

Strategy and Key Performance Indicators



Our long-term strategic approach focuses on ways to protect, grow and sustain our model, enabling us to continue delivering excellent stakeholder outcomes.

How we are achieving this



Protect Keeping it safe

- Maintaining a strong capital, funding and liquidity position
- Consistently applying our prudent business model through our disciplined approach to underwriting and pricing
- Balancing investment needs and cost discipline
- Maintaining regulatory compliance, whilst enhancing operational and cyber resilience

The progress we are making

- Strengthened our funding base with a securitisation of our Motor Finance book and growth of our deposit base
- Continued to lend through the cycle, adhering to our disciplined approach to underwriting and pricing, whilst maintaining a strong margin
- Maintained our strict focus on costs whilst investing in strategic programmes that protect the business model
- IRB application successfully transitioned to Phase 2
- Further enhanced our operational and cyber resilience, whilst undertaking a continuous cycle of improvements

Future priorities

- Retaining our strong capital, funding and liquidity position
- Continuing focus on pricing and prudent underwriting whilst lending through the cycle
- Strict management of costs whilst investing in strategic programmes that protect key attributes of our model
- Ongoing preparations for a transition to the IRB approach, although the timetable remains under the direction of the PRA
- Continuing preparations for implementation of the FCA's Consumer Duty
- Compliance with regulatory changes, whilst further strengthening our operational and cyber resilience
- Monitor and mitigate external threats, including from heightened uncertainty in the economic and geopolitical environment and competition from both established and emerging players



Grow Delivering disciplined growth

- Maximising opportunities available to us in the current environment
- Capitalising on cyclical opportunities in each business
- Extending our product offering and launching new initiatives
- Assessing opportunities for disciplined growth in new and existing markets

- Over £400 million of loan book growth and a strong margin, as we make the most of demand across our lending businesses
- Recruited new teams to extend our offering in agriculture and specialist materials handling
- Digital investments have enabled us to broaden our proposition, with Motor Finance entering strategic partnerships with AutoTrader and iVendi
- Piloting a buy-to-let offering in our Property bridging finance business
- Grown our ISA balances to c.£350 million following the expansion of our Retail Savings product range
- Investing in new hires in CBAM in line with our growth strategy
- Continued strong growth of Winterflood Business Services, with assets under administration increasing to £7.2 billion

- Continue to capitalise on cyclical and structural growth opportunities in each of our businesses
- Assess opportunities in new and existing markets, in line with the "Model Fit Assessment Framework"
- Broadening our sustainability offering to capture demand within the green lending space
- Further growth of CBAM through hiring and selective acquisitions
- Continued growth of Winterflood Business Services, with a solid pipeline of clients expected to support assets under administration in excess of £10 billion in the 2023 financial year
- Aiming to provide £1.0 billion of funding for battery electric vehicles in the next five years



Sustain Doing it responsibly

- Promoting an inclusive culture and supporting new ways of working and social mobility
- Reducing our impact on the environment and responding to the threats and opportunities of climate change
- Promoting financial inclusion, helping borrowers that might be overlooked and enabling savers and investors to access financial markets and advice to plan for their future
- Supporting our customers, clients and partners in the transition towards more sustainable practices

- Remain on track to achieve our target of 36% of female senior managers and 14% ethnically diverse managers by 2025
- Established new Gender Balance, Social Mobility, and Working Parents and Carers Networks as part of our Diversity and Inclusion initiatives
- Supporting the wellbeing of our employees in the hybrid working environment with flexible working arrangements and events and initiatives from internal networks, virtual workshops and online fitness classes
- Continued to support social mobility programmes, with six students joining us through our partnership with UpReach
- Offering employees access to our financial education website provided by Close Brothers Asset Management
- Enhancing our climate disclosures in line with the recommendations of the TCFD
- Became a signatory to the Net Zero Banking Alliance
- Focus on supporting our customers and partners in the current uncertain environment

- Retain and attract talent and maximise productivity by engaging, training and developing our people, nurturing an inclusive and diverse culture and investing in tools and technology
- Expand our expertise in green and transition assets and broaden our sustainability offering as we support the transition to a net zero carbon economy
- Achieve a net zero company car fleet by 2025 and become operationally net zero through our Scope 1 and 2 emissions by 2030
- Continue to adapt to the evolving needs of our customers and clients and take into account the feedback they provide

Key performance indicators

Common equity tier 1 capital ratio
Per cent

2022	14.6
2021	15.8
2020	14.1

Net interest margin
Per cent

2022	7.8
2021	7.7
2020	7.5

Banking expense/income ratio
Per cent

2022	52
2021	52
2020	52

Loan book growth²
Per cent

2022	5
2021	11
2020	0

Total funding as a percentage
of loan book¹
Per cent

2022	127
2021	128
2020	131

Bad debt ratio
Per cent

2022	1.2
2021	1.1
2020	2.3

Net inflows
Per cent of opening AUM

2022	5
2021	7
2020	9

Employee engagement
Per cent

2022	86
2021	91
2020	86

Total Scope 1 and 2 emissions
(market based)
Tonnes CO₂e

2022	2,438
2021	2,542
2020	3,484

Customer scores³
2022

Savings online CSAT	+86
Property Finance NPS	+87
Asset Finance CSAT	+88
Motor Finance (dealer) NPS	+73

Creating long-term shareholder value

Group return on opening equity
Per cent

2022	10.6
2021	14.5
2020	8.0

Adjusted basic earnings per share
Pence

2022	111.5
2021	140.4
2020	74.5

Dividend per share
Pence

2022	66.0
2021	60.0
2020	40.0

1 Total funding as a % of loan book includes operating lease assets. 2021 and 2020 metrics have been re-presented to include operating lease assets. Revised definition is total funding as a % of loan book including operating lease assets.

2 Loan book includes operating lease assets. 2021 and 2020 loan books have been re-presented to include operating lease assets.

3 CSAT represents customer satisfaction score. NPS represents net promoter score. Property Finance NPS score excludes Commercial Acceptances. July 2021 customer scores: Savings online CSAT +82, Property Finance NPS +87, Asset Finance CSAT +81, Motor Finance (dealer) NPS +70.