

Strategy and Key Performance Indicators

Our long-term strategic approach focuses on ways to protect, improve and extend our model, which in turn allows us to deliver excellent stakeholder outcomes in a wide range of market conditions.

Strategic Objectives	2020 Progress	Future Priorities
<p>Protect: A long-term approach to how we run our business.</p> <ol style="list-style-type: none"> Maintain prudent underwriting and consistent pricing in our lending Maintain a sound level of funding, liquidity and capital Maintain our strategic imperative of investing to protect our business 	<ul style="list-style-type: none"> Operational and financial resilience enabled us to successfully adapt and continue operating effectively during the pandemic. Effective deployment of crisis procedures and playbooks to respond to the Covid-19 pandemic. Maintained adherence to our disciplined lending model, prudent loan to value ratios and strong margin in challenging market conditions. Maintained a strong funding, liquidity and capital position, with good headroom to capital regulatory requirements. Good progress made on our preparation for applying to use the Internal Ratings Based approach for the calculation of regulatory capital requirements for credit risk. Continued to strengthen and diversify our funding position with growth in deposits and additional Motor Finance securitisation. Very strong and profitable trading at Winterflood despite extraordinary market movements. 	<ul style="list-style-type: none"> Continue adhering to disciplined underwriting and pricing in all market conditions. Maintain capital flexibility in an evolving regulatory environment and submit application for Internal Ratings Based approach. Ensure our compliance with ongoing regulatory change. Monitor and mitigate external threats, including the ongoing impact of Covid-19 on the UK economy and the group's customers, clients and partners, competition from both established and emerging players and the UK's departure from the EU. Continue to invest in our operational resilience, core technology and regulatory compliance.
<p>Improve: Engaging stakeholders and investing to strengthen our proposition.</p> <ol style="list-style-type: none"> Help our customers do business with us by adapting to their needs and investing in technology, people and products to improve our proposition Maintain a disciplined approach to cost management and operational efficiency Empower our employees through training, development and diversity 	<ul style="list-style-type: none"> Continued to invest in our key strategic programmes, which has proven beneficial in responding to the challenges of Covid-19. Motor Finance transformation programme has increased new business volumes and enabled us to deliver better service to dealers and customers. Asset Finance transformation programme progressing well, enhancing our sales effectiveness. Online portal added to customer deposit platform and customer experience enhanced. Continued strong employee engagement, with employee communication a priority for the business, particularly during Covid-19. Strong customer satisfaction scores across our businesses, as we have supported our customers and clients during this challenging period. 	<ul style="list-style-type: none"> Continue to invest through the cycle, whilst reviewing and prioritising investment spend. Continue to progress Asset Finance transformation programme to improve data capability and technology and optimise operational efficiencies. Monitor customer needs, preferences and trends in technology through research and responding to customer feedback. Ensure we retain and attract staff and maximise productivity by responding to employee engagement, training and developing our people and investment in tools and technology. Continue to adapt and respond to developments brought about by Covid-19, including changes in customer preferences and in our ways of working.
<p>Extend: Creating future value through maximising our potential and identifying new opportunities.</p> <ol style="list-style-type: none"> Maximise the opportunity in each of our markets, within the boundaries of the model Identify new products, distribution channels and adjacent market opportunities 	<ul style="list-style-type: none"> Increased focus on sustainable investment in Asset Management, with socially responsible investment proposition well received. New 95 day Corporate Notice product added to our customer deposit platform. Accredited to lend under the support schemes introduced by the UK government in response to Covid-19. Positive progress made in expanding Winterflood's institutional relationships and Winterflood Business Services. 	<ul style="list-style-type: none"> Identify and capitalise on new opportunities to lend as we emerge from Covid-19. Continue to identify and explore new business areas that fit with our specialist business model and generate strong returns. Expand offering on deposit platform with new savings products including cash ISAs. Grow client assets and make incremental hires in Asset Management. Develop Winterflood's institutional franchise and further grow Winterflood Business Services.

Key Performance Indicators

Common equity tier 1 capital ratio
Per cent

2020	14.1
2019	13.0
2018	12.7

Net interest margin
Per cent

2020	7.5
2019	7.9
2018	8.0

Funding cover of loan book
Per cent

2020	135
2019	129
2018	132

Bad debt ratio
Per cent

2020	2.3
2019	0.6
2018	0.6

Creating Long-Term Shareholder Value

Group return on opening equity
Per cent

2020	8.0
2019	15.7
2018	17.0

Banking expense/income ratio
Per cent

2020	52
2019	50
2018	49

Net promoter scores
2020

Motor Finance	77
Retail savings	72
Premium Finance	56

Employee engagement
Per cent

2020	86
2019	88
2018	89

Property repeat business
Per cent

2020	76
2019	78
2018	77

Adjusted basic earnings per share
Pence

2020	74.5
2019	136.7
2018	140.2

Dividend per share
Pence

2020	40.0
2019	66.0
2018	63.0

Loan book growth¹
Per cent

2020	0
2019	6
2018	7

Net inflows
Per cent of opening AUM

2020	9
2019	9
2018	12

¹ For 2018, underlying loan book growth of 6.6% excludes the unsecured retail point of sale finance book of £66.2 million which was held for sale at 31 July 2018.