	(34.6)	28.3	1.3	8.3
Release of ECL on loans and advances to customers settled in the period	2.8	1.0	1.4	-	5.2
Release of ECL on loans and advances to customers held for sale which were sold in the period	4.7	3.3	5.1	-	13.1
ECL on new loans and advances to customers originated in the period	(10.2)	(1.0)	(1.4)	-	(12.6)
ECL allowance as at 31 March 2021	**(208.0)**	**(162.2)**	**(177.7)**	**(1.4)**	**(549.3)**

	Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
ECL allowance as at 31 December 2019	(158.0)	(109.6)	(154.0)	(3.1)	(424.7)
Transfers between stages	0.4	28.2	(28.6)	-	-
Remeasurement of ECL[1]	(23.7)	(35.9)	12.1	0.2	(47.3)
Release of ECL on loans and advances to customers settled in the period	3.3	0.8	1.0	-	5.1
ECL on new loans and advances to customers originated in the period	(4.7)	(1.9)	(1.5)	-	(8.1)
ECL allowance as at 31 March 2020	**(182.7)**	**(118.4)**	**(171.0)**	**(2.9)**	**(475.0)**
Transfers between stages	(0.4)	(4.9)	5.3	-	-
Remeasurement of ECL[1]	(18.0)	(38.5)	(7.9)	-	(64.4)
Release of ECL on loans and advances to customers settled in the period	5.3	3.4	3.0	0.2	11.9
ECL on new loans and advances to customers originated in the period	(18.1)	(9.7)	(8.0)	-	(35.8)
ECL allowance as at 31 December 2020 (including on loans and advances held for sale)	**(213.9)**	**(168.1)**	**(178.6)**	**(2.7)**	**(563.3)**

[1] Includes changes in the ECL driven by changes in credit risk (both within and between stages) and write-offs.

Notes to the consolidated interim financial information (continued)

13. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities analysed according to when they are expected to be recovered or settled:

	As at 31 March 2021			As at 31 March 2020		
	< 12 months £m	> 12 months £m	Total £m	< 12 months £m	> 12 months £m	Total £m
Assets						
Loans and advances to banks	853.0	61.6	914.6	208.0	56.0	264.0
Loans and advances to customers	1,832.4	483.7	2,316.1	2,140.3	476.7	2,617.0
Other assets	33.7	5.8	39.5	66.3	7.2	73.5
Derivative financial assets	-	1.5	1.5	7.8	-	7.8
Current tax assets	2.2	-	2.2	0.8	-	0.8
Deferred tax assets	-	2.1	2.1	-	0.4	0.4
Property and equipment	-	18.8	18.8	-	22.3	22.3
Intangible assets	-	196.9	196.9	-	250.0	250.0
Goodwill	-	279.9	279.9	-	279.9	279.9
Total assets	**2,721.3**	**1,050.3**	**3,771.6**	**2,423.2**	**1,092.5**	**3,515.7**
Liabilities						
Debt issued and other borrowed funds	(1,104.3)	(2,260.7)	(3,365.0)	(560.6)	(2,507.0)	(3,067.6)
Other liabilities	(82.2)	(11.2)	(93.4)	(58.5)	(14.6)	(73.1)
Derivative financial liabilities	(29.7)	-	(29.7)	-	(2.5)	(2.5)
Current tax liabilities	(0.4)	-	(0.4)	(0.1)	-	(0.1)
Provisions	(8.5)	(1.8)	(10.3)	(13.8)	(2.1)	(15.9)
Total liabilities	**(1,225.1)**	**(2,273.7)**	**(3,498.8)**	**(633.0)**	**(2,526.2)**	**(3,159.2)**

	As at 31 December 2020		
	< 12 months £m	> 12 months £m	Total £m
Assets			
Loans and advances to banks	520.9	63.7	584.6
Loans and advances to customers	1,922.9	481.3	2,404.2
Other assets	45.0	5.8	50.8
Current tax assets	1.8	-	1.8
Deferred tax assets	-	2.1	2.1
Property and equipment	-	19.8	19.8
Intangible assets	-	210.4	210.4
Goodwill	-	279.9	279.9
Loans and advances to customers held for sale	69.2	-	69.2
Total assets	**2,559.8**	**1,063.0**	**3,622.8**
Liabilities			
Debt issued and other borrowed funds	(1,181.5)	(2,065.3)	(3,246.8)
Other liabilities	(65.9)	(11.9)	(77.8)
Derivative financial liabilities	(27.5)	-	(27.5)
Current tax liabilities	(0.1)	-	(0.1)
Provisions	(9.3)	(1.8)	(11.1)
Total liabilities	**(1,284.3)**	**(2,079.0)**	**(3,363.3)**

Notes to the consolidated interim financial information (continued)

14. Contingent liabilities and commitments

As a financial services company, the Group is subject to extensive and comprehensive regulation and must comply with numerous laws and regulations, including the Consumer Credit Act, which significantly affects the way it conducts business. Whilst the Group believes there are no unidentified areas of failure to comply with these laws and regulations which would have a material impact on this interim financial information, there can be no guarantee that all issues have been identified.

See note 10 for details of a contingent liability arising from PPI-related costs.

15. Related parties

Consolidated subsidiaries and structured entities

The subsidiaries and structured entities of the Company that are consolidated within the interim financial information are detailed in note 27 of the 2020 Annual Report and Financial Statements.

The Group's ultimate parent undertaking is Nemean TopCo Limited, a private limited company incorporated in Jersey. The Company's immediate parent company is Nemean MidCo Limited, a private limited company incorporated in Jersey.

On 11 January 2018, the Company issued a term loan facility agreement to Nemean TopCo Limited for £7.5m. The facility can be drawn upon at any time and interest accrues at 9% per annum. As at 31 March 2021, there was an outstanding balance of £0.5m on the facility (31 March 2020: £0.4m, 31 December 2020: £0.5m).

Key management personnel

Transactions with key management personnel are detailed in note 27 of the 2020 Annual Report and Financial Statements.

Other than emoluments in the normal course of business, no subsequent transactions have occurred with key management personnel in the three months ended 31 March 2021.

16. Post balance sheet events

In April 2021, the Group repaid £244.3m of maturing asset-backed debt in the Co-brand securitisation programme using the proceeds of a financing transaction completed in October 2020.

In April 2021, the Group paid £6.0m to Nemean MidCo Limited, its immediate parent. The payment was made in accordance with the £529.2m loan agreement between NewDay Group (Jersey) Limited and Nemean MidCo Limited. Nemean MidCo Limited used these funds to (amongst other things) acquire the remaining shares in Pay4Later Limited that it did not already hold.