

Business Model

Close Brothers has a proven and resilient business model, delivering excellent service in sectors we know and understand.

Our distinctive strengths

Disciplined underwriting and pricing through the cycle

In Banking, our success is supported by our disciplined pricing and underwriting criteria. We consistently apply these criteria at all stages of the economic cycle. Our lending is predominantly secured or structurally protected, with conservative loan to value ratios, small loan sizes and short maturities. We do not operate in the undifferentiated, volume-driven markets which are dominated by the larger banks, and prioritise pricing and margins over volume.

Prudent management of financial resources

We take a prudent approach to managing our financial resources. A fundamental part of our business model is ensuring we have a strong capital position which allows us to grow, invest and meet all regulatory requirements. We also take a conservative approach to liquidity management and funding, as we focus on diversity of funding sources and a prudent maturity profile. This enables us to protect, grow and sustain our business model.

Service, expertise and relationships

Our focus on service and personal approach gives us a deep understanding of the needs of our customers, clients and partners. It allows us to offer high service levels and flexible solutions across all of our businesses. In Banking, this leads to fast lending decisions and access to funds when customers need them most. Close Brothers Asset Management and Winterflood are strong examples of the expertise of our people in their specialist fields, which underpins their success in wealth management and trading. We combine industry expertise and digital capabilities to support our customer-centric approach.

Distinctive culture

A key asset of Close Brothers is our distinctive culture. It brings out the very best in our people and our customer-centric and long-term approach to everything we do is embedded throughout the organisation. Our people are engaged in the business and embody the values that enable us to help our customers thrive. Our culture is key to the foundations of our successful business model and in driving our strong financial performance.

Diversified portfolio of businesses

Our diversified portfolio of businesses is an important part of our success and resilience over the years. We lend in a variety of sectors, locations and asset classes, and also provide wealth management services and securities trading. Close Brothers Asset Management and Winterflood provide additional income streams and contribute to the diversification of the group. This diversification supports the stability of earnings and dividends, particularly in challenging times, while also allowing us to continue investing to grow the business through the cycle.

Supporting our long-term track record of growth and profitability

High net interest margin and low bad debt ratio in Banking

We do not manage our businesses to a growth target, but instead prioritise the consistency of our lending criteria and maintaining strong returns. The consistent application of underwriting discipline and responsible lending criteria has resulted in a low bad debt ratio ranging from 0.6% to 2.3% over the last 10 years.

A key point of difference at Close Brothers is our long-term approach and the rigorous discipline behind our proven and resilient business model. This ensures we are well positioned to deliver for all of our stakeholders and continue our long-term track record of growth, profitability and returns.

Our track record

Each of our distinctive strengths has contributed to our long-term track record, enabling us to deliver loan book growth, profitability and returns to shareholders over many years, with each of our businesses supporting our overall performance as a group.

Strong customer scores

Latest scores

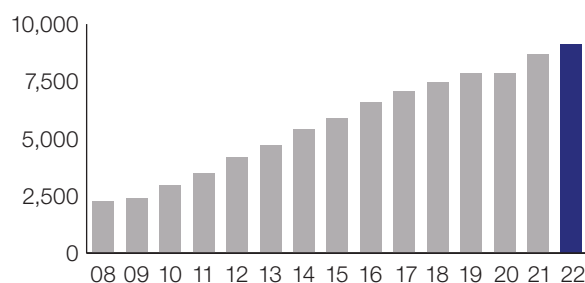


- 1 Customer satisfaction score ("CSAT").
- 2 Property Finance net promoter score ("NPS") excludes the Commercial Acceptances business.
- 3 Motor Finance Dealers net promoter score ("NPS").

We listen to our customers, putting their needs at the heart of our business. Our customer-centric approach is reflected in the strong customer satisfaction and net promoter scores we continue to achieve across our businesses.

Long-term growth

Loan book¹ (£ million)

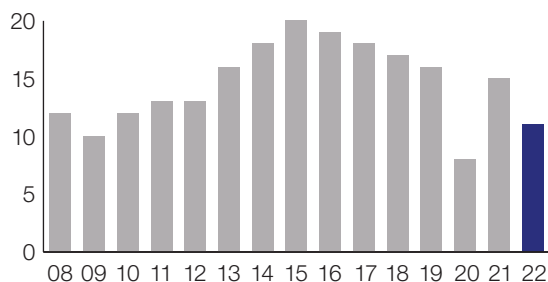


¹ Loan book figures include operating lease assets.

We have a strong track record of delivering disciplined growth by maximising the opportunity in existing markets, as well as continuously exploring new opportunities that fit with our model.

Strong returns through the cycle

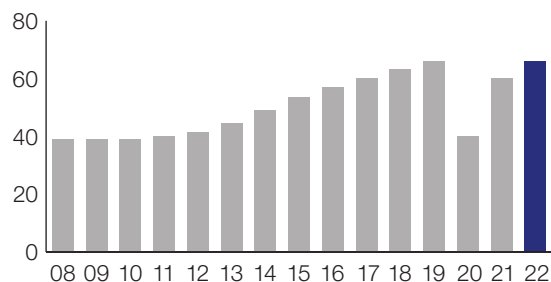
Return on opening equity (%)



The disciplined application of our business model and diversified portfolio of businesses have supported consistently strong returns at all stages of the financial cycle.

Long-term dividend track record

Dividend per share (p)



While dividend decisions in the 2020 and 2021 financial years have reflected the unprecedented uncertainty caused by Covid-19, we aim to return to delivering long-term, progressive and sustainable dividend growth in the future, in line with our policy.

Strong net inflows in CBAM

We have seen strong growth in our Asset Management business with net inflow rates ranging from 5% to 12% over the past five years. We continue to work to improve the long-term scale and profitability of the Asset Management division, capitalising on our vertically integrated and multi-channel distribution.

Long-term income generation in Winterflood

Winterflood has a long track record of profitable trading and good levels of income generation in a wide range of market conditions. The business made the most of the volatility and surge in retail trading seen during Covid-19 and, despite the impact of falling markets in this financial year, it remains well placed to navigate changes in the market environment. Winterflood continues to diversify its revenue streams and we are confident in accelerating the growth trajectory of WBS, balancing the cyclicality seen in the trading business.

Business Model continued

Combining industry expertise and digital capabilities to support our customer-centric approach.

How our investments in technology are making our experts even more valuable

Our successful business model is built around the deep expertise of our people, our personal and flexible service, and our long-standing relationships, which are all focused on delivering on the needs of our customers, clients and partners.

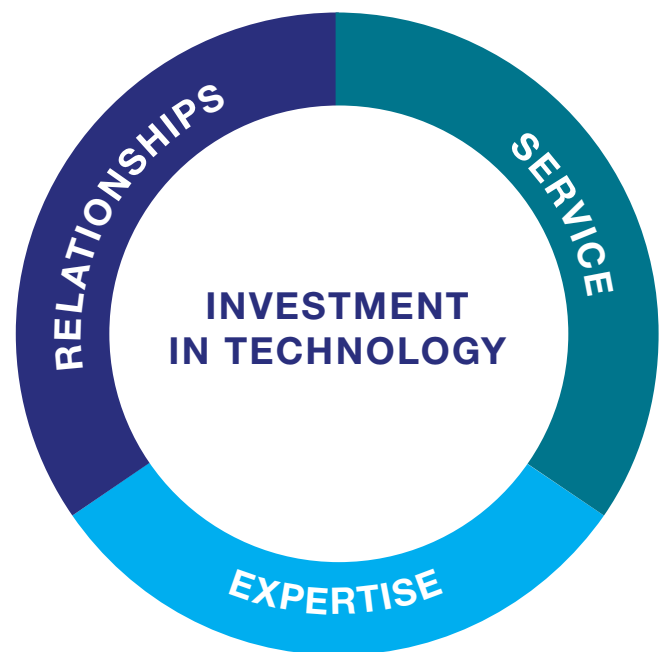
We are investing in our technology and digital capabilities to make our experts even more valuable. We are empowering them with unique data insights and automating processes to optimise their time.

We are combining the deep expertise of our people with innovative technology to add real value to our customers, clients and partners.

Using data insights to enhance our proposition and respond to changing customer needs

Adding functionality to improve the service and experience we can provide for our customers

Creating efficient and scalable platforms to support the growth of our business



Broadening our proposition for our Motor Finance dealer partners with real-time data and market insights, in partnership with AutoTrader

This unique proposition means we can provide dealers with real-time insights, both locally and nationally, on vehicle demand, optimum pricing and time to sell, all based on consumer search and purchase trends.

Combined with our own data on loan volumes, acceptance rates and stock funding position, we can provide dealers with data-backed insights, enabling them to stock their forecourts effectively and efficiently.

This unique and value-adding proposition won the Innovation Award at the Car Finance Awards 2022.

Providing more routes to customers and dealers via API links, enabling us to seamlessly offer our products at various stages of the customer journey

As customer behaviour changes, with increasing use of digital channels, we are adapting our Motor Finance model.

We have developed a set of APIs that enable us to connect seamlessly into strategic partners and provide our finance offering at various points of the customer journey.

We have partnered with iVendi, AutoTrader and others to enable dealers to position finance options on their advertising platforms and websites.

Enhancing customer experience and improving control in our Asset Management business

Our multi-year Asset Management technology transformation has included the delivery of a customer relationship management ("CRM") platform, which provides significant benefits for our clients and colleagues, whilst supporting our growth ambitions.

We have integrated the platform with our client portal to improve digital engagement, have delivered a new mobile application and have redesigned our annual client review pack, all of which have contributed to a significant reduction in paper usage.

On an operational level, we have introduced improved automated anti-money laundering and bank verification checks and have rolled out consistent onboarding practices. The integration between our platforms has generated productivity gains and with significantly fewer data entry points across the Advice process, we have reduced risk and improved our control environment.

Expanding our Savings business by diversifying our product offering and growing customer numbers through the Customer Deposit transformation programme

The programme involved a replacement of our back office systems, which enhanced our resilience and reduced manual processing, whilst creating a strong foundation from which to grow our savings proposition. Since the launch of the platform, we have broadened our product range, bringing to market new notice account and ISA product ranges. Our online portal also offers an alternative channel for our customers to communicate with us, as we adapt to our customers' preferences. Providing strong customer service remains core to the business and we have maintained very high levels of service, with a customer satisfaction score of 84%.

This investment has supported significant growth in our retail deposits, which are up 16% year-on-year, following similarly strong growth in previous years. This growth is supported by the online channel, which now has over 50% of customers signed up for self-service, setting us up for scalability in future years.

Transforming platforms in Asset Finance to improve customer service outcomes and process efficiency

Our Asset Finance transformation has allowed us to automate non-value-adding parts of the customer journey, whilst building rich customer insights, and respond to changing customer behaviour through our new customer relationship management system.

We are developing a customer portal that will allow customers to choose the services they receive based on their needs and improving their user experience.

As a result of our transformation programme, during Covid-19, we were able to build, test and launch our CBILS portal which included automated eligibility testing, within 10 days, as we continued to support our customers during this challenging period.

We are also delivering a "proposal to payout" solution, which enables integration directly into service providers such as credit reference agencies, and offers additional functionality such as e-documents and e-signature.

Launch of new insight tools in Premium Finance that help our insurance brokers make better decisions

Foresight is a new model which provides unique point of quote customer behaviour insights to support personal lines broker commercial decision making.

Foresight has been built using machine learning models on our extensive Premium Finance data, supplemented with a broader market insurance policy dataset. The models predict the likelihood of customers cancelling before the end of their policy term.

Focus 360 is a new tool available for our commercial brokers, with real-time finance, credit and operational data summarised into an interactive dashboard to help them understand how Premium Finance is performing. Brokers also get access to peer benchmarking data to understand areas of improvement for new business opportunities.