NewDay BondCo Plc

Investor quarterly reporting package

30 September 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 and nine months ended 30 September 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 30 September 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 30 September 2021 (or, in respect of periods ending prior to 30 September 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

- Record adjusted EBITDA profit of £130m[2] for the nine months ended 30 September 2021 (30 September 2020: £22m loss).
- 11% receivables growth to £3.0bn (30 September 2020: £2.7bn). Share of UK credit card receivables increased to 5.2%[3] (30 September 2020: 4.4%). New customer accounts of 598k (30 September 2020: 577k).
- 68% of accounts registered for e-statements as at the period end (30 September 2020: 55%) and a 677k, or 35%, reduction in call volumes in the nine months ended 30 September 2021.
- Customer spend returned to pre-pandemic levels with an increase of 17% to £4.2bn (30 September 2020: £3.6bn).
- Expected credit loss (ECL) allowance as a proportion of receivables of 18.4% as at 30 September 2021 (31 December 2020: 19.3%). Underlying collections performance remains strong and the Group's charge-off rate continued to improve to 8.8% (30 September 2020: 11.6%).
- Continued focus on customer service with an average year-to-date Net Promoter Score of +68 (30 September 2020: +68) and an average year-to-date Net Easy Score of +73 (30 September 2020: +72).
- Free cash flow available for growth and debt service of £134m (30 September 2020: £54m). Group cash excluding funding overlaps and restricted cash was £227m as at 30 September 2021 (30 September 2020: £235m).
- £90m of cash held outside the securitisation structures (30 September 2020: £133m), having repaid £130m of corporate debt in 2021.
- Repaid early £150m of floating rate Senior Secured Debt using £100m of cash and £50m raised from the issuance of additional fixed rate Senior Secured Debt in the quarter, in addition to the £30m Revolving Credit Facility repaid in Q1 2021.
- Signed a new merchant agreement with Currys for a partnership that will launch in 2022.
- Raised £350m of asset-backed securities (of which £30m was retained within the Group) from the Direct to Consumer securitisation programme, which will be used to refinance £268m of debt principal maturing in December 2021, bringing the total asset-backed securities issued in 2021 to £682m.
- Reset the maturity of a $205m bond within the Direct to Consumer securitisation programme which extended its maturity by 14 months to November 2022.
- VFN headroom of £0.8bn as at 30 September 2021 to fund receivables growth (30 September 2020: £1.0bn). In October 2021, the Group completed a financing deal to expand the Merchant Offering VFN capacity by £400m, adding a new bank to the panel and increasing VFN headroom.
- Net corporate Senior Secured Debt to adjusted EBITDA ratio of 0.7x[2] (31 December 2020: (15.5)x).
- Adjusted EBITDA to pro forma cash interest expense coverage of 5.8x[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 30 September 2021 (or, in respect of periods ending prior to 30 September 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 Instruments' and IFRS 16 'Leases').

[3] Bank of England data as at 30 September 2021. Market share metrics calculated as total NewDay volumes as a proportion of Bank of England data credit card volumes.

Key performance indicators and other unaudited financial data

	Nine months ended September 2021 £m	Nine months ended September 2020 restated[1] £m	Year ended September 2021 £m	Year ended December 2020 £m
Receivables	3,033	2,730	3,033	2,845
Direct to Consumer	1,942	1,664	1,942	1,718
Merchant Offering	1,091	1,067	1,091	1,126
Risk-adjusted income	281	119	353	191
Underlying profit/(loss) before tax from continuing operations	122	(29)	130	(22)
Adjusted EBITDA[2]	130	(22)	141	(12)
Free cash flow available for growth and debt service	134	54	159	80
Impairment rate (%)	10.1	17.2	10.7	16.0
Direct to Consumer (%)	12.2	22.0	13.1	20.5
Merchant Offering (%)	6.5	9.6	6.8	9.1
Charge-off rate (%)	8.8	11.6	8.6	10.6
Direct to Consumer (%)	10.5	15.4	10.3	13.9
Merchant Offering (%)	5.9	5.7	5.7	5.5
Underlying cost-income ratio (%)	32.1	31.1	34.0	33.3
Advance rate[3] (%)	87.8	87.1	87.8	87.7
Direct to Consumer[3] (%)	85.4	84.6	85.4	83.9
Merchant Offering[3] (%)	92.2	91.0	92.2	93.5
Ratio of net corporate Senior Secured Debt to adjusted EBITDA[2,3]	n/a	n/a	0.7x	(15.5)x
Ratio of adjusted EBITDA to pro forma cash interest expense[2]	n/a	n/a	5.8x	(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 14 reflects the performance of the Group for the nine months and year ended 30 September 2021.

Growth continued for the Group in Q3. Receivables increased by 11% to £3.0bn (30 September 2020: £2.7bn) compared to a 6%[1] contraction in UK credit card receivables. The Group opened 598k new customer accounts (30 September 2020: 577k). Spend levels increased by 17% to £4.2bn (30 September 2020: £3.6bn). Profitability reached record levels with an adjusted EBITDA of £130m[2] for the nine months ended 30 September 2021 (30 September 2020: £22m loss). For Q3, adjusted EBITDA was £49m[2] (30 September 2020: £9m).

Underlying credit performance remains strong with the ECL allowance coverage reducing to 18.4% of gross receivables (31 December 2020: 19.3%).

Free cash flow available for growth and debt service totalled £134m in the period (30 September 2020: £54m) and the Group repaid early £100m of Senior Secured Debt.

The following table reconciles the statutory result to adjusted EBITDA.

	Nine months ended September 2021 £m	Nine months ended September 2020 restated[3] £m	Year ended September 2021 £m	Year ended December 2020 £m
Statutory profit/(loss) before tax from continuing operations	**50.5**	**(104.8)**	**26.4**	**(128.9)**
Senior Secured Debt interest and related costs	24.4	25.7	32.8	34.1
Fair value unwind	(0.8)	(0.4)	(1.1)	(0.7)
Payment protection insurance (PPI)	4.7	5.2	7.2	7.7
Debenhams asset write-off	-	-	7.4	7.4
Depreciation and amortisation including amortisation of intangibles assets arising on the Acquisition	51.4	47.0	67.8	63.4
Impairment of customer and retail partner relationships intangible assets arising on the Acquisition	-	5.5	-	5.5
Adjusted EBITDA[2]	**130.2**	**(21.8)**	**140.5**	**(11.5)**

For the nine months ended 30 September 2021, the Group reported a statutory profit before tax from continuing operations of £51m (30 September 2020: £105m 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 July 2021, the Group repaid £150m of floating rate Senior Secured Debt using £100m of cash and £50m raised from the issuance of additional fixed rate Senior Secured Debt which has the same interest rate and maturity as the existing fixed rate notes;
- 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 including claims received from third parties which process customer complaints on behalf of the Group. As at 30 September 2021, the Group reported a PPI provision of £9m (30 September 2020: £12m);
- 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;

[1] Based on Bank of England data as at 30 September 2021.

[2] See footnote 2 on page 2.

[3] 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.

- depreciation and amortisation for the nine months ended 30 September 2021 includes £43m (30 September 2020: £40m) 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:

	Nine months ended September 2021 £m	Nine months ended September 2020 restated[1] £m	Year ended September 2021 £m	Year ended December 2020 £m
Adjusted EBITDA[2]	**130.2**	**(21.8)**	**140.5**	**(11.5)**
Change in ECL allowance	9.3	106.1	39.2	136.0
Adjusted EBITDA excluding change in ECL allowance[2]	**139.5**	**84.3**	**179.7**	**124.5**
Change in working capital	11.5	(11.6)	8.7	(14.4)
PPI provision utilisation	(1.0)	(2.9)	(10.4)	(12.3)
Capital expenditure	(5.7)	(9.1)	(8.2)	(11.6)
Tax paid	(10.6)	(6.3)	(10.6)	(6.3)
Free cash flow available for growth and debt service	**133.7**	**54.4**	**159.2**	**79.9**

Business developments

The Group continues to report strong levels of balance growth with spend levels increasing by 17% to £4.2bn (30 September 2020: £3.6bn) and receivables increasing by 11% to £3.0bn (30 September 2020: £2.7bn). Record adjusted EBITDA was reported at £130m[2] for the nine months ended 30 September 2021 (30 September 2020: £22m loss). Free cash flow available for growth and debt service totalled £134m in the period (30 September 2020: £54m) and the Group's closing cash balance excluding funding overlaps and restricted cash was £227m (30 September 2020: £235m).

New customer account volumes totalled 598k in the period (30 September 2020: 577k) and approximately 16%[3] of all credit cards issued in the UK were issued by the Group. The Group reported strong growth in new customer account volumes from the Direct to Consumer portfolio and Merchant Offering e-tail partnerships, which when combined increased by 26% period-on-period. This helped offset the impact of certain high street partners closing stores or otherwise ceasing to trade due to a combination of COVID-19 restrictions and administration processes. In Q3, the Group started migrating certain customers from portfolios with retail partners that recently ceased trading to its own-branded *Pulse* Mastercard. Additionally, the Group signed a new merchant agreement with Currys in Q3 for a partnership that will launch in 2022 and *Newpay 1:Many* has reached agreement with 51 merchants to date since launch in July 2021.

As at 30 September 2021, the Group reported a 5.2%[4] share of UK credit card receivables (30 September 2020: 4.4%) and 3.0%[4] share of UK credit card spend (30 September 2020: 2.9%). The Group continues to target online spend and e-tail partnerships to grow market share. Online spend as a proportion of retail spend increased to 48.6% and 62.4% for Direct to Consumer and Merchant Offering respectively (30 September 2020: 46.5% and 55.9%), which outperforms the proportion of total UK spend that is online[5].

[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 30 September 2021 and includes accounts originated through the Group's *Newpay* product.

[4] Bank of England data as at 30 September 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).

The Group directly addresses a circa £27bn[1] core segment (near-prime cards, prime and near-prime merchant cards and point-of-sale credit), but has the capability to access both a circa £74bn[1] UK credit card and digital point-of-sale market and a circa £200bn[1] total addressable unsecured market. There is significant opportunity for Direct to Consumer near-prime growth in a segment with circa 6m[1] current credit cardholders and 3m[1] looking for a new credit card in any given year. Additionally, the buy now pay later segment, which is served by *Newpay*, is anticipated to grow at a 25%[1] annualised growth rate by 2025, presenting a clear growth opportunity.

The Group's Customer Manifesto is embedded throughout the business and expresses 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 +68 (30 September 2020: +68) and an average year-to-date Net Easy Score of +73 (30 September 2020: +72). Additionally, as at 30 September 2021, 242k customers have registered for the Group's financial education tool '*Aqua* coach'.

The Group processed 101m spend transactions in the nine months ended 30 September 2021 (30 September 2020: 81m), 99% of servicing and 89% of collection transactions were processed through digital channels. As at 30 September 2021, 90% of active accounts were registered for e-servicing (30 September 2020: 82%) and 68% of accounts were registered for e-statements (30 September 2020: 55%). Continued enhancements in the Group's digital infrastructure led to a 677k, or 35%, reduction in call volumes and a 15% reduction in customer complaints in the nine months ended 30 September 2021.

From a funding perspective, in Q3, the Group:

- repaid its £150m floating rate Senior Secured Debt with £100m of cash and £50m raised from the issuance of additional fixed rate Senior Secured Debt which has the same interest rate and maturity as the existing fixed rate notes;
- successfully raised £350m of asset-backed debt from the Direct to Consumer securitisation programme (of which £30m was retained within the Group), including $104m raised from US capital markets. Part of the proceeds from this deal will be used to refinance £268m of debt principal due to mature in December 2021; and
- obtained investor consent to extend the maturity of a $205m bond within the Direct to Consumer securitisation programme by 14 months to November 2022, bringing it into line with the associated sterling bonds from the same issuance. The Group also retains the ability to extend the same bond by a further 12-month period at its discretion.

After the period end, the Group also successfully delivered a £400m expansion of a VFN facility in its Merchant Offering portfolio and at the same time added a new large international bank to the lending panel and extended its maturity to 2024.

The Group and its owners are exploring strategic options for the business to support its further development and growth, including amongst other things, the possibility of an IPO, a private sale and/or opportunistic acquisitions in each case subject to market conditions. This may include, amongst other things, on-market or off-market purchases of the remaining £325m Senior Secured Debt (or refinancing some part of it) or other refinancing arrangements. However, no final decision has been made in this regard and therefore there is no certainty that the Group will carry out any such transaction.

Environmental, social and governance (ESG) matters

NewDay recognises the important role that its products play in society. Through its Customer Manifesto the Group strives to be a force for good in responsible lending. Treating customers fairly in good times and in times of difficulty is at the heart of the Group's purpose to help people move forward with credit. Delivering long-term sustainability is a fundamental objective at Board level. The Group recognises the importance of minimising its impact on the environment, being a responsible lender and employer. The Group's ESG strategy ensures appropriate focus and accountability across the business. The Group's approach and strategy regarding ESG matters are detailed on pages 42 to 43 of its 2020 Annual Report and Financial Statements.

Additionally, in 2021, the Group became a signatory to the UN Global Compact and NewDay supports their Ten Principles on human rights, labour, environment and anti-corruption. We continue to support our charity partner, Family Action, with financial and operational support.

[1] Source: Management analysis, BoE, Digital Commerce 360, Forrester, Edge, Euromonitor, eMarketer, BNPL Consumer Survey, Global Data (Retail Banking Analytics, Consumer Credit Analytics), Pyxis, Market Participant Interviews, WorldPay, Morgan Stanley European Fintech Report 2021. All market data points based on receivables as at 31 December 2020.

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)			
	Nine months ended September 2021	**Nine months ended September 2020**	**Impact of forecast deterioration in the UK economy on the impairment charge**	**Adjusted nine months ended September 2020**
New customers	(70.5)	(57.4)	10.9	(46.5)
Existing customers	200.7	35.6	107.5	143.1
Total	**130.2**	**(21.8)**	**118.4**	**96.6**

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. This enables 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.

In 2021, the Group added to its already broad range of capabilities by:

- launching *Newpay 1:many* through Deko, a sister company of the Group, to enable scale with smaller merchants and widen its addressable market;
- launching *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. To date, *Bip* reported 13k new customer accounts; and
- rolling-out next generation credit models facilitating enhanced customer underwriting capabilities powered by machine learning and upgraded bureau products.

The Group aims to continue to add to its digital capabilities with, amongst other things:

- the phased launch of a new in-house, fully integrated, collections platform;
- new transaction enrichment technology to help customers more easily manage transactions;
- the launch of a *Newpay* instalment calculator, facilitating the transparency and management of monthly instalments by customers; and
- the launch of a retailer hub, allowing *Newpay 1:many* customers to view all eligible brands in one place.

[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 ECL 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:

	Nine months ended September 2021 £m	Nine months ended September 2020 restated[1] £m	Year ended September 2021 £m	Year ended December 2020 £m
Interest income	508.6	488.5	673.5	653.4
Cost of funds	(45.6)	(44.4)	(61.4)	(60.2)
Net interest income	**463.0**	**444.1**	**612.1**	**593.2**
Fee and commission income	33.4	33.4	44.2	44.2
Total income	**496.4**	**477.5**	**656.3**	**637.4**
Impairment losses on loans and advances to customers	(215.2)	(358.4)	(303.4)	(446.6)
Risk-adjusted income	**281.2**	**119.1**	**352.9**	**190.8**
Servicing costs	(62.4)	(70.8)	(89.2)	(97.6)
Change costs	(32.2)	(25.7)	(45.6)	(39.1)
Marketing and partner payments	(27.8)	(32.1)	(42.9)	(47.2)
Collection fees	17.7	19.9	23.3	25.5
Contribution	**176.5**	**10.4**	**198.5**	**32.4**
Salaries, benefits and overheads	(54.6)	(39.6)	(69.0)	(54.0)
Underlying profit/(loss) before tax from continuing operations	**121.9**	**(29.2)**	**129.5**	**(21.6)**
Add back: depreciation and amortisation	8.3	7.4	11.0	10.1
Adjusted EBITDA[2]	**130.2**	**(21.8)**	**140.5**	**(11.5)**
Senior Secured Debt interest and related costs	(24.4)	(25.7)	(32.8)	(34.1)
Fair value unwind	0.8	0.4	1.1	0.7
PPI	(4.7)	(5.2)	(7.2)	(7.7)
Debenhams asset write-off	-	-	(7.4)	(7.4)
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition	(51.4)	(47.0)	(67.8)	(63.4)
Impairment of customer and retail partner relationships intangible assets arising on the Acquisition	-	(5.5)	-	(5.5)
Profit/(loss) before tax from continuing operations	**50.5**	**(104.8)**	**26.4**	**(128.9)**

Interest income

The Group's interest income increased by 4% to £509m (30 September 2020: £489m). Spend levels have recovered towards pre-pandemic levels which is leading to both receivables and interest income growth. The number of customers on a payment holiday intervention, which suspends interest and fees, is significantly lower than in 2020.

Cost of funds

Funding costs increased by 3% to £46m (30 September 2020: £44m). This was driven primarily by funding overlaps partly offset by reductions in the Bank of England base rate.

Fee and commission income

Fee and commission income was flat period-on-period at £33m (30 September 2020: £33m). Spend activity increased in the period however the suspension of fees on accounts that have been extended short-term interventions during the pandemic such as payment holidays and payment freezes limited growth in fee income.

[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 40% to £215m (30 September 2020: £358m). Underlying collection performance remained strong which is driving improvements in overall credit charge-off performance. The proportion of Direct to Consumer customers with two missed payments (or more) after six months reduced over the last year to 3.7% (30 September 2020: 7.4%). In Merchant Offering, the rate reduced to 2.8% (30 September 2020: 4.5%). The average Delphi score[1] increased to 1,030 for Direct to Consumer (30 September 2020: 1,016) whilst for Merchant Offering it reduced marginally to 1,190 due to a targeted shift towards more near-prime customers (30 September 2020: 1,191).

In 2020, the Group significantly uplifted its ECL allowance for higher anticipated credit losses driven by the worsening UK economic outlook. As at 30 September 2021, the Group's ECL allowance increased to £560m which represents a reduction in coverage to 18.4% of gross receivables (31 December 2020: £550m, or 19.3%). The movement in the ECL allowance in the nine months included: i) a £77.6m reduction in the base scenario ECL (excluding the impact of receivables growth); ii) a £30.3m uplift from probability-weighting ECL in multiple economic scenarios; and iii) a £56.6m[2] increase resulting from receivables growth since the year end. As a result, the Group's impairment rate for the period reduced to 10.1% (30 September 2020: 17.2%).

Operating costs

Servicing costs reduced by 12% to £62m (30 September 2020: £71m). This was driven by the 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 25% to £32m (30 September 2020: £26m) 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 13% to £28m (30 September 2020: £32m) primarily due to 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 fees income reduced by 11% to £18m (30 September 2020: £20m). This was due to lower fee earning collection activity as a result of COVID-19 and the payment holidays and payment freezes extended to customers.

Salaries, benefits and overheads

Salaries, benefits and overheads increased by 38% to £55m (30 September 2020: £40m) driven principally by higher expected discretionary payments reflecting the improved business performance in 2021, combined with significantly lower discretionary payments accrued in 2020.

Underlying cost-income ratio

Higher costs driven by investment in strategic projects and employee-related expenses resulted in the Group's underlying cost-income ratio increasing to 32.1% (30 September 2020: 31.1%).

Adjusted EBITDA

Adjusted EBITDA increased to £130m[3] (31 December 2020: £12m loss, 30 September 2020: £22m loss) and represents a strong underlying trading performance. 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 £134m[3] (31 December 2020: £16m loss).

[1] Experian Delphi for Customer Management Account and Arrears Management score, which predicts the likelihood of delinquency within the next 12 months with a higher score representing a lower likelihood.

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

[3] See footnote 2 on page 2.

Cash flows

	Nine months ended September 2021 £m	Nine months ended September 2020 restated[1] £m	Year ended September 2021 £m	Year ended December 2020 restated[1] £m
Net cash (used in)/generated from operating activities	(76.6)	243.2	(149.6)	170.2
Net cash generated from/(used in) investing activities	61.5	(9.1)	59.0	(11.6)
Net cash (used in)/generated from financing activities	(11.9)	(145.7)	354.1	220.3
Net (decrease)/increase in cash and cash equivalents	**(27.0)**	**88.4**	**263.5**	**378.9**
Cash and cash equivalents at the start of the period[1]	584.6	205.7	294.1	205.7
Cash and cash equivalents at the end of the period	**557.6**	**294.1**	**557.6**	**584.6**

Net cash (used in)/generated from operating activities

Net cash used in operating activities was £77m (30 September 2020: £243m generated from) and was primarily driven by investment in receivables growth.

Net cash generated from/(used in) investing activities

Net cash generated from investing activities of £62m (30 September 2020: £9m used in) represents £67m of cash received from the sale of UPL receivables offset by investment in intangible assets and property and equipment.

Net cash (used in)/generated from financing activities

Net cash used in financing activities of £12m (30 September 2020: £146m) consists of issuances and repayments of asset-backed securities and drawdowns of VFNs to fund receivables growth. Additionally, this balance also includes: i) a £100m net repayment of Senior Secured Debt; ii) settlement of the UPL VFN following completion of the receivables sale; iii) the repayment of the £30m Revolving Credit Facility; and iv) a £9m cash payment to the Group's immediate parent company.

As at 30 September 2021, the Group's cash balance included £273m arising from funding overlaps (30 September 2020: £nil) and £57m of restricted cash (30 September 2020: £59m). Cash held outside of the securitisation structures was £90m as at the period end (30 September 2020: £133m) with strong cash generation offset by the early repayment of £100m of Senior Secured Debt and the £30m Revolving Credit Facility repayment in 2021.

Funding

The Group proactively monitors its funding requirements to ensure it remains appropriately positioned to finance its operations and it has the right to extend the maturity date of all its asset-backed debt by one year (excluding the Senior Secured Debt and Revolving Credit Facility).

In Q3, the Group completed the following transactions:

- a repayment of its £150m floating rate Senior Secured Debt with £100m of cash and £50m raised from the issuance of additional fixed rate Senior Secured Debt which has the same interest rate and maturity as the existing fixed rate notes;
- a financing transaction which raised £350m of asset-backed securities (of which £30m was retained within the Group) from the Direct to Consumer securitisation programme which will be used to refinance £268m of debt principal maturing in December 2021; and
- obtained investor consent to extend the maturity of a $205m bond within the Direct to Consumer securitisation programme by 14 months to November 2022, bringing it into line with the associated sterling bonds from the same issuance. The Group also retains the ability to extend the same bond by a further 12-month period at its discretion.

[1] In 2021, the Group refined its definition of cash and cash equivalents to include restricted cash of £57m (30 September 2020: £59m, 31 December 2020: £64m). Restricted cash are demand deposits which are subject to constraints regarding when the balance can be utilised. As a consequence of the change in definition, the comparative period information of: i) cash and cash equivalents have been re-presented to include restricted cash; and ii) cash flows from operating activities have been re-presented to include movements in restricted cash.

After the period end, the Group also successfully delivered a £400m expansion of a VFN facility in its Merchant Offering portfolio and at the same time added a new bank to the lending panel and extended its maturity to 2024.

As at 30 September 2021, the Group reported VFN headroom of £0.8bn that was further increased in October with the £400m VFN expansion completed after the balance sheet date. After adjusting for debt in respect of which the Group has already raised funds to repay (and the £400m VFN expansion), as at 30 September 2021:

- 9% of the Group's borrowings will be due for repayment in less than one year, 20% will be due in one to two years and 71% will be due in over two years; and
- the average maturity of the Group's funding facilities was 2.3 years.

Segmental analysis

The Group's reportable operating segments comprise Direct to Consumer, Merchant Offering and Platform Services. 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:

- Direct to Consumer (previously Own-brand): this segment serves customers who are typically new to credit or have a limited or poor credit history. The segment issues credit cards under the *Aqua*, *marbles* and *Fluid* brands and digital credit under the *Bip* brand. The segment also includes two closed portfolios;
- Merchant Offering (previously Co-brand): this segment provides co-branded credit products in partnership with established retail and consumer brands, and an own-branded *Pulse* card to customers from previous partnerships that have since ended. The segment also offers finance products to customers through its digital revolving credit product, *Newpay*. In addition, the segment has a small portfolio of other closed credit cards and point-of-sale finance products; and
- Platform Services (previously Other): this segment provides digital platform solutions for end-to-end servicing of unsecured credit products financed and owned by third parties.

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.

Direct to Consumer segmental performance

	Nine months ended September 2021 £m	Nine months ended September 2020 £m	Year ended September 2021 £m	Year ended December 2020 £m
Net interest income	320.6	305.1	424.2	408.7
Fee and commission income	21.3	21.3	27.5	27.5
Total income	**341.9**	**326.4**	**451.7**	**436.2**
Impairment losses on loans and advances to customers	(162.6)	(280.8)	(229.8)	(348.0)
Risk-adjusted income	**179.3**	**45.6**	**221.9**	**88.2**
Servicing costs	(31.8)	(32.7)	(44.5)	(45.4)
Change costs	(15.5)	(15.7)	(23.1)	(23.3)
Marketing costs	(15.8)	(6.5)	(21.0)	(11.7)
Collection fees	10.9	11.8	14.2	15.1
Contribution	**127.1**	**2.5**	**147.5**	**22.9**

The Direct to Consumer segment opened 391k new customer accounts in the period (30 September 2020: 257k) and active customer accounts totalled 1,336k as at 30 September 2021 (30 September 2020: 1,143k). The portfolio reported 17% growth in receivables year-on-year to £1,942m (30 September 2020: £1,664m). Spend levels increased by 41% period-on-period to £2.2bn (30 September 2020: £1.6bn).

Net interest income increased by 5% to £321m (30 September 2020: £305m) which was in line with the average receivables growth.

Fee and commission income was flat period-on-period at £21m (30 September 2020: £21m).

Impairment reduced by 42% to £163m (30 September 2020: £281m). Underlying collection performance remains strong with charge-off rates reducing to 10.5% (30 September 2020: 15.4%). The proportion of receivables entering delinquency reduced to 2.7% (30 September 2020: 3.5%). In 2020, the Group significantly uplifted its ECL allowance for higher anticipated credit losses driven by the worsening UK economic outlook. As at 30 September 2021, the ECL allowance increased to finish the period at £461m which represents a reduction in coverage to 23.7% of gross receivables (31 December 2020: £457m, or 26.6%). The segment's impairment rate for the period reduced to 12.2% (30 September 2020: 22.0%).

Servicing costs of £32m were broadly in line with 2020 (30 September 2020: £33m).

Change costs of £16m were broadly in line with 2020 (30 September 2020: £16m).

Marketing costs more than doubled to £16m which was due to the increase in new account volumes and costs incurred to launch *Bip* (30 September 2020: £7m).

Collection fees were broadly in line period-on-period at £11m (30 September 2020: £12m).

As a result of the factors above, and predominantly due to the lower impairment charge, the segment reported a contribution of £127m for the nine months ended 30 September 2021 (30 September 2020: £3m).

Merchant Offering segmental performance

	Nine months ended September 2021 £m	Nine months ended September 2020 £m	Year ended September 2021 £m	Year ended December 2020 £m
Net interest income	142.4	139.0	187.9	184.5
Fee and commission income	11.7	12.1	16.3	16.7
Total income	**154.1**	**151.1**	**204.2**	**201.2**
Impairment losses on loans and advances to customers	(52.6)	(77.6)	(73.6)	(98.6)
Risk-adjusted income	**101.5**	**73.5**	**130.6**	**102.6**
Servicing costs	(30.6)	(38.1)	(44.7)	(52.2)
Change costs	(11.4)	(10.0)	(17.2)	(15.8)
Marketing and partner payments	(12.0)	(25.6)	(21.9)	(35.5)
Collection fees	6.8	8.1	9.1	10.4
Contribution	**54.3**	**7.9**	**55.9**	**9.5**

The Merchant Offering segment opened 207k new customer accounts in the period (30 September 2020: 320k) and active customer accounts totalled 1,176k as at 30 September 2021 (30 September 2020: 1,482k). The portfolio reported an increase in receivables of 2% to £1,091m (30 September 2020: £1,067m). New account volumes and receivables growth were impacted by the COVID-19 pandemic, however the portfolio's partnerships with leading e-tailers limited the impact of the cessation of trade for certain high street partners.

Net interest income increased by 2% to £142m (30 September 2020: £139m) which is broadly in line with the growth in receivables.

Fee and commission income was flat period-on-period at £12m (30 September 2020: £12m).

Impairment reduced by 32% to £53m (30 September 2020: £78m). Underlying collection performance remains strong with the proportion of receivables entering delinquency remaining stable at 1.7% (30 September 2020: 1.7%). The charge-off rate increased to 5.9% (30 September 2020: 5.7%) which is expected given the targeted shift to online-originated accounts, which have an associated higher risk compared to store-originated accounts, together with targeting prime and near-prime customers. In 2020, the Group significantly uplifted its ECL allowance for higher anticipated credit losses driven by the worsening UK economic outlook. As at 30 September 2021, the ECL allowance was £99m which represents an uplift in coverage to 9.0% of gross receivables (31 December 2020: £93m, or 8.3%), reflecting the targeted widening risk profile of the portfolio. The segment's impairment rate for the period reduced to 6.5% (30 September 2020: 9.6%).

Servicing costs reduced by 20% to £31m (30 September 2020: £38m) which was driven primarily by lower account fulfilment costs as a result of a shift towards e-servicing.

Change costs increased by 14% to £11m (30 September 2020: £10m) which was driven by costs incurred to develop the Group's digital capabilities with the aim of enhancing customer and partner experiences.

Marketing and partner payment costs reduced by 53% to £12m (30 September 2020: £26m) 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 16% to £7m (30 September 2020: £8m) due to fewer collections, as a result of the lower spend activity on the portfolio, and the impact of payment deferrals such as payment holidays and freezes.

As a result of the factors above, Merchant Offering contribution increased to £55m (30 September 2020: £8m).

Platform Services segmental performance

The Platform Services segment reported negative contribution of £5m (30 September 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

30 September 2021

Consolidated interim financial information

Consolidated income statement and consolidated statement of comprehensive income

	Note	Nine months ended 30 September 2021 £m	Nine months ended 30 September 2020 restated[1] £m	Year ended 31 December 2020 £m
Continuing operations				
Interest and similar income	3	512.8	489.5	654.6
Interest and similar expense	3	(70.1)	(70.9)	(95.3)
Net interest income		**442.7**	**418.6**	**559.3**
Fee and commission income	3	47.1	52.6	68.8
Impairment losses on loans and advances to customers	3, 6	(215.3)	(360.6)	(449.6)
Risk-adjusted income	3	**274.5**	**110.6**	**178.5**
Personnel expense		(79.2)	(65.3)	(87.4)
Other operating expenses		(144.8)	(150.1)	(220.0)
Total operating expenses	3	**(224.0)**	**(215.4)**	**(307.4)**
Profit/(loss) before tax from continuing operations	3	**50.5**	**(104.8)**	**(128.9)**
Tax (expense)/income		(13.9)	3.3	4.8
Profit/(loss) after tax from continuing operations		**36.6**	**(101.5)**	**(124.1)**
Discontinued operation				
Profit/(loss) after tax from discontinued operation	4	3.4	(4.2)	(4.5)
Profit/(loss) after tax		**40.0**	**(105.7)**	**(128.6)**
Other comprehensive (expense)/income				
Items that may subsequently be reclassified to the income statement				
Effective portion of changes in fair value of cash flow hedges		6.6	9.2	(10.4)
Net income statement transfer from hedging reserve		(7.8)	(6.2)	13.3
Other comprehensive (expense)/income		**(1.2)**	**3.0**	**2.9**
Total comprehensive income/(expense)		**38.8**	**(102.7)**	**(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 income statement and consolidated statement of comprehensive income

	Quarter ended 30 September 2021 £m	Quarter ended 30 September 2020 restated[1] £m
Continuing operations		
Interest and similar income	180.6	157.4
Interest and similar expense	(21.7)	(21.9)
Net interest income	**158.9**	**135.5**
Fee and commission income	18.0	15.3
Impairment losses on loans and advances to customers	(73.6)	(98.2)
Risk-adjusted income	**103.3**	**52.6**
Personnel expense	(27.7)	(20.8)
Other operating expenses	(49.6)	(52.4)
Total operating expenses	**(77.3)**	**(73.2)**
Profit/(loss) before tax from continuing operations	**26.0**	**(20.6)**
Tax expense	(6.2)	-
Profit/(loss) after tax from continuing operations	**19.8**	**(20.6)**
Discontinued operation		
Loss after tax from discontinued operation	-	(0.6)
Profit/(loss) after tax	**19.8**	**(21.2)**
Other comprehensive (expense)/income		
Items that may subsequently be reclassified to the income statement		
Effective portion of changes in fair value of cash flow hedges	9.9	(14.5)
Net income statement transfer from hedging reserve	(13.5)	15.7
Other comprehensive (expense)/income	**(3.6)**	**1.2**
Total comprehensive income/(expense)	**16.2**	**(20.0)**

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.

Consolidated balance sheet

	Note	As at 30 September 2021 £m	As at 30 September 2020 £m	As at 31 December 2020 £m
Assets				
Loans and advances to banks	5	557.6	294.1	584.6
Loans and advances to customers	6	2,592.4	2,399.0	2,404.2
Other assets		46.7	49.7	50.8
Derivative financial assets	7	2.0	1.2	-
Current tax assets		0.3	0.1	1.8
Deferred tax assets		2.4	2.1	2.1
Property and equipment		16.9	21.6	19.8
Intangible assets	8	167.3	224.2	210.4
Goodwill		279.9	279.9	279.9
Loans and advances to customers held for sale	4	-	-	69.2
Total assets		**3,665.5**	**3,271.9**	**3,622.8**
Liabilities				
Debt issued and other borrowed funds	9	3,247.5	2,892.8	3,246.8
Other liabilities		90.7	69.3	77.8
Derivative financial liabilities	7	20.6	9.2	27.5
Current tax liabilities		2.2	0.1	0.1
Provisions	10	15.7	18.0	11.1
Total liabilities		**3,376.7**	**2,989.4**	**3,363.3**
Net assets		**288.8**	**282.5**	**259.5**
Equity attributable to owners of the Company				
Share capital and share premium		-	-	-
Equity instruments		593.9	593.9	593.9
Capital contribution		10.7	20.2	20.2
Hedging reserve		(3.3)	(2.0)	(2.1)
Retained losses		(312.5)	(329.6)	(352.5)
Total equity		**288.8**	**282.5**	**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
Return paid on loan from immediate parent company[1]	-	-	(9.5)	-	-	(9.5)
Total comprehensive income for the period:						
Profit after tax	-	-	-	-	40.0	40.0
Other comprehensive expense	-	-	-	(1.2)	-	(1.2)
As at 30 September 2021	**-**	**593.9**	**10.7**	**(3.3)**	**(312.5)**	**288.8**

	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]	-	-	(10.3)	-	-	(10.3)
Total comprehensive expense for the period:						
Loss after tax	-	-	-	-	(105.7)	(105.7)
Other comprehensive income	-	-	-	3.0	-	3.0
As at 30 September 2020	**-**	**593.9**	**20.2**	**(2.0)**	**(329.6)**	**282.5**
Total comprehensive expense for the period:						
Loss after tax	-	-	-	-	(22.9)	(22.9)
Other comprehensive expense	-	-	-	(0.1)	-	(0.1)
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] The Group paid a return to Nemean Midco Limited, its immediate parent. The returns were 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. The £9.5m return paid in 2021 included a £8.8m cash payment and a £0.7m balance that was retained by the Group to fund certain costs on behalf of Nemean Midco Limited.

Consolidated statement of cash flows

	Note	Nine months ended 30 September 2021 £m	Nine months ended 30 September 2020 restated[1,2] £m	Year ended 31 December 2020 restated[2] £m
Operating activities				
Profit/(loss) after tax		40.0	(105.7)	(128.6)
Reconciliation of profit/(loss) after tax to net cash generated from operating activities:				
Tax expense/(income)		13.9	(3.3)	(4.8)
Interest and similar expense		70.1	70.9	95.3
Interest and similar expense from discontinued operation	4	0.1	1.9	2.3
Depreciation of property and equipment		3.7	4	5.4
Charge on disposal of property and equipment		-	-	0.2
Amortisation of intangible assets	8	47.7	43.0	58.0
Impairment and charge on disposal of intangible assets	8	0.4	5.5	6.2
Impairment and charge on disposal of intangible assets from discontinued operation	8	-	-	0.5
Impairment losses on loans and advances to customers		215.3	360.6	449.6
Impairment losses on loans and advances to customers from discontinued operation	4	-	13.7	16.4
Changes in operating assets and liabilities:				
Increase in loans and advances to customers including those held for sale		(401.5)	(63.5)	(229.6)
Decrease in other assets		4.1	6.9	5.8
Increase/(decrease) in other liabilities		13.5	(11.7)	(2.4)
Increase/(decrease) in provisions		4.6	0.1	(6.8)
Interest and similar expense paid		(77.9)	(72.9)	(91.0)
Tax paid		(10.6)	(6.3)	(6.3)
Net cash (used in)/generated from operating activities		**(76.6)**	**243.2**	**170.2**
Cash flows from investing activities				
Purchases of property and equipment		(0.7)	(2.6)	(2.7)
Investment in intangible assets	8	(5.0)	(6.5)	(8.9)
Proceeds from sale of loans and advances to customers held for sale	4	67.2	-	-
Net cash generated from/(used in) investing activities		**61.5**	**(9.1)**	**(11.6)**
Cash flows from financing activities				
Proceeds from debt issued and other borrowed funds	9	1,076.0	467.8	1,012.5
Repayment of debt issued and other borrowed funds	9	(1,077.8)	(600.8)	(778.6)
Payment of principal element of lease liabilities		(1.3)	(2.4)	(3.3)
Return paid on loan from immediate parent company		(8.8)	(10.3)	(10.3)
Net cash (used in)/generated from financing activities		**(11.9)**	**(145.7)**	**220.3**
Net (decrease)/increase in cash and cash equivalents		(27.0)	88.4	378.9
Cash and cash equivalents at the start of the period		584.6	205.7	205.7
Cash and cash equivalents at the end of the period	5	**557.6**	**294.1**	**584.6**

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.

[2] Included within cash and cash equivalents is restricted cash of £56.9m (30 September 2020: £58.7m, 31 December 2020: £63.7m) which is subject to constraints regarding when the balance can be utilised. The comparatives have been re-presented to include restricted cash in cash and cash equivalents. The effect has been to increase net cash generated from operating activities for the nine months ended 30 September 2020 and year ended 31 December 2020 by £5.1m and £10.1m, respectively. See note 5 for further details.

Consolidated statement of cash flows

	Note	Quarter ended 30 September 2021 £m	Quarter ended 30 September 2020 restated[1] £m
Operating activities			
Profit/(loss) after tax		19.8	(21.2)
Reconciliation of profit/(loss) after tax to net cash used in operating activities:			
Tax expense		6.2	-
Interest and similar expense		21.7	21.9
Interest and similar expense from discontinued operation		-	0.5
Depreciation of property and equipment		1.2	1.4
Amortisation and impairment of intangible assets		16.1	14.7
Impairment and charge on disposal of intangible assets		0.4	-
Impairment losses on loans and advances to customers		73.6	98.2
Impairment losses on loans and advances to customers from discontinued operation		-	3.3
Changes in operating assets and liabilities:			
Increase in loans and advances to customers		(217.6)	(111.3)
(Increase)/decrease in other assets		(5.6)	4.5
Increase/(decrease) in other liabilities		1.5	(1.4)
Increase in provisions		1.5	2.6
Interest and similar expense paid		(29.5)	(26.0)
Tax paid		(4.2)	-
Net cash used in operating activities		**(114.9)**	**(12.8)**
Cash flows from investing activities			
Purchases of property and equipment		(0.4)	(0.3)
Investment in intangible assets		(1.3)	(1.6)
Net cash used in investing activities		**(1.7)**	**(1.9)**
Cash flows from financing activities			
Proceeds from debt issued and other borrowed funds		541.3	102.3
Repayment of debt issued and other borrowed funds		(489.0)	(297.2)
Payment of principal element of lease liabilities		-	(0.9)
Return paid on loan from immediate parent company		(3.5)	-
Net cash generated from/(used in) financing activities		**48.8**	**(195.8)**
Net decrease in cash and cash equivalents		(67.8)	(210.5)
Cash and cash equivalents at the start of the period		625.4	504.6
Cash and cash equivalents at the end of the period	5	**557.6**	**294.1**

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.

[2] Included within cash and cash equivalents is restricted cash of £56.9m (30 September 2020: £58.7m) which is subject to constraints regarding when the balance can be utilised. The comparatives have been re-presented to include restricted cash in cash and cash equivalents. The effect has been to increase net cash used in operating activities for the three months ended 30 September 2020 by £0.1m. See note 5 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).

This interim financial information has been prepared in accordance with UK-adopted International Accounting Standards whilst the prior period comparatives contained herein have been prepared in accordance with IFRS as endorsed by the EU. 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 nine months ended 30 September 2021 was approved by the Board of Directors on 22 November 2021.

Going concern

As at 22 November 2021, the Group has £849.4m (including £283.4m through a cross-currency interest rate swap) of asset-backed term debt principal within the Direct to Consumer securitisation programme maturing in the next twelve months. 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 or 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 July 2021, the Group raised £319.6m of cash from the issuance of publicly listed asset-backed term debt in the Direct to Consumer securitisation programme. It is the Directors' intention to use this cash to settle £273.3m of debt principal (inclusive of amounts fixed using cross-currency interest rate swaps) due to mature in December 2021. As at 22 November 2021, the Group has undrawn VFNs of £328.0m within the Direct to Consumer securitisation programme with a maturity in excess of twelve months which can be used to fund future growth and refinance any other 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 (with unemployment peaking at 11.9% which is aligned with the downside 2 scenario used in the forward-looking information within the Group's ECL allowance, see note 2.3 for further details) where there is limited ability to raise new financing, the Group could continue to operate with the financing available under its existing facilities and covenants (with mitigating management intervention if necessary). 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 post-Brexit trading 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 30 September 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; 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 its remaining life. The change in amortisation method has been treated as a change in accounting estimate; and iii) fees earned from interest-free periods are recognised over the expected pay down of the spend that generated the interest-free period as opposed to, in previous periods, the life of the underlying account.

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.

Additionally, in 2021, the Group revised the pay down profiles it uses to generate interest income using the effective interest rate method on accounts with interest-free promotional offers. This revision incorporated an annual review of the data and methodology used to generate the pay down profiles.

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 post-Brexit trading 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	%
30 September 2021					
Upside	4.9	3.8	4.1	487.4	5
Base	5.3	4.2	4.5	510.0	50
Downside 1	9.1	4.5	6.3	618.3	40
Downside 2	11.9	4.9	7.3	655.9	5
30 September 2020					
Upside	6.9	3.7	4.7	452.8	-
Base	8.6	4.5	5.8	503.0	65
Downside 1	10.2	5.3	6.9	546.3	30
Downside 2	12.7	5.3	7.6	626.6	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 30 September 2021 is as follows:

- the upside scenario assumes a continued 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 4.9% in Q4 2021 before gradually falling to pre-pandemic levels of 3.8% by the end of 2025;
- the base scenario assumes a phased rebound to the UK economy with an impact on trade resulting from labour shortages in certain industries. Consumer confidence increases as restrictions are lifted and, following the end of furlough schemes, the unemployment rate is forecast to peak at 5.3% in Q4 2021 before gradually falling almost back to pre-pandemic 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 and gets a short-term shock due to the withdrawal of furlough schemes, inflation and labour challenges in certain industries. The unemployment rate peaks at 9.1% in Q1 2022 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 with many sectors experiencing bankruptcies and the UK receiving sanctions from the EU for breaches of the Northern Ireland Protocol. The UK economy is expected to take longer to recover with the unemployment rate reaching 11.9% in Q2 2022 and remaining elevated for the duration of the forecast period as the economy struggles to recover. The unemployment rate reduces to 4.9% by the end of the five-year outlook period which is significantly above the pre-pandemic rate.

As at 30 September 2021, the impact of probability-weighting these scenarios increased in the period and uplifted the ECL allowance on loans and advances to customers by £49.5m compared to the base scenario ECL allowance (30 September 2020: £30.5m, 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 with the decrease in the period reflecting that certain PMAs were embedded within the underlying model in 2021.

Notes to the consolidated interim financial information (continued)

2.3 Significant accounting judgements, estimates and assumptions (continued)

	As at 30 September 2021 £m	As at 30 September 2020 £m	As at 31 December 2020 £m
COVID-19 related	27.8	58.5	38.5
Forward-looking information	19.9	12.7	24.6
Model performance	13.4	17.7	21.2
Total PMAs	**61.1**	**88.9**	**84.3**

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 proxies to consider the impact on ECL of multiple economic scenarios. The Group uses its Direct to Consumer model as a proxy for considering the impact of changes in forward-looking information on ECL for portfolios which do not have a bespoke forward-looking model. The Group also uses a PMA to incorporate the impact of forecast changes in disposable income on ECL; 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 amendments to existing standards are mandatory for the first time for the period ended 30 September 2021 but do not have a significant impact on the Group:

- Amendments to IFRS 9, IAS 39 and IFRS 7 for interest rate benchmark reform.

2.5 Standards issued but not yet effective

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

- Amendment to IFRS 16 'Leases' – Covid-19-related rent concessions beyond 30 June 2021. This amendment extends the time period over which the practical expedient introduced by earlier amendments is available for use to 30 June 2022;
- Annual improvements to IFRS Standards 2018-2020 cycle. Minor amendments to IFRS 1, IFRS 9 and IAS 41;
- Amendments to IFRS 3 'Business combinations' – Reference to the Conceptual Framework. The amendments update certain references to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations;
- Amendments to IAS 16 'Property, plant and equipment - Proceeds before Intended Use' – The amendments require amounts received from selling items produced while the company is preparing the asset for its intended use to be recognised in profit or loss, and not as an adjustment to the cost of the asset; and
- Amendment to IAS 37 'Provisions, contingent liabilities and contingent assets' – Onerous Contracts: Cost of Fulfilling a Contract – The amendment specifies which costs to include when assessing whether a contract will be loss-making.

The amendments noted above are 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 'Direct to Consumer', 'Merchant Offering' and 'Platform Services', 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:

- Direct to Consumer (previously Own-brand): this segment serves customers who are typically new to credit or have a limited or poor credit history. The segment issues credit cards under the *Aqua*, *marbles* and *Fluid* brands and digital credit under the *Bip* brand. The segment also includes two closed portfolios;
- Merchant Offering (previously Co-brand): this segment provides co-branded credit products in partnership with established retail and consumer brands, and an own-branded *Pulse* card to customers from previous partnerships that have since ended. The segment also offers finance products to customers through its digital revolving credit product, *Newpay*. In addition, the segment has a small portfolio of other closed credit cards and point-of-sale finance products; and
- Platform Services (previously Other): this segment provides digital platform solutions for end-to-end servicing of unsecured credit products financed and owned by third parties.

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 Merchant Offering 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 also had an impact on reported profits along with the underlying seasonal 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 nine months ended 30 September 2021, in line with reporting to the chief operating decision maker:

Nine months ended 30 September 2021	Direct to Consumer £m	Merchant Offering £m	Platform Services £m	Total £m
Interest income	351.1	157.5	-	508.6
Cost of funds	(30.5)	(15.1)	-	(45.6)
Net interest income	**320.6**	**142.4**	**-**	**463.0**
Fee and commission income	21.3	11.7	0.4	33.4
Impairment losses on loans and advances to customers	(162.6)	(52.6)	-	(215.2)
Risk-adjusted income	**179.3**	**101.5**	**0.4**	**281.2**
Servicing costs	(31.8)	(30.6)	-	(62.4)
Change costs	(15.5)	(11.4)	(5.3)	(32.2)
Marketing and partner payments	(15.8)	(12.0)	-	(27.8)
Collection fees	10.9	6.8	-	17.7
Contribution	**127.1**	**54.3**	**(4.9)**	**176.5**
Salaries, benefits and overheads				(54.6)
Underlying profit before tax				**121.9**
Add back: depreciation and amortisation				8.3
Adjusted EBITDA[1]				**130.2**
Senior Secured Debt interest and related costs				(24.4)
Fair value unwind				0.8
PPI				(4.7)
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition				(51.4)
Profit before tax from continuing operations				**50.5**
Gross receivables	**1,941.9**	**1,091.4**	**-**	**3,033.3**

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

Nine months ended 30 September 2021 reconciling items	Statutory £m	Fair value unwind £m	Fee income £m	Senior Secured Debt interest and related costs £m	Other £m	Segmental basis £m
Interest income	512.8	(0.8)	(3.5)	-	0.1	508.6
Cost of funds	(70.1)	-	-	24.0	0.5	(45.6)
Fee and commission income	47.1	-	(13.7)	-	-	33.4
Impairment losses on loans and advances to customers	(215.3)	-	-	-	0.1	(215.2)
Risk-adjusted income	**274.5**	**(0.8)**	**(17.2)**	**24.0**	**0.7**	**281.2**
Total operating expenses	(224.0)	0.8	17.2	(24.0)	(0.7)	(230.7)[2]
Profit before tax from continuing operations	**50.5**	**-**	**-**	**-**	**-**	**50.5**

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. Fee income represents i) cost recovery fees which are presented as a component of collection fees on a segmental basis rather than income; and ii) subsidy income which is presented as a component of fee and commission income on a segmental basis rather than as an adjustment to the effective interest rate and therefore presented in interest income.

[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)

Senior Secured Debt interest and related costs represents interest and related costs on the £325.0m Senior Secured Debt and £30.0m Revolving Credit Facility, which are excluded from contribution on a segmental basis where appropriate. 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 nine months ended 30 September 2020, in line with reporting to the chief operating decision maker:

Nine months ended 30 September 2020 restated[1]	**Direct to Consumer £m**	**Merchant Offering £m**	**Total £m**
Interest income	333.5	155.0	488.5
Cost of funds	(28.4)	(16.0)	(44.4)
Net interest income	**305.1**	**139.0**	**444.1**
Fee and commission income	21.3	12.1	33.4
Impairment losses on loans and advances to customers	(280.8)	(77.6)	(358.4)
Risk-adjusted income	**45.6**	**73.5**	**119.1**
Servicing costs	(32.7)	(38.1)	(70.8)
Change costs	(15.7)	(10.0)	(25.7)
Marketing and partner payments	(6.5)	(25.6)	(32.1)
Collection fees	11.8	8.1	19.9
Contribution	**2.5**	**7.9**	**10.4**
Salaries, benefits and overheads			(39.6)
Underlying loss before tax			**(29.2)**
Add back: depreciation and amortisation			7.4
Adjusted EBITDA[2]			**(21.8)**
Senior Secured Debt interest and related costs			(25.7)
Fair value unwind			0.4
PPI			(5.2)
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition			(47.0)
Impairment of customer and retail partner relationships intangible assets arising on the Acquisition			(5.5)
Loss before tax from continuing operations			**(104.8)**
Gross receivables	**1,663.5**	**1,066.9**	**2,730.4**

Nine months ended 30 September 2020 reconciling items restated[1]	**Statutory £m**	**Fair value unwind £m**	**Fee income £m**	**Senior Secured Debt interest and related costs £m**	**Other £m**	**Segmental basis £m**
Interest income	489.5	(0.8)	-	-	(0.2)	488.5
Cost of funds	(70.9)	0.4	-	25.7	0.4	(44.4)
Fee and commission income	52.6	-	(19.2)	-	-	33.4
Impairment losses on loans and advances to customers	(360.6)	-	-	-	2.2	(358.4)
Risk-adjusted income	**110.6**	**(0.4)**	**(19.2)**	**25.7**	**2.4**	**119.1**
Total operating expenses	(215.4)	0.4	19.2	(25.7)	(2.4)	(223.9)
Loss before tax from continuing operations	**(104.8)**	**-**	**-**	**-**	**-**	**(104.8)[3]**

[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 period 1 July 2021 to 30 September 2021, in line with reporting to the chief operating decision maker:

Quarter ended 30 September 2021	Direct to Consumer £m	Merchant Offering £m	Platform Services £m	Total £m
Interest income	123.0	53.8	-	176.8
Cost of funds	(11.3)	(4.8)	-	(16.1)
Net interest income	**111.7**	**49.0**	**-**	**160.7**
Fee and commission income	9.1	6.0	0.1	15.2
Impairment losses on loans and advances to customers	(66.1)	(8.9)	-	(75.0)
Risk-adjusted income	**54.7**	**46.1**	**0.1**	**100.9**
Servicing costs	(9.5)	(9.0)	-	(18.5)
Change costs	(5.9)	(3.7)	(1.9)	(11.5)
Marketing and partner payments	(9.1)	(3.7)	-	(12.8)
Collection fees	4.2	2.3	-	6.5
Contribution	**34.4**	**32.0**	**(1.8)**	**64.6**
Salaries, benefits and overheads				(18.5)
Underlying profit before tax				**46.1**
Add back: depreciation and amortisation				2.9
Adjusted EBITDA[1]				**49.0**
Senior Secured Debt interest and related costs				(5.9)
Fair value unwind				0.4
PPI				(0.2)
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition				(17.3)
Profit before tax from continuing operations				**26.0**
Gross receivables	**1,941.9**	**1,091.4**	**-**	**3,033.3**

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

Quarter ended 30 September 2021 reconciling items	Statutory £m	Fair value unwind £m	Fee income £m	Senior Secured Debt interest and related costs £m	Other £m	Segmental basis £m
Interest income	180.6	(0.4)	(3.5)	-	0.1	176.8
Cost of funds	(21.7)	-	-	5.5	0.1	(16.1)
Fee and commission income	18.0	-	(2.8)	-	-	15.2
Impairment losses on loans and advances to customers	(73.6)	-	-	-	(1.4)	(75.0)
Risk-adjusted income	**103.3**	**(0.4)**	**(6.3)**	**5.5**	**(1.2)**	**100.9**
Total operating expenses	(77.3)	0.4	6.3	(5.5)	1.2	(74.9)[2]
Profit before tax from continuing operations	**26.0**	**-**	**-**	**-**	**-**	**26.0**

In the quarter ended 30 September 2021, £0.4m of the £5.9m Senior Secured Debt costs which related to legal expenses were presented within the segmental result.

[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)

The table below presents the performance on a segmental basis, for the period from 1 July 2020 to 30 September 2020, in line with reporting to the chief operating decision maker:

Quarter ended 30 September 2020 restated[1]	**Direct to Consumer £m**	**Merchant Offering £m**	**Total £m**
Interest income	107.5	49.6	157.1
Cost of funds	(8.8)	(4.4)	(13.2)
Net interest income	**98.7**	**45.2**	**143.9**
Fee and commission income	6.0	4.0	10.0
Impairment losses on loans and advances to customers	(72.5)	(25.3)	(97.8)
Risk-adjusted income	**32.2**	**23.9**	**56.1**
Servicing costs	(10.9)	(11.5)	(22.4)
Change costs	(5.9)	(3.7)	(9.6)
Marketing and partner payments	(1.7)	(8.2)	(9.9)
Collection fees	3.2	2.3	5.5
Contribution	**16.9**	**2.8**	**19.7**
Salaries, benefits and overheads			(13.6)
Underlying profit before tax			**6.1**
Add back: depreciation and amortisation			3.0
Adjusted EBITDA[2]			**9.1**
Senior Secured Debt interest and related costs			(8.6)
Fair value unwind			0.2
PPI			(5.2)
Depreciation and amortisation including amortisation of intangible assets arising on the Acquisition			(16.1)
Loss before tax from continuing operations			**(20.6)**
Gross receivables	**1,663.5**	**1,066.9**	**2,730.4**

Quarter ended 30 September 2020 reconciling items restated[1]	**Statutory £m**	**Fair value unwind £m**	**Fee income £m**	**Senior Secured Debt interest and related costs £m**	**Other £m**	**Segmental basis £m**
Interest income	157.4	(0.3)	-	-	-	157.1
Cost of funds	(21.9)	0.1	-	8.6	-	(13.2)
Fee and commission income	15.3	-	(5.3)	-	-	10.0
Impairment losses on loans and advances to customers	(98.2)	-	-	-	0.4	(97.8)
Risk-adjusted income	**52.6**	**(0.2)**	**(5.3)**	**8.6**	**0.4**	**56.1**
Total operating expenses	(73.2)	0.2	5.3	(8.6)	(0.4)	(76.7)[3]
Loss before tax from continuing operations	**(20.6)**	**-**	**-**	**-**	**-**	**(20.6)**

[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)

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 generating proceeds of £67.2m. 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. In July 2021, the customer accounts were migrated off the Group's platform.

As per the requirements of IFRS 9, the classification and subsequent measurement of the loans and advances to customers held for sale changed at the start of the next reporting period after the objective of the Group's business model associated with these financial assets changed. Specifically, towards the end of 2020 the business model for these financial assets changed from holding them to collect the contractual cash flows (held-to-collect) to selling the assets before their maturity to maximise cash flows. Consequently, from 1 January 2021, the financial assets were measured at fair value through profit or loss (FVTPL). The fair value was calculated based on the price received from the loans and advances to customers held for sale when they were sold in February 2021. Since the loans and advances to customers held for sale were measured at FVTPL there was no gain on their sale over and above the £4.5m fair value gain on re-classification to FVTPL because the sale proceeds were aligned to the carrying value.

The UPL segment was not classified as held for sale or a discontinued operation as at 30 September 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

	Nine months ended 30 September 2021 £m	**Nine months ended 30 September 2020 £m**	**Year ended 31 December 2020 £m**
Interest and similar income	-	14.3	18.0
Interest and similar expense	(0.1)	(1.9)	(2.3)
Net interest (expense)/income	**(0.1)**	**12.4**	**15.7**
Impairment losses on loans and advances to customers	-	(13.7)	(16.4)
Risk-adjusted expense	**(0.1)**	**(1.3)**	**(0.7)**
Servicing costs	(0.3)	(1.5)	(2.1)
Advertising and marketing costs	-	(0.1)	(0.1)
Project expenses	-	(1.3)	(1.1)
Impairment and charge on disposal of intangible assets	-	-	(0.5)
Total operating expenses	**(0.3)**	**(2.9)**	**(3.8)**
Fair value gain on classification and measurement of loans and advances to customers held for sale as FVTPL on 1 January 2021	4.5	-	-
Fair value gain recognised in period on loans and advances to customers held for sale	0.8	-	-
Costs incurred to sell loans and advances to customers held for sale	(1.5)	-	-
Profit/(loss) before tax from discontinued operation	**3.4**	**(4.2)**	**(4.5)**
Tax expense	-	-	-
Profit/(loss) after tax from discontinued operation	**3.4**	**(4.2)**	**(4.5)**

Notes to the consolidated interim financial information (continued)

4. Discontinued operation (continued)

a) Results of discontinued operation (continued)

	Quarter ended 30 September 2021 £m	Quarter ended 30 September 2020 £m
Interest and similar income	-	4.0
Interest and similar expense	-	(0.5)
Net interest income	**-**	**3.5**
Impairment losses on loans and advances to customers	-	(3.3)
Risk-adjusted expense	**-**	**0.2**
Servicing costs	-	(0.6)
Project expenses	-	(0.2)
Total operating expenses	**-**	**(0.8)**
Loss before tax from discontinued operation	**-**	**(0.6)**
Tax expense	-	-
Loss after tax from discontinued operation	**-**	**(0.6)**

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

b) Cash flows generated from discontinued operation

	Nine months ended 30 September 2021 £m	Nine months ended 30 September 2020 £m	Year ended 31 December 2020 £m
Net cash generated from operating activities	5.3	18.0	30.4
Net cash generated from investing activities	67.2	-	-
Net cash used in financing activities	(54.2)	(9.0)	(22.5)
Net cash flows generated from discontinued operation	**18.3**	**9.0**	**7.9**

	Quarter ended 30 September 2021 £m	Quarter ended 30 September 2020 £m
Net cash generated from operating activities	-	13.2
Net cash used in financing activities	-	(13.8)
Net cash flows used in discontinued operation	**-**	**(0.6)**

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**

5. Loans and advances to banks

	As at 30 September 2021 £m	**As at 30 September 2020 £m**	**As at 31 December 2020 £m**
Loans and advances to banks	500.7	235.4	520.9
Restricted cash	56.9	58.7	63.7
Loans and advances to banks	**557.6**	**294.1**	**584.6**

Loans and advances to banks are held with large commercial banks and represent cash and cash equivalents in the cash flow statement. Restricted cash of £56.9m (30 September 2020: £58.7m, 31 December 2020: £63.7m) are demand deposits that is ring-fenced cash for credit balances on loans and advances to customers and cash restricted due to covenants in place in accordance with the Group’s funding structure.

As at 30 September 2021, the Group’s cash balance included £273.3m arising from funding overlaps where funds are raised in advance of the maturity of the debt it is replacing (30 September 2020: £nil, 31 December 2020: £244.3m) and £90.1m of the cash and cash equivalents balance is held by entities outside of the securitisation structure (30 September 2020: £132.7m, 31 December 2020: £132.9m).

Notes to the consolidated interim financial information (continued)

6. Loans and advances to customers

	As at 30 September 2021 £m	As at 30 September 2020 £m	As at 31 December 2020 £m
Gross loans and advances to customers	3,151.9	2,932.5	2,954.4
ECL allowance	(559.5)	(533.5)	(550.2)
Loans and advances to customers	**2,592.4**	**2,399.0**	**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 30 September 2021			As at 30 September 2020		
	Notional amount £m	Assets £m	Liabilities £m	Notional amount £m	Assets £m	Liabilities £m
Cash flow hedges	442.7	2.0	(20.6)	348.2	1.2	(9.2)
Derivative financial instruments	**442.7**	**2.0**	**(20.6)**	**348.2**	**1.2**	**(9.2)**

	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)**

In the period, the Group settled a maturing cash flow hedge with a notional value of £70.7m (30 September 2020: £nil, 31 December 2020: £nil) and issued a further two cash flow hedges of £98.8m and £75.7m (30 September 2020: £nil, 31 December 2020: £nil). The fair value of the settled hedge was a £2.8m liability as at 31 December 2020.

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 (30 September 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	-	-	-	5.0	5.0
Disposals	-	-	-	(1.9)	(1.9)
Cost as at 30 September 2021	**313.4**	**27.8**	**51.9**	**29.8**	**422.9**
Amortisation as at 1 January 2021	(167.5)	(5.4)	(29.0)	(7.5)	(209.4)
Charge to the income statement	(34.5)	(1.0)	(7.6)	(4.6)	(47.7)
Disposals	-	-	-	1.5	1.5
Amortisation as at 30 September 2021	**(202.0)**	**(6.4)**	**(36.6)**	**(10.6)**	**(255.6)**
Net book value as at 30 September 2021	**111.4**	**21.4**	**15.3**	**19.2**	**167.3**
Net book value as at 31 December 2020	145.9	22.4	22.9	19.2	210.4
Net book value as at 30 September 2020	157.5	22.7	24.7	19.3	224.2

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 its remaining life. The change in amortisation method has been treated as a change in accounting estimate.

9. Debt issued and other borrowed funds

	As at 30 September 2021 £m	As at 30 September 2020 £m	As at 31 December 2020 £m
Senior Secured Debt and associated facilities	329.0	460.1	465.4
Asset-backed term debt	2,142.9	1,666.0	1,979.7
Variable funding notes	791.7	781.7	817.2
	3,263.6	2,907.8	3,262.3
Capitalised debt funding fees	(16.1)	(15.0)	(15.5)
Debt issued and other borrowed funds	**3,247.5**	**2,892.8**	**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. In July 2021, the Group completed a financing transaction which repaid in full the £150.0m Floating Rate Senior Secured Notes. These notes were repaid using £100.0m of cash and £50.0m raised from an issuance of additional Fixed Rate Senior Secured Notes.

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. The Group is transitioning its funding away from LIBOR-based rates in advance of the cessation of LIBOR at the end of 2021. As at 30 September 2021, £1,927.3m is to fund the Direct to Consumer portfolio (30 September 2020: £1,408.1m, 31 December 2020: £1,443.7m) and £1,007.3m is to fund the Merchant Offering portfolio (30 September 2020: £971.8m, 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 (30 September 2020: £67.8m, 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 nine months ended 30 September 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 30 September 2021 £m**
Senior Secured Debt and associated facilities	465.4	50.0	(180.0)	(6.4)	329.0
Asset-backed term debt	1,979.7	682.0	(528.2)	9.4	2,142.9
Variable funding notes	817.2	344.0	(369.6)	0.1	791.7
Debt issued and other borrowed funds	**3,262.3**	**1,076.0**	**(1,077.8)**	**3.1**	**3,263.6**

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

In 2021, the Group:

- settled £244.3m of maturing asset-backed debt in the Merchant Offering securitisation programme using the proceeds of a financing transaction completed in October 2020;
- settled £283.9m of maturing asset-backed debt in the Direct to Consumer securitisation program using the proceeds of a financing transaction completed in February 2021;
- repaid the full £30.0m drawn from its Revolving Credit Facility; and
- completed a financing transaction which repaid in full the £150.0m Floating Rate Senior Secured Notes. These notes were repaid using £100.0m of cash and £50.0m raised from an issuance of additional Fixed Rate Senior Secured Notes.

A reconciliation of debt issued and other borrowed funds during the nine months ended 30 September 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 30 September 2020 £m**
Senior Secured Debt and associated facilities	435.4	30.0	-	(5.3)	460.1
Asset-backed term debt	1,865.3	22.7	(227.8)	5.8	1,666.0
Variable funding notes	739.8	415.1	(373.0)	(0.2)	781.7
Debt issued and other borrowed funds	**3,040.5**	**467.8**	**(600.8)**	**0.3**	**2,907.8**

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**

9. Debt issued and other borrowed funds (continued)

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

	As at 30 September 2021 £m	As at 30 September 2020 £m	As at 31 December 2020 £m
Debt issued and other borrowed funds repayable in:			
Less than one year	829.6	962.2	1,129.2
Between one and two years	585.8	894.8	1,098.7
Between two and five years	1,848.2	983.0	980.2
Other	-	67.8	54.2
	3,263.6	**2,907.8**	**3,262.3**

Within amounts repayable in less than one year is:

- £268.4m of debt (at the exchange rate prevailing at the reporting date and inclusive of accrued interest) which will be repaid with funding raised by a financing transactions completed in July 2021. The cash raised from the transaction is reported within loans and advances to banks as at 30 September 2021; and
- £288.4m of drawn VFNs which had their maturity extended in October 2021 to 2024.

See note 16 for further details of the financing transactions completed after the balance sheet date.

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
Arising during the period	4.7	2.4	7.1
Utilised during the period	(1.0)	(1.5)	(2.5)
As at 30 September 2021	**9.0**	**6.7**	**15.7**

	PPI provision £m	Other provisions £m	Total provisions £m
As 1 January 2020	9.9	11.0	20.9
Arising/(released) during the period	5.2	(0.8)	4.4
Utilised during the period	(2.9)	(4.4)	(7.3)
As at 30 September 2020	**12.2**	**5.8**	**18.0**
Arising/(released) during the period	2.5	0.1	2.6
Utilised during the period	(9.4)	(0.1)	(9.5)
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 December 2020, the Group had an open enquiry from a third party, with which it is jointly liable for certain PPI-related costs, to contribute an amount of £7.3m to a historic remediation exercise on previously settled claims. At that time, the third party had not established a basis for the claim and management deemed it unlikely the Group would be required to contribute the amount claimed. As at 31 December 2020, the Group recorded this as a contingent liability. In 2021, the Group received a revised claim from the third party and uplifted its provision to reflect this cost. In addition, the Group updated the provision for other expected PPI remediation costs which resulted in an uplift of £1.5m.

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 (30 September 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 (30 September 2020: none, 31 December 2020: none).

As at 30 September 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total carrying value £m	Fair value £m
Financial assets					
Loans and advances to banks	-	557.6	-	557.6	557.6
Loans and advances to customers	-	-	2,592.4	2,592.4	2,808.9
Other assets	-	30.7	-	30.7	30.7
Total financial assets	**-**	**588.3**	**2,592.4**	**3,180.7**	**3,397.2**
Financial liabilities					
Debt issued and other borrowed funds	-	(3,247.5)	-	(3,247.5)	(3,251.8)
Other liabilities	-	(90.7)	-	(90.7)	(90.7)
Total financial liabilities	**-**	**(3,338.2)**	**-**	**(3,338.2)**	**(3,342.5)**

Notes to the consolidated interim financial information (continued)

11. Fair value of financial instruments (continued)

As at 30 September 2020	Level 1 £m	Level 2 £m	Level 3 £m	Total carrying value £m	Fair value £m
Financial assets					
Loans and advances to banks	-	294.1	-	294.1	294.1
Loans and advances to customers	-	-	2,399.0	2,399.0	2,636.9
Other assets	-	24.6	-	24.6	24.6
Total financial assets	**-**	**318.7**	**2,399.0**	**2,717.7**	**2,955.6**
Financial liabilities					
Debt issued and other borrowed funds	-	(2,892.8)	-	(2,892.8)	(2,836.4)
Other liabilities	-	(69.3)	-	(69.3)	(69.3)
Total financial liabilities	**-**	**(2,962.1)**	**-**	**(2,962.1)**	**(2,905.7)**

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's 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, including:

- a £400.0m issuance of asset-backed securities (of which £37.6m was retained internally within the Group) from the Direct to Consumer securitisation programme in February. Part of the proceeds from this deal were used to settle debt that matured in August 2021;
- settling 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;
- repaying the £30.0m Revolving Credit Facility, this facility is available to be drawn again if required;
- repaying the £150.0m Floating Rate Senior Secured Notes with £100.0m of cash and £50.0m raised from the issuance of additional Fixed Rate Senior Secured Notes;
- a £350.0m issuance of asset-backed securities (of which £30.4m was retained internally within the Group) from the Direct to Consumer securitisation programme in July. Part of the proceeds from this deal will be used to refinance £268.4m of bonds (at the exchange rate prevailing at the reporting date and inclusive of accrued interest) due to mature in December 2021;
- obtaining an investor consent to extend the maturity of a $205.0m bond within the Direct to Consumer securitisation programme by 14 months to November 2022, bringing it into line with the associated sterling bonds from the same issuance. The Group also retains the ability to extend the same bond by a further 12-month period at its discretion; and
- in October 2021, executing a £400.0m expansion of a VFN facility in its Merchant Offering portfolio and at the same time extended its maturity to 2024.

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.

Notes to the consolidated interim financial information (continued)

12. Risk management (continued)

12.2 Credit risk (continued)

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 30 September 2021, the total loans and advances to customers that were on either a payment holiday or payment freeze was £37.4m (30 September 2020: £134.1m; 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 £107.2m (nine months ended 30 September 2020: £364.1m, year ended 31 December 2020: £364.1m). As at 30 September 2021, these interventions 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 £nil (30 September 2020: £31.1m, 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 £13.7m (30 September 2020: £nil, 31 December 2020: £52.3m), are reported in stage 2; and
- accounts on a second arrangement payment holiday or payment freeze, totalling £nil (30 September 2020: £45.9m, 31 December 2020: £42.7m), are reported in stage 3.

Additionally, as at 30 September 2021, the following adjustments have been made to the underlying modelled staging:

- the impact of the worsening forward-looking information and behavioural score related PMAs resulted in £6.4m and £46.2m of up-to-date accounts transitioning to stage 2, respectively (30 September 2020: £nil and £28.6m, 31 December 2020: £30.0m and £46.2m respectively); and
- £53.3m of balances relating to customers that are deemed to be impacted by a forecast reduction in disposable income as a result of the pandemic have been transitioned to stage 2 (30 September 2020: £nil, 31 December 2020: £nil).

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 30 September 2021	Group Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI[1] £m	Total £m
Risk grade 1	1,196.2	13.0	-	0.7	1,209.9
Risk grade 2	1,170.3	87.9	-	1.2	1,259.4
Risk grade 3	129.7	186.4	-	0.2	316.3
Delinquent	-	79.7	-	0.1	79.8
Defaulted	-	-	285.4	1.1	286.5
Gross loans and advances to customers	**2,496.2**	**367.0**	**285.4**	**3.3**	**3,151.9**
ECL allowance	(216.5)	(157.3)	(184.5)	(1.2)	(559.5)
Loans and advances to customers	**2,279.7**	**209.7**	**100.9**	**2.1**	**2,592.4**

As at 30 September 2020	Group Stage 1 £m	Stage 2 £m	Stage 3 £m	POCI £m	Total £m
Risk grade 1	1,205.5	14.5	-	0.6	1,220.6
Risk grade 2	1,044.4	54.9	-	1.3	1,100.6
Risk grade 3	121.2	141.1	-	0.3	262.6
Delinquent	-	82.8	-	0.1	82.9
Defaulted	-	-	264.2	1.6	265.8
Gross loans and advances to customers	**2,371.1**	**293.3**	**264.2**	**3.9**	**2,932.5**
ECL allowance	(237.9)	(119.9)	(173.0)	(2.7)	(533.5)
Loans and advances to customers	**2,133.2**	**173.4**	**91.2**	**1.2**	**2,399.0**

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 30 September 2021 (30 September 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:

	Direct to Consumer				
As at 30 September 2021	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**POCI £m**	**Total £m**
Risk grade 1	387.0	2.8	-	0.5	390.3
Risk grade 2	1,008.7	55.2	-	1.2	1,065.1
Risk grade 3	125.1	167.5	-	0.2	292.8
Delinquent	-	58.8	-	0.1	58.9
Defaulted	-	-	220.5	0.6	221.1
Gross loans and advances to customers	**1,520.8**	**284.3**	**220.5**	**2.6**	**2,028.2**
ECL allowance	(180.9)	(133.6)	(145.6)	(0.9)	(461.0)
Loans and advances to customers	**1,339.9**	**150.7**	**74.9**	**1.7**	**1,567.2**

	Direct to Consumer				
As at 30 September 2020	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**POCI £m**	**Total £m**
Risk grade 1	315.6	1.2	-	0.4	317.2
Risk grade 2	873.6	35.7	-	1.2	910.5
Risk grade 3	115.3	128.3	-	0.3	243.9
Delinquent	-	58.1	-	0.1	58.2
Defaulted	-	-	207.0	0.7	207.7
Gross loans and advances to customers	**1,304.5**	**223.3**	**207.0**	**2.7**	**1,737.5**
ECL allowance	(202.6)	(100.3)	(138.2)	(2.1)	(443.2)
Loans and advances to customers	**1,101.9**	**123.0**	**68.8**	**0.6**	**1,294.3**

	Direct to Consumer				
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)

	Merchant Offering				
As at 30 September 2021	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**POCI £m**	**Total £m**
Risk grade 1	809.2	10.2	-	0.2	819.6
Risk grade 2	161.6	32.7	-	-	194.3
Risk grade 3	4.6	18.9	-	-	23.5
Delinquent	-	20.9	-	-	20.9
Defaulted	-	-	64.9	0.5	65.4
Gross loans and advances to customers	**975.4**	**82.7**	**64.9**	**0.7**	**1,123.7**
ECL allowance	(35.6)	(23.7)	(38.9)	(0.3)	(98.5)
Loans and advances to customers	**939.8**	**59.0**	**26.0**	**0.4**	**1,025.2**

	Merchant Offering				
As at 30 September 2020	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**POCI £m**	**Total £m**
Risk grade 1	817.8	5.1	-	0.2	823.1
Risk grade 2	166.2	18.7	-	0.1	185.0
Risk grade 3	5.8	12.7	-	-	18.5
Delinquent	-	20.4	-	-	20.4
Defaulted	-	-	52.0	0.9	52.9
Gross loans and advances to customers	**989.8**	**56.9**	**52.0**	**1.2**	**1,099.9**
ECL allowance	(30.6)	(15.4)	(30.5)	(0.6)	(77.1)
Loans and advances to customers	**959.2**	**41.5**	**21.5**	**0.6**	**1,022.8**

	Merchant Offering				
As at 31 December 2020	**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 30 September 2020	**Stage 1 £m**	**Stage 2 £m**	**Stage 3 £m**	**Total £m**
Risk grade 1	72.1	8.2	-	80.3
Risk grade 2	4.6	0.5	-	5.1
Risk grade 3	0.1	0.1	-	0.2
Delinquent	-	4.3	-	4.3
Defaulted	-	-	5.2	5.2
Gross loans and advances to customers	**76.8**	**13.1**	**5.2**	**95.1**
ECL allowance	(4.7)	(4.2)	(4.3)	(13.2)
Loans and advances to customers	**72.1**	**8.9**	**0.9**	**81.9**

	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 30 September 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)	27.1	(22.4)	-	-
Remeasurement of ECL[1]	25.8	(7.1)	16.1	1.4	36.2
Release of ECL on loans and advances to customers settled in the period	9.4	3.1	3.8	0.1	16.4
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	(37.8)	(15.6)	(8.5)	-	(61.9)
ECL allowance as at 30 September 2021	**(216.5)**	**(157.3)**	**(184.5)**	**(1.2)**	**(559.5)**

	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	(6.7)	32.6	(25.9)	-	-
Remeasurement of ECL[1]	(67.3)	(35.6)	9.7	0.3	(92.9)
Release of ECL on loans and advances to customers settled in the period	6.0	2.8	2.7	0.1	11.6
ECL on new loans and advances to customers originated in the period	(11.9)	(10.1)	(5.5)	-	(27.5)
ECL allowance as at 30 September 2020	**(237.9)**	**(119.9)**	**(173.0)**	**(2.7)**	**(533.5)**
Transfers between stages	6.7	(9.3)	2.6	-	-
Remeasurement of ECL[1]	25.6	(38.8)	(5.5)	(0.1)	(18.8)
Release of ECL on loans and advances to customers settled in the period	2.6	1.4	1.3	0.1	5.4
ECL on new loans and advances to customers originated in the period	(10.9)	(1.5)	(4.0)	-	(16.4)
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 30 September 2021			As at 30 September 2020		
	< 12 months £m	> 12 months £m	Total £m	< 12 months £m	> 12 months £m	Total £m
Assets						
Loans and advances to banks	500.7	56.9	557.6	235.4	58.7	294.1
Loans and advances to customers	2,190.4	402.0	2,592.4	1,906.4	492.6	2,399.0
Other assets	41.5	5.2	46.7	44.0	5.7	49.7
Derivative financial assets	-	2.0	2.0	1.2	-	1.2
Current tax assets	0.3	-	0.3	0.1	-	0.1
Deferred tax assets	-	2.4	2.4	-	2.1	2.1
Property and equipment	-	16.9	16.9	-	21.6	21.6
Intangible assets	-	167.3	167.3	-	224.2	224.2
Goodwill	-	279.9	279.9	-	279.9	279.9
Total assets	**2,732.9**	**932.6**	**3,665.5**	**2,187.1**	**1,084.8**	**3,271.9**
Liabilities						
Debt issued and other borrowed funds	(828.6)	(2,418.9)	(3,247.5)	(999.4)	(1,893.4)	(2,892.8)
Other liabilities	(80.8)	(9.9)	(90.7)	(56.0)	(13.3)	(69.3)
Derivative financial liabilities	(5.8)	(14.8)	(20.6)	(9.2)	-	(9.2)
Current tax liabilities	(2.2)	-	(2.2)	(0.1)	-	(0.1)
Provisions	(13.9)	(1.8)	(15.7)	(15.9)	(2.1)	(18.0)
Total liabilities	**(931.3)**	**(2,445.4)**	**(3,376.7)**	**(1,080.6)**	**(1,908.8)**	**(2,989.4)**

	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.

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 30 September 2021, there was an outstanding balance of £0.5m on the facility (30 September 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 nine months ended 30 September 2021 (nine months ended 30 September 2020: £nil, year ended 31 December 2020: £nil).

16. Post balance sheet events

In October, the Group successfully delivered a £400.0m expansion of a VFN facility in its Merchant Offering portfolio and at the same time extended its maturity to 2024.