

**CLYDESDALE FINANCIAL SERVICES LIMITED****STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022****Key performance indicators**

The Board of Directors monitors progress on the overall strategy by reference to the following key performance indicators:

<b>KPI</b>	<b>2022</b>	<b>2021</b>
Average receivables balance (in £m)	2,707	2,554
Number of customer accounts	1,910,866	1,934,560
Net interest income margin	2.31 %	3.00 %
Impairment loss rate	0.99 %	(0.17)%
Cost to income ratio	678.2 %	232.8 %
Balance Sheet Impairment Coverage	2.40 %	2.24 %

**KPI definitions:-**

Average receivables = Average of opening and closing balance of receivables as at year end

Net interest income margin = Net interest income / Average receivables balance

Impairment loss rate = Impairment charge for credit losses / Gross loans and advances

Cost to income ratio = Operating expenses / Total income

Balance sheet impairment coverage = Allowance for impairment / Gross loans and advances

**Section 172(1) statement**

The Directors have acted in a way that they considered, in good faith, would be most likely to promote the success of the Company for the benefit of its member as a whole and this section forms our section 172 disclosure, describing how, in doing so, the Directors considered the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. The Directors also took into account the views and interests of a wider set of stakeholders, including but not limited to: our customers; indirect employees; other entities within the Barclays Group; our suppliers; regulators; the UK Government and non-governmental organisations; and our ultimate shareholder, Barclays PLC.

The Directors considered, amongst other matters, the following:

- the likely consequences of any decision in the long term;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company

You can find out more about who the Barclays Group's key stakeholders are, how management and/or directors of Barclays PLC engaged with them, the key issues raised and actions taken on pages 16 to 20 of the Barclays PLC Annual Report 2022 which is incorporated by reference into this statement.

Considering this broad range of interests is an important part of the way the Board makes decisions, although in balancing those different perspectives it will not always be possible to deliver everyone's desired outcome.

## **CLYDESDALE FINANCIAL SERVICES LIMITED**

### **STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **How does the Board engage with stakeholders?**

Depending on the decision in question, the relevance of each particular stakeholder group may differ, and equally the Board adopts a variety of methods of engagement with different stakeholder groups. The Board will sometimes engage directly with certain stakeholders on certain issues, but the size and distribution of our stakeholders and of Barclays means that stakeholder engagement often takes place at an operational level.

In addition, to ensure a more efficient and effective approach, certain stakeholder engagement is led at Barclays Group level, in particular where matters are of group-wide significance or have the potential to impact the reputation of the Barclays Group.

The Board considers and discusses information from across the organisation to help it understand the impact of the Company's operations on, and the interests and views of our key stakeholders. It also reviews strategy, financial and operational performance, as well as information covering areas such as key risks, and legal and regulatory compliance. There has been a continued focus on the market and operating environment this year as well as developments in the UK banking industry and evolving regulatory landscape, including the FCA's new Consumer Duty. This information has been provided to the Board through reports sent in advance of each Board meeting, and through in-person presentations.

As a result of these activities and the information it receives, the Board has an overview of engagement with stakeholders, and other relevant factors, which enables the Directors to comply with their legal duty under section 172 of the Companies Act 2006.

The following are some examples of how the Directors have had regard to the matters set out in sections 172 (1)(a)-(f) when discharging their section 172 duties and the effect of that on certain of the decisions taken by them.

#### **Engagement in action**

##### **Supporting our customers, brokers, colleagues and communities through challenging times**

###### **Customers**

The Board is acutely aware of how current inflationary pressures are impacting our customers' financial wellbeing. In monitoring our response to the increased cost of living, the Barclays Group is working with a wide range of stakeholders – including the FCA, the UK Government and our peers – to ensure our customers and clients are supported during these difficult times. This includes consistent, industry-wide communications, where appropriate, so that all customers and clients, irrespective of who they bank with, can know what to expect from their financial services provider.

The Board is committed to ensuring good customer outcomes, and that the FCA's new Consumer Duty – which will set clearer and higher standards of consumer protection across the Financial Services sector – is demonstrably embedded throughout the organisation. This year, the Board approved its Consumer Duty Implementation Plan, appointed a Board Director as the Company's Consumer Duty Champion, and established a monthly Steering Committee for key stakeholders, including the Consumer Duty Champion. The Board will continue to receive regular progress reports on Consumer Duty implementation in 2023 and beyond.

With good customer outcomes, high inflation and increasing interest rates in mind, the Board supported management in enhancing the business' affordability assessment. Improvements to the assessment process included the introduction of additional monitoring controls, oversight for income validation, tightening of income thresholds, and updated models that reflected base rate increases, higher inflation, and other increases as a result of increased energy costs. In December 2022, the Board confirmed its support regarding the Company's response to the rising cost of living, including its response to the FCA "Dear CEO" letter on the topic of understanding the changing pressures on customers.