Viability statement

Consideration

In accordance with provision 31 of the UK Corporate Governance Code, the Board has assessed the prospects of the group and confirms that it has a reasonable expectation that the company and group will continue to operate and meet their liabilities, as they fall due, for the three-year period up to 31 July 2028.

Strategic and financial outlook

The Board has considered the longer-term viability of the group and considers three years to be an appropriate period for the assessment to be made. A period of three years has been chosen because it is the period covered by the group's well-embedded strategic planning cycle. A three-year period aligns with the group regulatory and internal stress testing processes, including: (i) group-wide internal forecasting and stress testing, which have undergone significant review and challenge, to confirm the viability of the group; (ii) the ICAAP, which assesses capital requirements; and (iii) the ILAAP, which identifies liquidity requirements.

Risk management and risk profile

In making its assessment, the Board has identified and assessed the principal and emerging risks facing the group and these are highlighted on pages 74 to 79. The group's approach to monitoring and managing the principal risks faced by the group's business, including financial, business, market and operational risks, has remained consistent given the group's activities, business model and strategy are unchanged.

The group utilises an established risk management framework to identify and monitor its portfolio of emerging risks incorporating the group's "bottom up" and "top down" approach. These approaches are monitored by the local and group risk and compliance committees. Key emerging risks can be found in the Risk Report on page 79.

Assessment

The group will continue to monitor and assess these risks, by: adhering to its established business model as outlined on pages 16 and 17; implementing an integrated risk management approach based on the concept of "three lines of defence"; and setting and operating within clearly defined and monitored risk appetites.

As outlined in the going concern statement, a key area of focus for the financial year has been the FCA's review of historical motor finance commission arrangements and the Supreme Court appeals, and their impact on the group's activities. Whilst the Supreme Court appeals have concluded and some clarity has been gained, the FCA's review is ongoing and uncertainty as to the range of outcomes prevails, and the group recognises the need to plan for a range of possible outcomes. The Board has placed considerable focus on its review and challenge of the group's 3YSP and the results of key scenario modelling.

The group's business model has worked well through a range of economic, social and environmental conditions over multiple economic cycles, and this is projected to continue over the medium term. Taking into account the group's lending in a variety of sectors across a diverse range of assets, the Board considers medium-term economic, social, environmental and technological trends at the individual business unit level as part of the strategic planning cycle. This includes focusing on the long-term strategic approach to simplify, optimise and grow the group business model, with key priorities outlined on pages 10 to 11.

The Board has also assessed the group's viability by considering several forward-looking scenarios, namely the ICAAP and ILAAP, as well as the "severe but plausible" scenario that was used for the going concern assessment. Various macroeconomic assumptions have been assessed across the scenarios including GDP growth, inflation, interest rates, unemployment, residential house prices and equity prices (refer to the Risk Report on pages 92 to 95). The modelling considers the group's future projections of profitability, cash flows, capital requirements and resources, and other key financial and regulatory ratios over the period. In the modelled scenarios, it has been assumed that no significant structural changes to the company or group will be required that are not known or planned at the time of the assessment.

The group's "severe but plausible" going concern scenario has been extended out to the 2028 financial year in order to support the viability assessment, with overlays to the 3YSP. The overlays include an additional provision relating to motor finance commissions in January 2026, subdued loan book growth and higher-than-expected operational costs. Headroom to regulatory requirements was maintained on all capital ratios in this scenario, demonstrating the group's capacity to absorb losses. In addition, the Directors have reviewed the key management actions which would be taken in the event of a stress scenario, in order to mitigate the stress, and the viability of these actions based on recent experience.

The group maintains capital ratios significantly above regulatory minima, which are currently set at a minimum common equity tier 1 ratio of 9.7% and a minimum total capital ratio of 13.7%. In all assessed scenarios, the company and group continue to operate with sufficient levels of capital, with the group's capital ratios and funding and liquidity positions in excess of minimum regulatory requirements.