

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

The Progress we are Making

Future Priorities



Protect Keeping it safe

- Maintaining a strong funding, liquidity and capital 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

- Effective response to Covid-19 through agility and operational and financial resilience, benefiting from playbooks and simulations run in preparation for a downturn.
- Strengthening of our funding base and active management of our capital position with a £350 million senior bond issuance and £200 million subordinated debt raise via Tier 2 notes, coupled with a liability management exercise.
- Submission of our initial IRB application to the PRA in December 2020.
- Investing in core technology, operational and cyber resilience whilst retaining rigorous focus on cost management.

- Ongoing focus on pricing and underwriting discipline.
- Continue to maintain our strong funding, liquidity and capital position.
- Disciplined management of costs whilst continuing to invest in strategic programmes that help protect the key attributes of our model.
- Ongoing preparations for a transition to the IRB approach.
- Compliance with ongoing regulatory change.
- Continue to invest in our operational resilience, core technology and regulatory compliance.
- Monitor and mitigate external threats, including the ongoing impact of Covid-19 on the UK economy 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 existing and new markets

- Strong new business volumes in Banking, with over £800 million of loan book growth, making the most of demand in our core markets.
- Lent over £1.1 billion across more than 5,700 loans under government support schemes.
- Investing in new hires in CBAM, with one infill acquisition completed in the 2021 financial year.
- Capitalising on increasing trading volumes in Winterflood.
- Growth of Winterflood Business Services, with £6.2 billion of assets under administration.
- Expanded product range in Savings franchise, launching 35 Day Retail Notice Accounts and Cash ISAs.
- Decision to cease permanently the approval of lending to new customers across all of the products offered by Novitas following a strategic review, which concluded that the overall risk profile of the business is no longer compatible with our long-term strategy and risk appetite.

- 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".
- Evaluating opportunities in sustainable finance, including renewables and Alternatively Fuelled Vehicles.
- Continuing to grow CBAM through hiring and selective acquisitions.
- Further growth of Winterflood Business Services and expansion of institutional sales trading.



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

- Strong employee engagement as reflected by the scores in our recent Employee Opinion Survey.
- On track to achieve our target of 36% of female senior managers by 2025.
- Supporting the wellbeing of our employees throughout Covid-19 with events and initiatives from internal networks, virtual workshops and online fitness classes.
- Adapting to new ways of working, offering flexible working arrangements and training focused on managing teams remotely.
- Refreshed our customer principles to clearly articulate the experience we strive to deliver for our customers and partners.
- Maintaining high levels of service as we continued to support our customers and partners through Covid-19.

- Retain and attract staff and maximise productivity by engaging, training and developing our people, nurturing an inclusive and diverse culture and investing in tools and technology.
- Undertake an assessment of our indirect Scope 3 emissions to enable us to develop a transition roadmap.
- Meeting the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").
- 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

Creating long-term shareholder value

Common equity tier 1 capital ratio
Per centNet interest margin
Per centBanking expense/income ratio
Per centFunding cover of loan book
Per centBad debt ratio
Per centGroup return on opening equity
Per centLoan book growth
Per centNet inflows
Per cent of opening AUMAdjusted basic earnings per share
PenceEmployee engagement
Per centNet promoter scores
Per centDividend per share
PenceReduction in overall Scope 1 and 2 emissions
Per cent

1 Property Finance NPS score excludes the Commercial Acceptances business.