

Close Brothers Group plc

Half Year Results 2021

Disclaimer

Certain statements included or incorporated by reference within this presentation may constitute “forward-looking statements” in respect of the group’s operations, performance, prospects and/or financial condition.

By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this presentation should be construed as a profit forecast.

This presentation does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares and other securities of the company. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser.

Statements in this presentation reflect the knowledge and information available at the time of its preparation.

Liability arising from anything in this presentation shall be governed by English Law. Nothing in this presentation shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.

Agenda

01

Introduction

Adrian Sainsbury, Chief Executive

02

Financial update

Mike Morgan, Finance Director

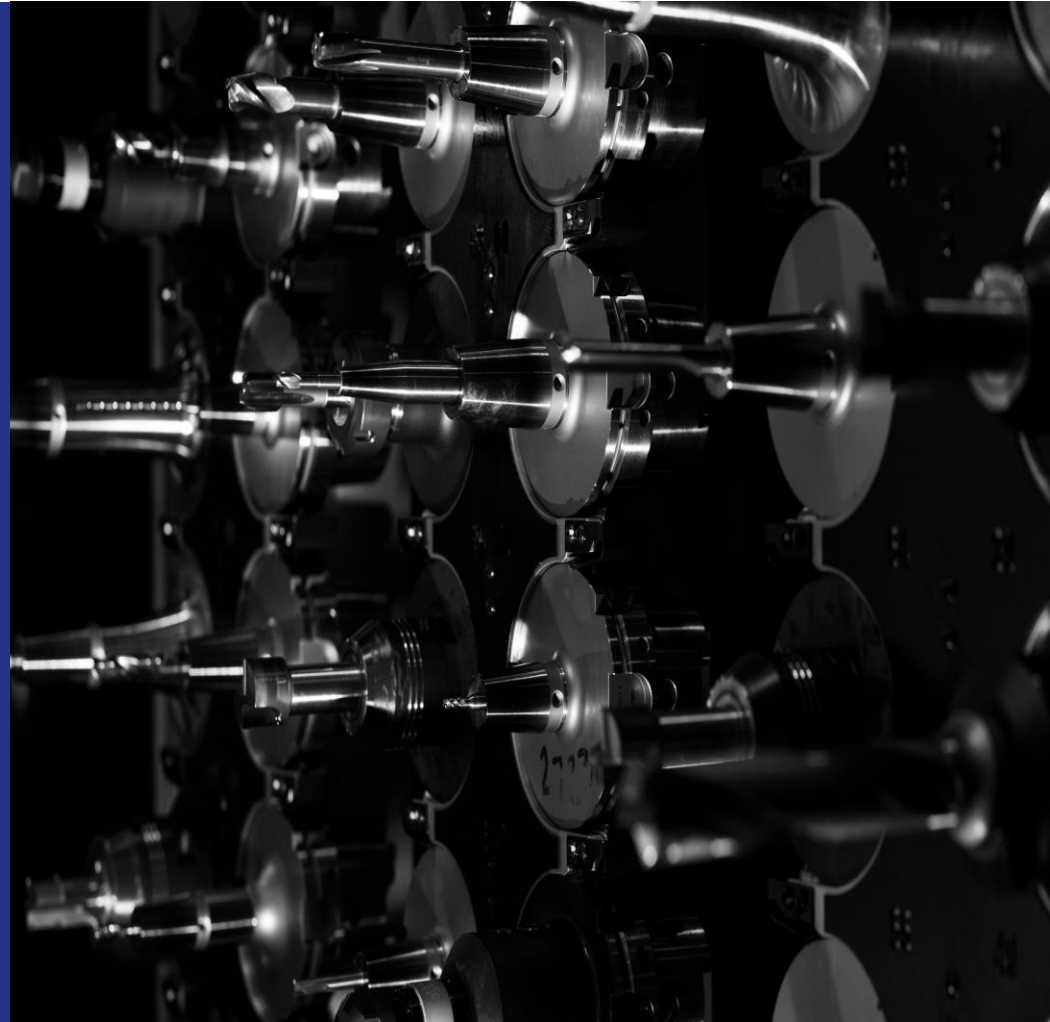
03

Business update

Adrian Sainsbury, Chief Executive

04

Q&A



Overview

Strong financial and operational performance in the current environment



Income growth across all divisions and 2% increase in AOP, with an ROE of 13.2%



Banking delivered 4.4% growth in loan book, while maintaining a net interest margin of 7.7%



Very strong performance in Winterflood and solid net inflows in Asset Management



Strong capital, funding and liquidity position providing flexibility for growth



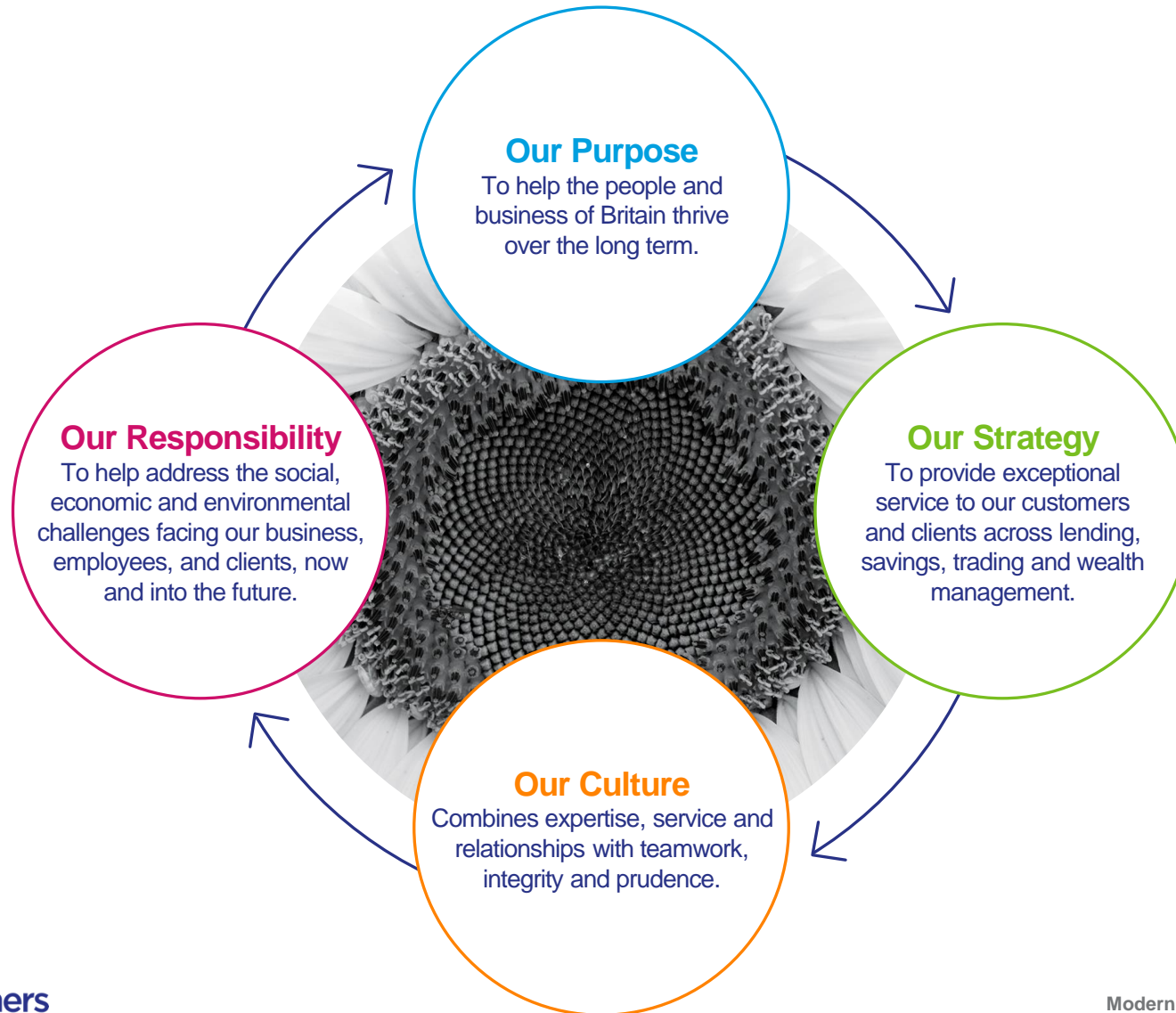
18p interim dividend reflecting strong performance and confidence in our business model



Stable credit performance reflecting loan book quality and ongoing government support schemes for customers and SMEs

Our Purpose

Supporting our customers, clients and partners is integral to our Purpose



Our strategy

Strategic priorities



PROTECT

Keeping it safe

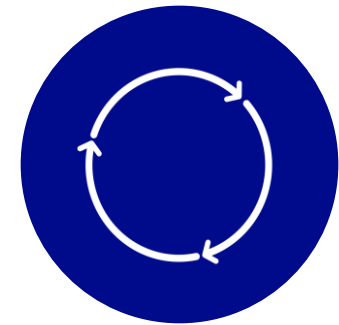
Maintaining and enhancing the **key strengths** of our business model



GROW

Delivering disciplined growth

Maximising opportunities in existing and new markets; loan book growth remains an output of the business model



SUSTAIN

Doing it responsibly

Securing the **long-term future** of our business, customers and the world we operate in

Agenda

01

Introduction

Adrian Sainsbury, Chief Executive

02

Financial update

Mike Morgan, Finance Director

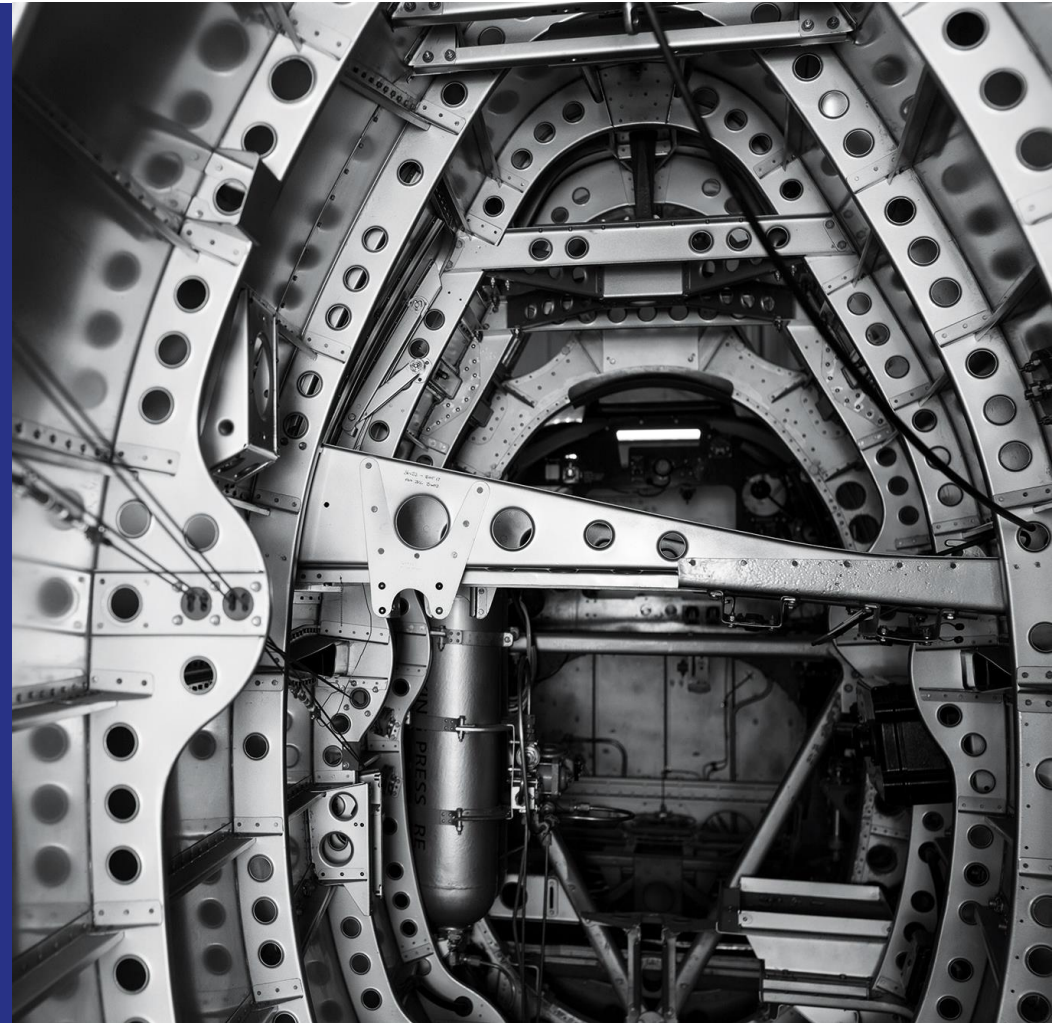
03

Business update

Adrian Sainsbury, Chief Executive

04

Q&A



Financial Overview

Strong performance in the current environment

Group AOP	£128.5m
Group AOP pre provisions	£181.3m
Adjusted EPS	64.0p
Return on opening equity ¹	13.2%
CET1 capital ratio	15.3%
Dividend per share ⁴	18p
Loan book growth	4.4%
Net interest margin	7.7%
Bad debt ratio ²	1.3%
Net inflow rate ³	4%
Avg bargains per day	97k

- Group Adjusted Operating Profit (AOP) of £128.5 million reflecting **higher profits in Winterflood** and **strong new business volumes in Banking**
- Group AOP pre provisions **up 12%** to £181 million
- **Strong capital, liquidity and funding position**
- **Loan book growth** driven by **strong demand** for CBILS⁵ and **record new business volumes in Motor Finance**
- **Net interest margin** driven by focus on pricing discipline
- **Bad debt ratio² significantly down** from FY20 (2.3%) reflecting stable credit performance of the loan book in the first half
- 18p interim **dividend declared**, reflecting strong performance and **continued confidence** in our business model and financial position

Notes:

¹ Return on average tangible equity was 15.7% in H1 2021. ² Annualised bad debt ratio. ³ Annualised net inflows as a percentage of opening managed assets. ⁴ The interim dividend is due to be paid on 28 April 2021 to shareholders on the register at 26 March 2021. ⁵ Coronavirus Business Interruption Loan Scheme.

Income statement

Income growth, continued investment and year on year increase in impairment charges

£ million	H1 2021	H1 2020	% change
Operating income	474.0	420.0	13
Adjusted operating expenses	(292.7)	(257.6)	14
Impairment losses	(52.8)	(36.7)	44
Adjusted operating profit¹	128.5	125.7	2
Adjusted operating profit pre provisions	181.3	162.4	12
Operating profit before tax	127.0	124.1	2
Effective tax rate	25.4%	23.9%	
Profit attributable to shareholders	94.8	94.5	-

- **Income growth** across all divisions, with particularly strong trading income in **Winterflood**
- **Higher variable costs** in Winterflood and **continued investment across the businesses**
- **Higher impairment charges** compared to H1 2020, a pre Covid-19 period, to take into account **loan book growth** and a **review of staging and provision coverage for individual loans and portfolios**

Notes:

¹ Adjusted operating profit excludes £1.5 million (2020: £1.6 million) of amortisation of intangible assets on acquisition

Divisional performance

Diversification continues to support overall performance

£ million	H1 2021	H1 2020	% change
Banking	95.1	115.4	(18)
Commercial	27.4	38.5	(29)
Retail	27.9	34.1	(18)
Property	39.8	42.8	(7)
Asset Management	12.3	12.6	(2)
Winterflood	34.2	10.6	223
Group	(13.1)	(12.9)	2
Adjusted operating profit	128.5	125.7	2

Banking

- **Strong new business levels** across the lending businesses
- **Modest income growth** offset by higher impairments and continued investment

Asset Management

- **Operating income growth** and continued **investment** in new hires and technology
- Delivered **solid net inflows**

Winterflood

- **Very strong trading** performance reflecting **high investor activity** and **heightened trading volumes**

Strong balance sheet

Increased funding and liquidity whilst maintaining diverse funding base and prudent approach

Prudent approach

- **Increased funding and liquidity** to allow **flexibility** in light of Covid-19 and enable the group to **maximise opportunities**
- **Prudent level of funding**, covering loan book by **140%**
- Maintained the principle to “**borrow long, lend short**”

Total funding
£11.1 billion

Average maturity of loan
book funding at **24 months**

Loan book
£8.0 billion

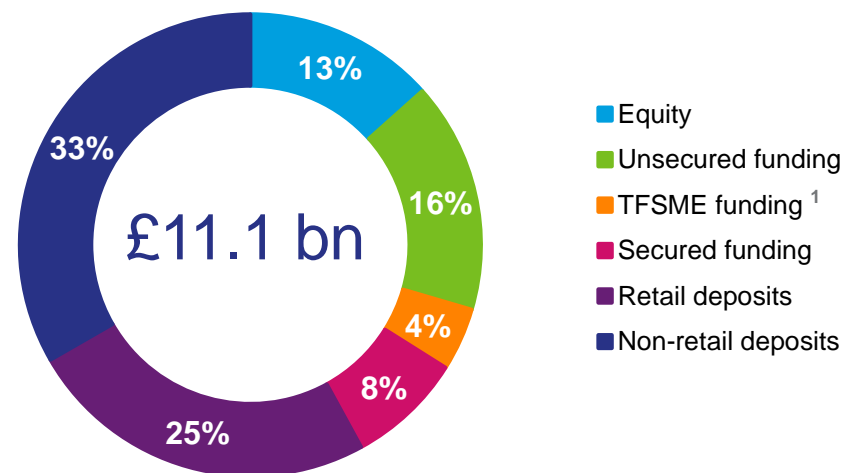
Average maturity of the
loan book at **16 months**

Treasury assets
£2.2 billion

£1.9bn with central banks

- Our **customer deposit platform** continues to support growth and diversification of our funding base
 - Retail deposits up 5% to £2.7 billion
 - Launched cash ISAs and new 35 Day Notice Account

Diverse funding base



- Further strengthened funding base with **£350 million**, 10 year senior unsecured **bond issue** in December 2020
- **Strong credit ratings**², with Close Brothers Ltd rated **Aa3** (Moody's)
- Continue to **optimise cost of funds** through disciplined deposit pricing and renewal of facilities

Notes:

¹ Term Funding Scheme for SMEs.

² Moody's rates Close Brothers Group ("CBG") A3/P2 and Close Brothers Limited ("CBL") Aa3/P1, with a 'negative' outlook. Fitch rates both CBG and CBL A-/F2 with a 'negative' outlook.

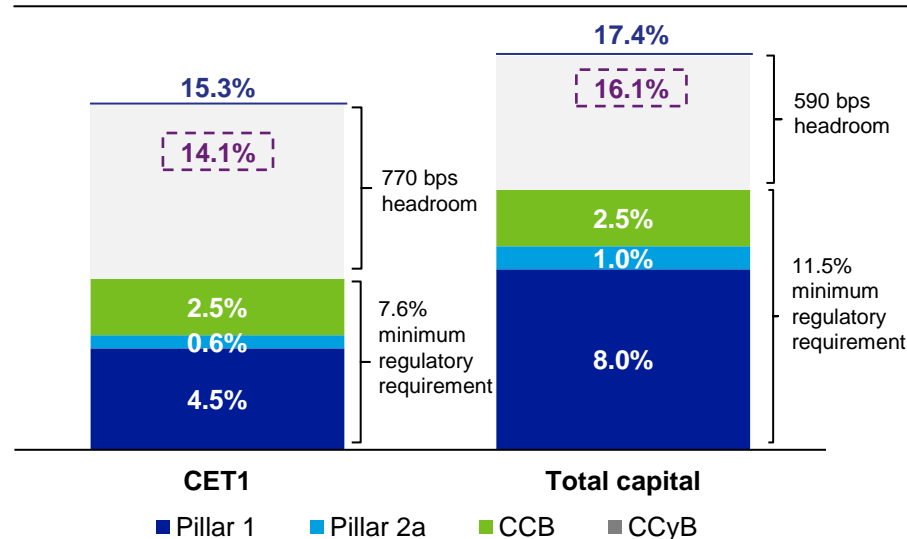
Capital

Strong capital position provides significant flexibility for growth

Capital overview¹

	31 January 2021	31 July 2020
CET1 capital ratio	15.3%	14.1%
Total capital ratio	17.4%	16.3%
Leverage ratio ²	10.8%	11.2%
CET1 capital (£m)	1,350	1,254
RWAs (£m)	8,827	8,863

Capital position vs requirements^{3,4}



14.1% Ratio including fully loaded impact of IFRS 9

- **Strong CET1 capital ratio, significantly above** minimum regulatory requirements
- Increased CET1 capital driven by **higher profits** and benefit from regulatory changes to the **treatment of software assets⁴**
- **RWAs broadly flat** in spite of loan book growth given lower risk-weighting of CBILS loans and reduction in the Property loan book
- **Leverage ratio remains strong** at 10.8%
- **Submitted** our initial **IRB application** to the PRA in December 2020

Notes:

¹ Numbers and ratios presented on a transitional basis after applying IFRS 9 arrangements that allow the capital impact of expected credit losses to be phased in over the transitional period, and the Capital Requirements Regulation ("CRR") transitional arrangements for grandfathered Tier 2 capital instruments.

² The leverage ratio is calculated as tier 1 capital as a percentage of total balance sheet assets, adjusting for certain capital deductions, including intangible assets, and off balance sheet exposures.

³ Minimum CET1 and total capital ratio requirements, excluding any applicable Prudential Regulation Authority buffer.

⁴ In line with the amended Capital Requirements Regulation, effective on 23 December 2020, the CET1 ratio at 31 January 2021 includes a c.45bps benefit related to software assets which are exempt from the deduction requirement for intangible assets from CET1. The PRA launched a consultation on 12 February 2021 including a proposal to revert to the earlier position, which if implemented would result in a future reversal of this benefit.

Banking

Modest income growth offset by investment and impairment charges

£ million	H1 2021	H1 2020	% change
Operating income	309.0	306.4	1
Adjusted operating expenses	(161.0)	(154.3)	4
Impairment losses	(52.9)	(36.7)	44
Adjusted operating profit	95.1	115.4	(18)
Adjusted operating profit pre provisions	148.0	152.1	(3)
Net interest margin ¹	7.7%	7.8%	
Expense/income ratio	52%	50%	
Bad debt ratio ²	1.3%	0.9%	
Return on net loan book ³	2.4%	2.9%	

Notes:

¹ Net interest, fees and operating lease income divided by average net loan book and operating leases.

² Annualised bad debt ratio, calculated as impairment losses divided by average net loan book and operating leases.

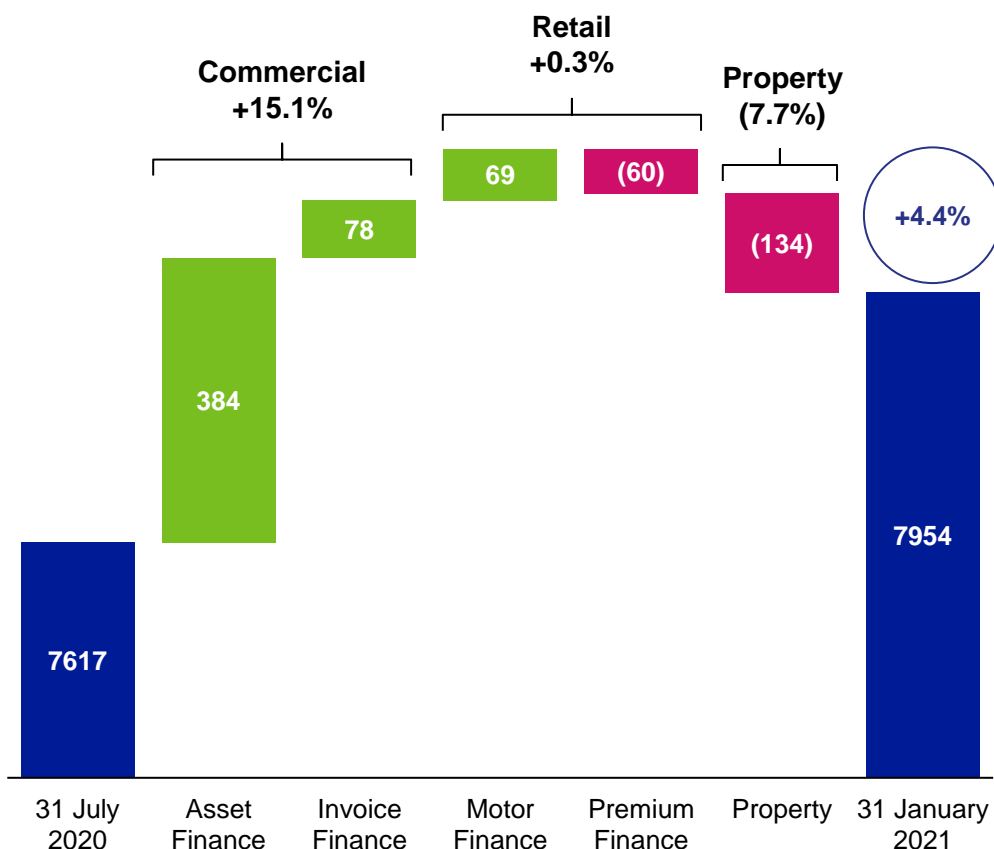
³ Adjusted operating profit divided by average net loan book and operating leases.

- **Modest increase in income** reflecting high new business volumes and loan book growth
- **Strong net interest margin** as we maintain our focus on pricing discipline
- **Continued investment** in key strategic programmes whilst maintaining strict control of BAU costs
- **Impairment charges increased**, resulting in an annualised bad debt ratio of **1.3%**, slightly up year on year but down significantly from 2.3% for the 2020 financial year

Banking

Loan book growth remains an output of our business model

Loan book movement by segment (£ million)¹



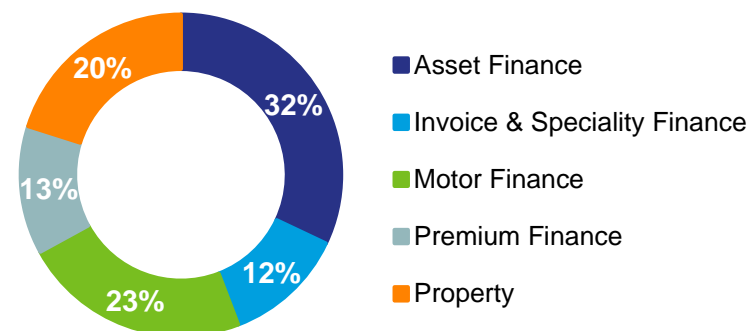
Notes:

¹ Excludes operating lease assets of £217.6 million at 31 January 2021 and £221.9 million at 31 July 2020 relating mainly to the Invoice and Speciality Finance business.

Diverse and specialist loan book

- Strong growth in **Asset Finance**, driven by demand for loans under CBILS
- Increase in **Invoice Finance** reflects good demand for CBILS loans; utilisation levels remained subdued
- **Motor Finance** saw strong new business levels, driven by pent up demand, an increase in used car finance and benefits of our Motor Finance Transformation programme
- Decline in **Premium Finance** loan book reflects the impact of Covid-19 restrictions and seasonality
- Decrease in the **Property** loan book driven by lower drawdowns and higher repayment levels

Loan book split



Banking

Strong net interest margin reflects our pricing discipline

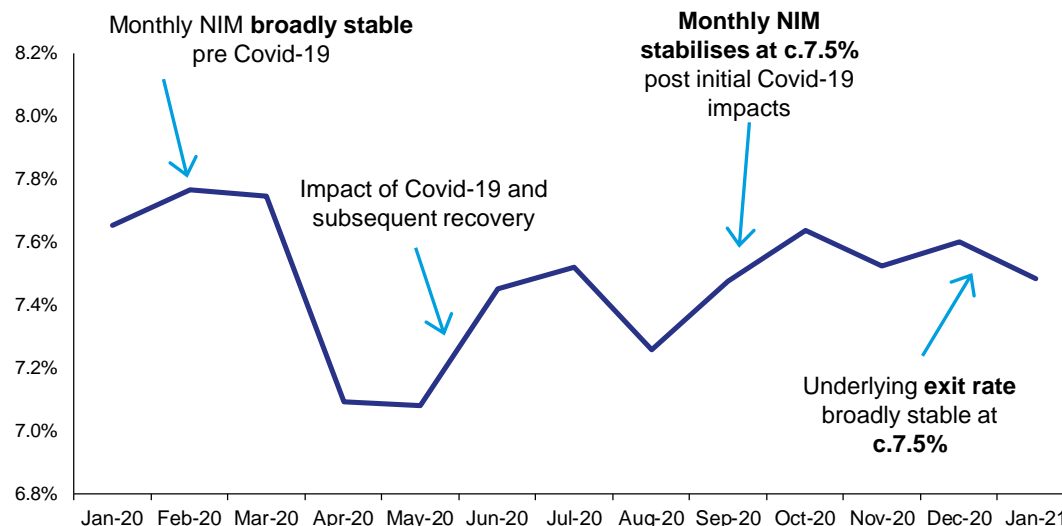
Specialist, relationship driven model supports a strong NIM

- Consistently strong NIM compared to sector average
- Prioritise pricing, not volume growth

Underlying NIM stabilised at c.7.5%¹

- Fee income improvement from initial Covid-19 forbearance impact
- High levels of customer activity
- Group cost of funds reduced to 1.5%

Monthly underlying NIM trend²



Notes:

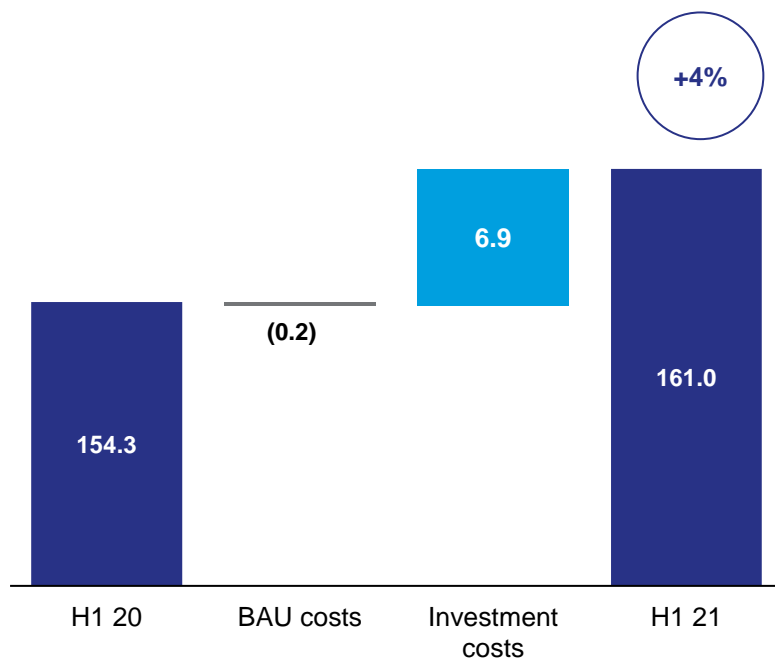
¹ Reported net interest margin for H1 2021 was 7.7% (H1 2020: 7.8%).

² Monthly net interest margin is adjusted for day count and excludes the impact of certain items such as modification gains and losses arising from the onset of Covid-19.

Banking

Disciplined control of costs while investing in the business

Movement in costs¹ (£ million)



Business as Usual (BAU) costs²

- Disciplined control of BAU costs to create investment capacity
- H1 21 BAU costs broadly in line with H1 20 at £129.2 million despite the increase in variable compensation

Investment costs³

- Investing through the cycle remains a key strategic priority
- H1 21 investment costs increased £6.9 million to £31.8 million
- Costs expected to grow ahead of income for the remainder of the year

Notes:

¹Refers to adjusted operating expenses.

²BAU costs include staff costs, variable compensation and other BAU costs.

³Includes depreciation and other costs related to investment in multi-year projects, new business initiatives and pilots and cyber resilience. Excludes IFRS16 depreciation.

Banking

Appropriate level of provision reflecting highly uncertain external environment

Expert judgement applied

- Application of our models overlaid with expert judgement to determine:
 - Appropriate allocation between stages
 - Macroeconomic scenario updates and weightings
 - Provision coverage at the individual loan and portfolio level

Increase in provision coverage to 3.3%

- Incorporated revised macroeconomic scenarios and weightings, which were largely offset by judgmental management overlays
- Reflects loan book movements and review of staging and coverage for individual loans and portfolios
- Appropriate level of provision reflecting highly uncertain external environment and that full impact of Covid-19 not yet felt

Confidence in the quality of our loan book

- Predominantly secured, prudently underwritten and diverse
- Supported by the expertise of our people

IFRS 9 Staging allocation

At 31 January 2021

	Stage 1	Stage 2	Stage 3	Total
Gross loans	6,535.3	1,311.3	381.8	8,228.4
Impairment provisions	72.2	91.7	111.0	274.9
Provision coverage ratio	1.1%	7.0%	29.1%	3.3%

At 31 July 2020

	Stage 1	Stage 2	Stage 3	Total
Gross loans	5,906.6	1,574.2	374.6	7,855.4
Impairment provisions	57.6	87.3	93.8	238.7
Provision coverage ratio	1.0%	5.5%	25.0%	3.0%

Banking

Continued support of our customers and clients through this challenging period

Forborne book performance remains encouraging

Commercial

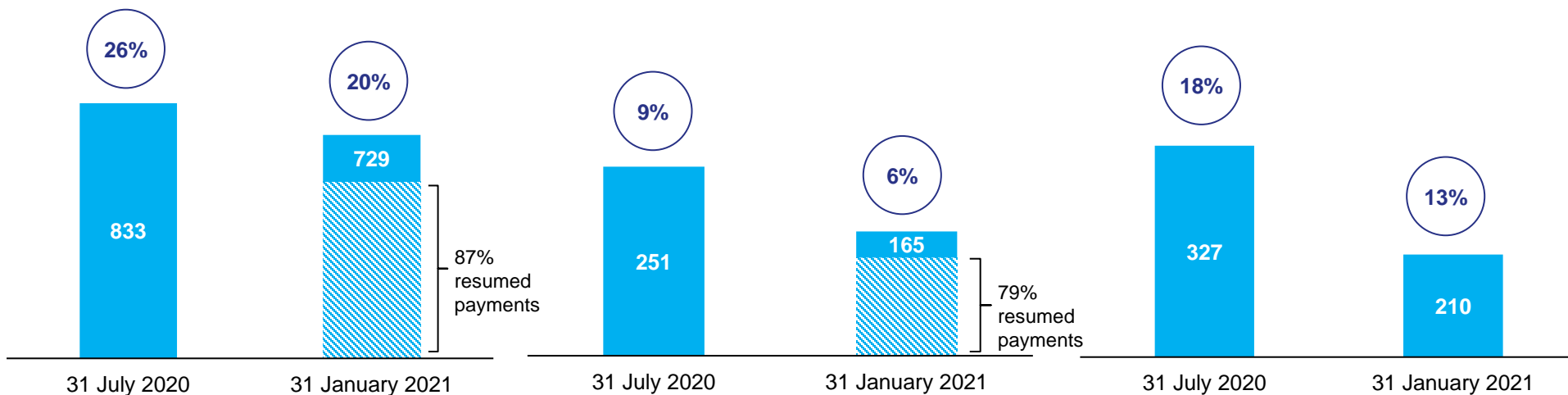
- Covid-19 forbearance represents 20% of the Commercial loan book¹
- 87% had resumed payments at 31 January 2021²
- Payment deferrals in Asset Finance and overpayments on invoice discounting and factoring

Retail

- Covid-19 forbearance represents 6% of the Retail loan book¹
- 79% had resumed payments by 31 January 2021²
- Concessions offered principally in the form of payment deferrals

Property

- Covid-19 forbearance represents 13% of the Property loan book¹
- Principally fee free extensions for residential development loans



■ Forborne balance (£m) ○ % of loan book

Notes:

¹ Percentage of loan book by value classified as forborne and subject to Covid-19 forbearance measures at 31 January 2021.

² Percentage of those customers subject to forbearance measures at 31 January 2021.

Asset Management

Continued growth in a challenging operating environment

£ million	H1 2021	H1 2020	% change
Operating income	67.1	65.7	2
Investment management	49.3	46.2	7
Advice and other services	17.7	18.7	(5)
Other income ¹	0.1	0.8	(88)
Adjusted operating expenses	(54.8)	(53.1)	3
Adjusted operating profit	12.3	12.6	(2)
Operating margin	18%	19%	
Revenue margin ²	94bps	95bps	
Return on opening equity	32.5%	35.6%	
Annualised net inflows as % of opening managed assets	4%	12%	
	31 January 2021	31 July 2020	% change
£ billion			
Total managed assets	13.8	12.6	10
Total client assets	14.9	13.7	9

- **Increased income** driven by higher investment management income from strong growth in managed assets
- Increase in expenses reflecting continued investment in people and technology
- **Broadly stable** adjusted operating profit
- **Solid net inflow rate of 4%** reflecting good inflows from our recent portfolio manager hires
- **10% growth in managed assets** reflects positive market movements and net inflows

Notes:

¹ Includes net interest income and expense, income on principal investments and other income. The first half of 2020 includes a £0.5 million gain on disposal of non-core assets.

² Income from advice, investment management and related services divided by average total client assets. Average total client assets calculated as a two-point average.

Winterflood

Very strong trading performance and substantial increase in operating profit

£ million	H1 2021	H1 2020	% change
Operating income	98.0	47.9	105
Operating expenses	(63.9)	(37.3)	71
Impairments	0.1	-	-
Operating profit	34.2	10.6	223
Average bargains per day	97k	57k	
Operating margin	35%	22%	
Return on opening equity	69.3%	22.2%	
Loss days	0	0	

- Higher income reflecting **very strong trading performance** and **heightened market activity** since the Covid-19 outbreak
- **Increased operating expenses** driven by higher **variable staff compensation** and **settlement costs** reflecting increased trading activity
- **Operating profit up 223% to £34.2m**
- No loss days reflecting **traders' expertise and experience** in managing risk

Agenda

01

Introduction

Adrian Sainsbury, Chief Executive

02

Financial update

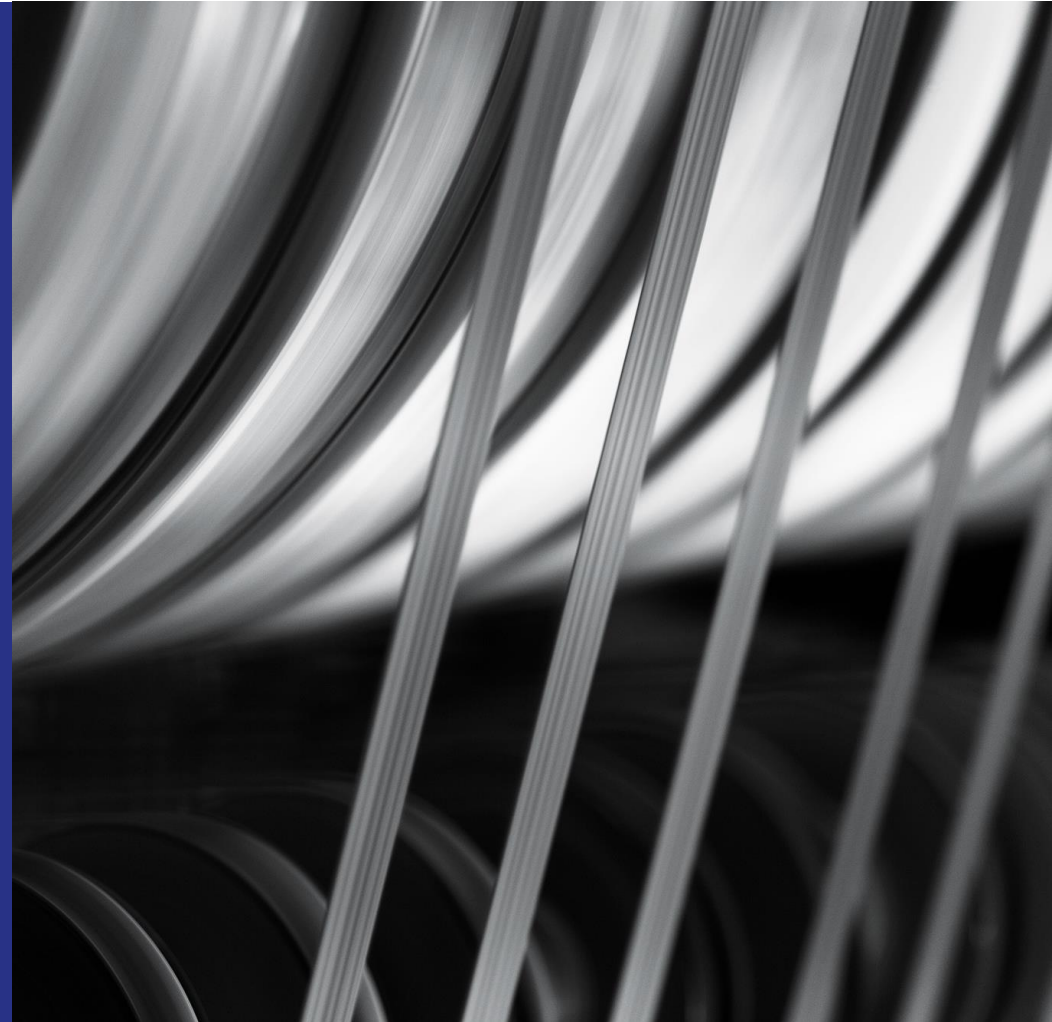
Mike Morgan, Finance Director

03

Business update

Adrian Sainsbury, Chief Executive

04 Q&A



A proven and resilient model

Supporting long track record of growth and profitability

Fundamental strengths of the model →

Disciplined underwriting and pricing

- **Predominantly secured loan book** with prudent LTVs
- **Prudent, expertise based** underwriting
- Consistently **strong net interest margin**

Prudent management of financial resources

- **15.3% CET1 capital ratio**, 770bps ahead of minimum requirement
- **Prudent funding** based on 'borrow long, lend short'
- **Strong liquidity** position with LCR of 1,049%

Diversification and specialism

- Our **loan book is diverse** by sector, geography and asset class
- **Asset Management** provides additional long-term growth opportunity
- **Winterflood** provides diversification at different stages of the cycle

Our track record

Long-term growth

Strong returns through the cycle

Long dividend track record

Supporting customers and clients

Our strategy

Strategic priorities



PROTECT

Keeping it safe

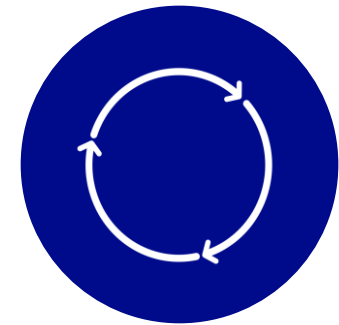
Maintaining and enhancing the **key strengths** of our business model



GROW

Delivering disciplined growth

Maximising opportunities in existing and new markets; loan book growth remains an output of the business model



SUSTAIN

Doing it responsibly

Securing the **long-term future** of our business, customers and the world we operate in

Protect: keeping it safe

Maintaining and enhancing the key strengths of our business model



PROTECT

A proven and resilient business model that continues to deliver

Prudence

- Maintaining a **strong funding, liquidity** and **capital** position
- Predominantly **secured loan book** and **strong credit quality**

Consistency

- **Disciplined** application of **prudent underwriting** and **pricing in our lending**

Investment

- **Continuous investment** to **protect the key attributes** of our **business model**
- Maintaining **regulatory compliance, operational** and **cyber resilience**

Grow: delivering disciplined growth

Maximising the opportunities available and taking the business model forward



Fundamental strengths of our business model evidenced through Covid-19

Emerging from the crisis well positioned...

- Financial and operational resilience
- Confidence in our credit quality and underwriting
- Support for colleagues and other stakeholders

Leaning into the current environment

... to maximise the opportunities presented to us ...

- Supporting customers throughout the crisis with strong demand for the Coronavirus Business Interruption Loan Scheme
- Capitalising on significantly heightened trading activity across equity markets
- Making the most of demand in our core markets, for example in the second hand car market

Taking the business model forward

... while assessing incremental growth opportunities in existing and new markets

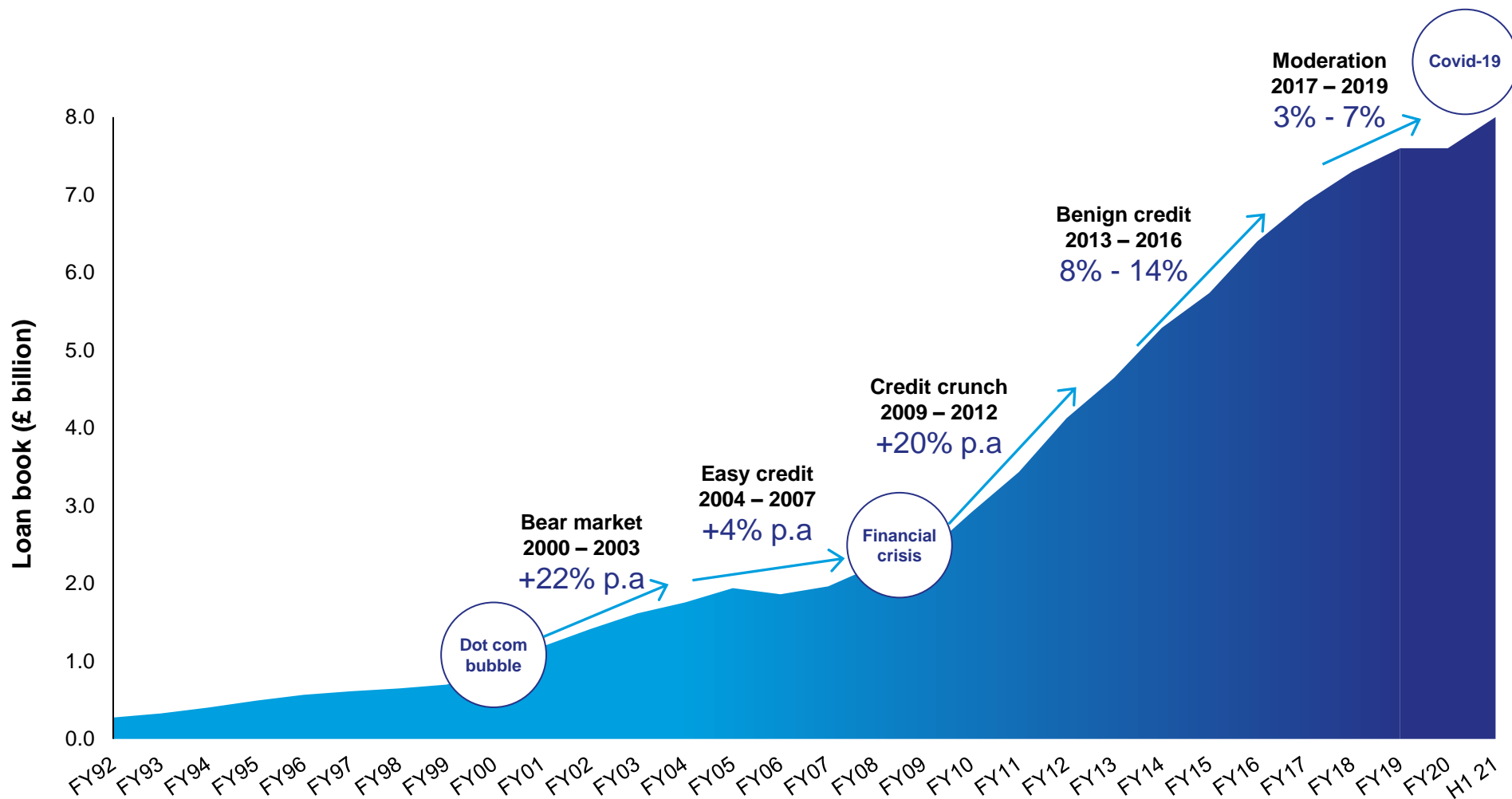
- Loan book growth continues to be an output of our business model
- Evolving our offering to meet the needs of our customers
- Improving operational and digital capabilities
- Proactively looking for opportunities that fit with our focus on disciplined growth

Banking

Our long history of lending



GROW



Sustain: doing it responsibly

Securing the long-term future of our business, customers and the world we operate in



S U S T A I N

Evolving our business to sustain it for the long term

Our customers

- Recognising and responding to **changes in customer behaviour**
 - Improving **digital capabilities** and **customer journey**
 - Maintaining our **longstanding relationships, expertise** and **quality of service**
-

Our people

- Focusing on **employee engagement** to support **colleague wellbeing**
 - Enabling **ongoing development** to **retain talent** and support **succession planning**
 - Nurturing an **inclusive culture**
-

Our impact

- Creating **value** in our **local communities** by **understanding the needs of SMEs**
- Reducing our environmental impact, responding to the **risks and opportunities** brought by **climate change**

Banking update – Commercial

Maximising current opportunities

Asset Finance

Capitalising on strong demand under CBILS

- Growth in Asset Finance reflects strong new business volumes and demand for loans issued under government schemes
- H1 21 was a record period for new business volumes
- New Recovery Loan Scheme to be launched on 6 April 2021 and will run until 31 December 2021

Invoice & Speciality Finance

Well positioned to support customers as they emerge from the crisis

- Utilisation at subdued levels and tracking below pre Covid-19 levels
- Customer activity has been impacted by the third lockdown
- Good demand under government lending schemes

Notes:

¹ Vast majority of lending via CBILS, with BBLS representing £2.3 million.

² Includes Property.

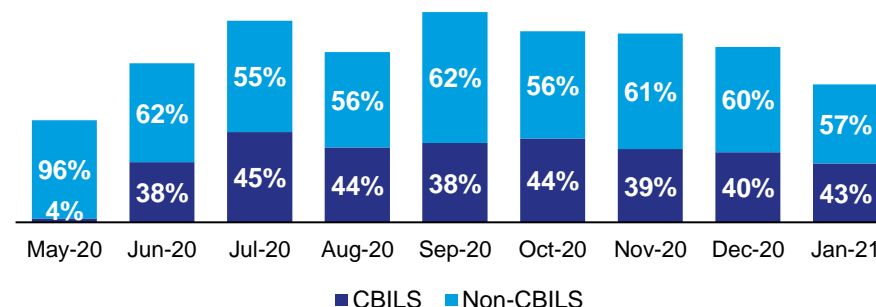
³ Sales volumes represents balance of customer invoices available as collateral in Invoice Finance.

Approvals under the CBILS, CLBILS and BBLS^{1,2}

(As at 31 January 2021)	Volume	Value (£ million)
Credit drawdown	3,418	730
Additional credit approved	651	186

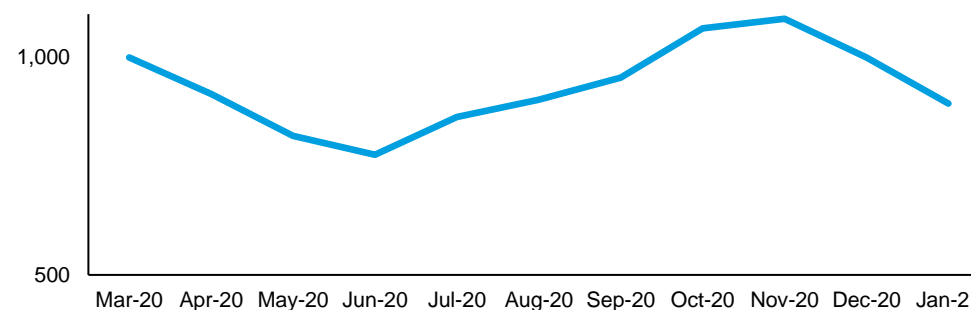
Asset Finance new business volumes

(percentage split between CBILS and non-CBILS)



Invoice Finance sales volumes³

(£ million)



Banking update – Retail

Leaning into current opportunities

Motor Finance

Maximising opportunities in the second hand car market

- Strong new business volumes reflecting pent up demand and an increasing use of finance in the second hand car market
- Strong performance since the reopening of dealerships following the first lockdown, with record volumes in September
- Investment in sales capability and agility of business enabled a resilient performance during subsequent lockdowns
- Initial benefits from Motor Finance Transformation seen
- New business volumes remain resilient with used car market less impacted than the new car market¹

Premium Finance

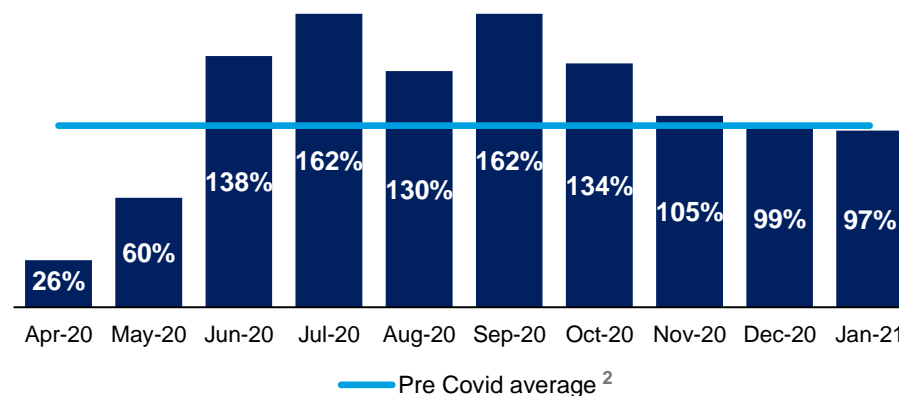
Supporting customers and their evolving needs during the crisis

- Impact of Covid-19 restrictions reduced demand for car insurance policies
- Increased deal size as customers look to ease cash flow in the commercial market
- Impact of January seasonality on loan book

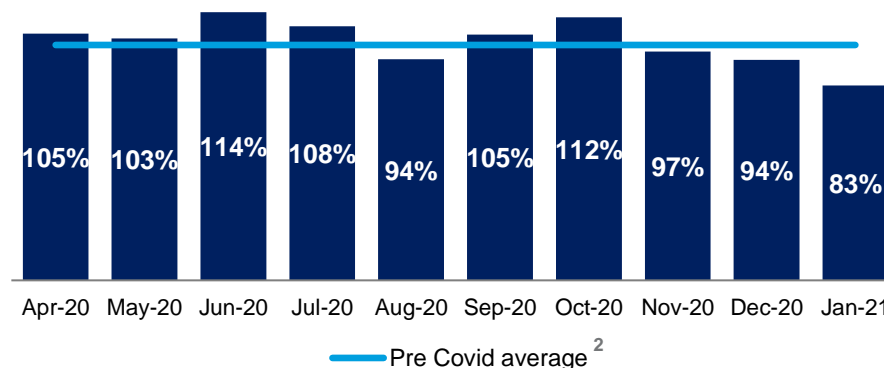
New business volumes

(as a % of monthly YTD average to March 2020)

Motor Finance



Premium Finance



Notes:

¹ Based on SMMT statistics on new car and second hand car registrations.

² Pre Covid average is Aug 19 – Mar 20 average.

Banking update – Property

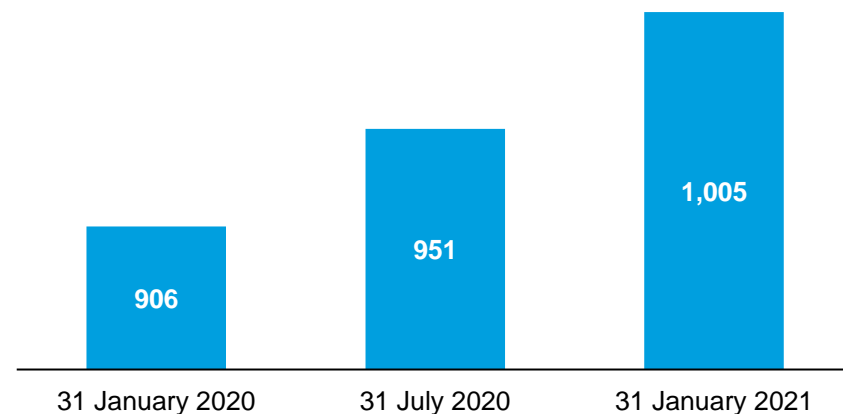
Leaning into current opportunities

Property

Well positioned to capture strong residential construction demand

- Lower drawdowns and higher repayments driven by delays in development completions due to Covid-19 and strong unit sales
- Reflects pent up demand and buyers taking advantage of Stamp Duty holiday and Help to Buy scheme
- Starting to see an uptick in drawdowns from initial Covid-19 levels
- Solid undrawn pipeline significantly ahead of prior year and at its highest level in over a year at more than £1 billion
- Seeing a shift in the regional loan book mix in Property Finance, with London & South East representing c.51% compared to c.54% at the end of the 2020 financial year

Undrawn pipeline (£ million)

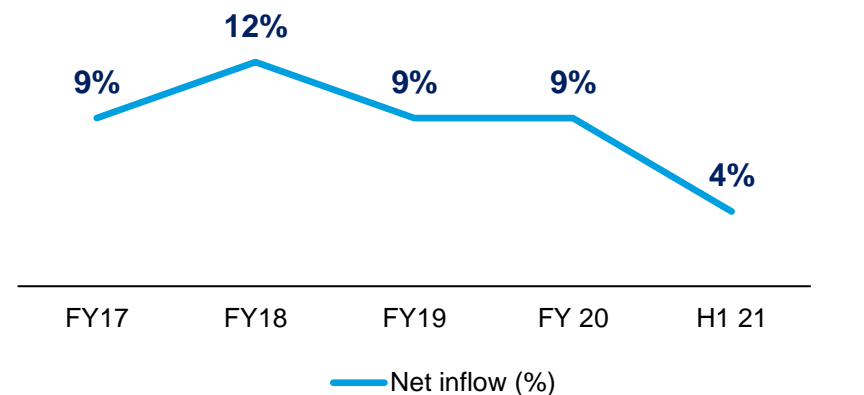


Asset Management

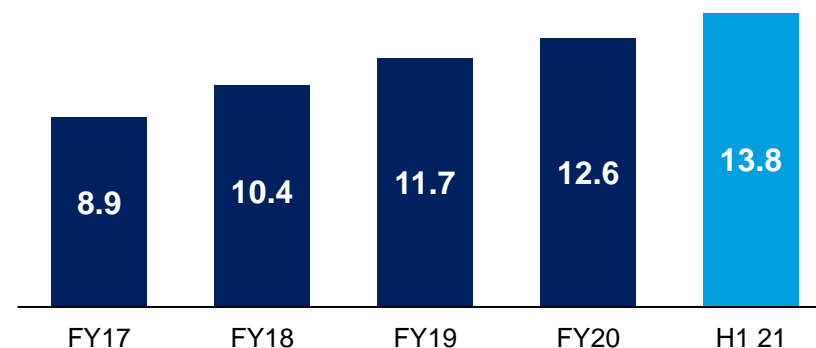
Continued demand, with long term growth opportunity

- **Solid demand** for integrated wealth and investment management services, maintaining **excellent client service** in a challenging operating environment
- **Vertically integrated, multi-channel model** positions us well to benefit from proven ongoing demand for our services and structural industry growth
- **Solid annualised net inflows at 4%** with Covid-19 and resulting lockdown restrictions contributing to a slowdown in net flows
 - Good flows from recent portfolio manager hires
- **Continued investment** to grow the business
 - Systems and technology enhance **operational capability** and allow for **scalability** of back and middle office functions
 - Continued **hiring of advisers and fund managers** and selective incremental acquisitions add to long-term growth
- Increasing focus on **sustainable investment**
 - Socially responsible investment proposition continues to be well received, with the launch of two new sustainable funds gaining good traction
 - ESG factors embedded in research

Annualised net inflow rates (%)



Closing managed assets (£ billion)

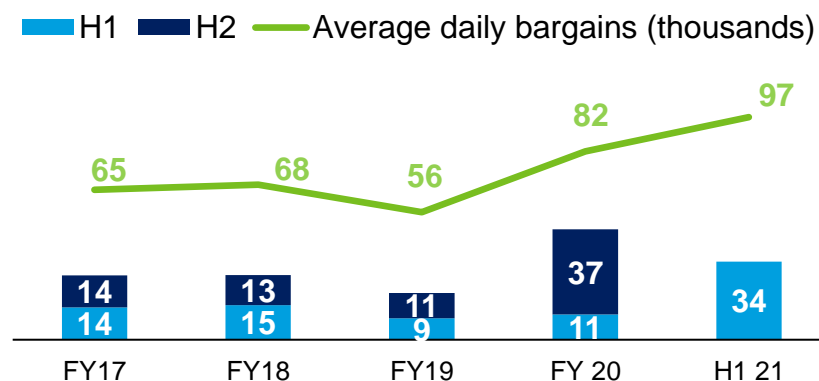


Winterflood

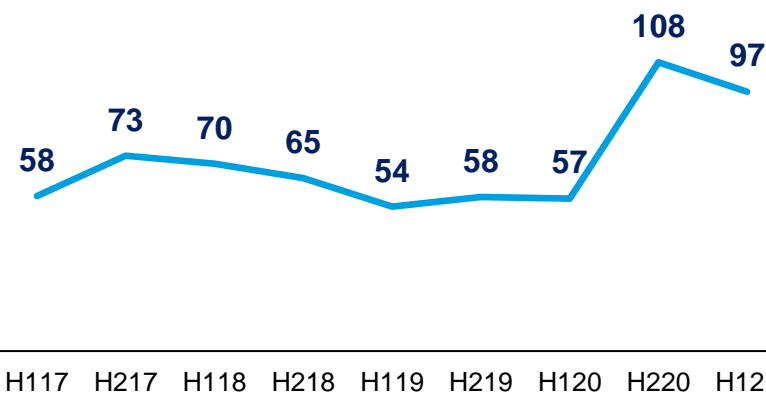
Very strong trading performance benefiting from heightened market activity

- Substantial increase in operating profit demonstrates ability of the business to lean into **significant market activity**
- **No loss days** in the period demonstrates our traders' expertise and their ability to manage risk
- **Record highest ever daily bargains** on 9 November 2020 at 227k
- Positive progress in **expanding relationships** with **institutional clients** and in the **US market**
- Continued development of **Winterflood Business Services**, with assets under administration at **£5.0 billion** (£4.1 billion at FY20) and good levels of trading income

Operating profit (£ million)



Average daily bargains (thousands)



Summary and outlook

Well positioned to continue supporting our colleagues, customers and clients over the long term



Strong performance in the first half of 2021 with **income growth across all divisions, pre provision profit up 12%** and **strong ROE** of 13.2%

Remain focused on **maintaining** the **discipline** of our business **model**, and our **readiness to respond** to **opportunities** and changes in market conditions

Despite national lockdown restrictions and volatile macroeconomic environment, our **credit performance** has remained **stable** reflecting the **quality** of our **loan book** and the **ongoing government support schemes** for consumers and SMEs

The **full impact** of **Covid-19** still remains **highly uncertain**

Our **proven and resilient model** and **strong balance sheet**, combined with **deep experience in navigating a wide range of economic conditions**, leave us well placed

Agenda

01

Introduction

Adrian Sainsbury, Chief Executive

02

Financial update

Mike Morgan, Finance Director

03

Business update

Adrian Sainsbury, Chief Executive






















04 Q&A



Appendix

Investing to take the business model forward

Strategic investment programmes to protect, grow and sustain our business

				
	Strategic investment programmes	PROTECT	GROW	SUSTAIN
Protect <hr/> Maintaining and enhancing the key strengths of our business model	Motor Finance transformation Multi-year investment programme to improve the service proposition, enhance operational efficiency and increase sales effectiveness			
	Asset Finance transformation Multi-year investment programme to enhance sales effectiveness through enhanced data capabilities and technology			
	Asset Management transformation Continued investment in technology to ensure we are improving our operational leverage, efficiency and resilience through strategic technology enhancements			
Grow <hr/> Maximising opportunities in existing and new markets; loan book growth remains an output of the business model	IRB Transition to Internal Ratings Based approach to credit risk			
	Customer Deposit Platform Deposit platform providing wider range of retail deposit products and online offering			
	Cyber resilience Significant investment to enhance cyber security and operational resilience to ensure we protect our business and clients			
Sustain <hr/> Securing the long-term future of our business, customers and the world we operate in	Data centre transformation Significant investment in new data centres and the Cloud will allow us to reduce future IT footprint costs and increase efficiency			

Banking

Prudent and disciplined approach to lending

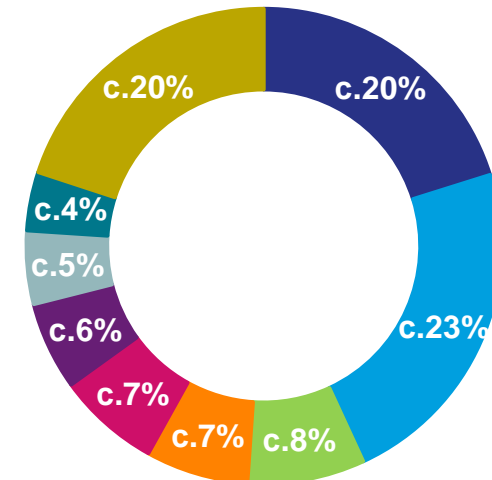
A proven and resilient lending model

Loan book is prudently underwritten and supported by the expertise of our people

Over 90% of book is secured or has some form of structural protection

Lend to a diverse range of asset classes

Confident in the credit quality of our loan book



- Residential property development and construction
- Motor Finance (consumer lending)
- Manufacturing
- Real estate activities
- Transportation and storage
- Premium Finance (consumer lending)
- Administrative and support service activities
- Energy and renewables
- Other sectors contributing 3% or less individual exposure

Our responsibility

Acting sustainably is fundamental to our purpose, strategy and culture

We recognise that to help the people and businesses of Britain **thrive** over the long term, we also have **a responsibility** to help address the **social, economic and environmental challenges** facing our business, employees and customers, now and into the future

Promoting an inclusive environment in everything we do

Contributing to improved social mobility through access programmes and assisting entrepreneurs and small businesses

Providing jobs and opportunities in local communities and helping SMEs that might be overlooked by larger finance providers

Continuing to make strides towards reducing our environmental impact

Maintaining momentum

Continued progress towards our targets, including:

- A target of **36% female senior managers by 2025**
- Increasing our **ethnicity data disclosure** to **above 60%** of our employees
- Continue to **maintain or improve customer satisfaction scores** across our businesses
- Achieve a **10% reduction in group-wide overall emissions** by 31 July 2021¹
- Achieve a further **10% reduction in average fleet vehicle CO₂ emissions** by 31 July 2021²

Some of our partners and commitments



¹ Targeted annual emissions reductions benchmarked against the 2019 financial year.

² Targeted average fleet vehicle CO₂ emissions reductions benchmarked against the 2020 financial year.

UK government support for businesses during Covid-19

Overview of current UK government business lending schemes (ending 31 March 2021)

Government scheme¹

Key features

Close Brothers offering

Coronavirus Business Interruption Loan Scheme (CBILS)

- Helps small and medium-sized businesses access loans and other kinds of finance up to £5 million
- Aimed at businesses with annual turnover of up to £45 million
- The UK Government guarantees 80% of the principal to the lender and pays interest and certain fees on behalf of the borrower for the first 12 months
- Up to 3 year term for overdrafts and invoice finance facilities; up to 6 year term for loans and asset finance facilities
- Lenders must pay a guarantee fee of between 0.25% - 2% p.a. depending on loan tenor

- Asset finance, invoice finance and term loans products (not offer overdraft)
- Asset Finance, Invoice Finance and Property businesses offering CBILS
- £1.25 billion allocation
- Follow our normal credit and underwriting processes as we retain 20% of the risk

Coronavirus Large Business Interruption Loan Scheme (CLBILS)

- Helps medium and large sized businesses access loans and other kinds of finance up to £200 million
- Aimed at businesses with annual turnover over £45 million
- The UK Government guarantees 80% of the principal and interest to the lender
- Lenders able to provide up to 25% of annual turnover of business
- Finance available from 3 months to 3 years
- Covers loans, revolving credit facilities, invoice finance and asset finance
- Lenders must pay a guarantee fee of between 0.5% - 2% p.a. depending on loan tenor

- Invoice Finance accredited to offer CLBILS
- £50 million allocation

Bounce Back Loan (BBLs)

- Helps small and medium-sized businesses to borrow between £2,000 and up to 25% of their turnover (up to a maximum £50,000 loan)
- The UK Government guarantees 100% of the loan principal and interest and pays interest on behalf of the borrower for the first 12 months
- No fees or interest for the first 12 months; fixed 2.5% interest rate after
- Fixed 6 year term but can repay at any time without penalty

- Asset Finance accredited to offer BBLs
- £20 million allocation



Close Brothers Group plc
10 Crown Place
London EC2A 4FT

LENDING | DEPOSITS | WEALTH MANAGEMENT | SECURITIES

www.closebrothers.com