

## Chairman's Statement

# CLOSE BROTHERS' CULTURE IS ONE OF THE FOUNDATIONS OF OUR LONG-TERM SUCCESS



As this year comes to a close, we are transitioning to a post-pandemic world whilst adapting to a more flexible work environment. At the same time, our customers and colleagues are facing increasing uncertainty arising from recent geopolitical events and the rising cost of living. Against this backdrop, our disciplined business model and distinctive culture remain important factors behind the group's progress and its ability to navigate through a difficult environment.

In the 2022 financial year, our lending business continued to deliver good loan book growth and a strong net interest margin. The Asset Management division continued to attract client assets and generated impressive net inflows. Following an exceptional performance in the prior year, Winterflood's profit was impacted by reduced trading activity, heightened volatility and falling markets, particularly in the second half of the year.

As a result, adjusted operating profit decreased 13% to £234.8 million (2021: £270.7 million), with a return on opening equity of 10.6% (2021: 14.5%). In light of this year's solid performance and to reflect the board's continued confidence in the business model, we are pleased to recommend a final dividend of 44.0p per share. If approved at the Annual General Meeting, this will take the full-year dividend to 66.0p per share, a 10% increase on last year, and would mark a return to our pre-pandemic dividend level.

### Our Commitment to Deliver Disciplined Growth

I remain confident that we have the right business model to continue delivering to all of our stakeholders. As such, it is a key priority for the board to ensure the model's continuity and consistency. Following the evolution of the group's strategy to reflect its increased focus on delivering disciplined growth, I am pleased to see the progress achieved in identifying both incremental and new growth opportunities. One such area is the significant commercial opportunity presented by the financing of green and transition assets as the UK heads towards a net zero carbon economy. Other areas are the potential expansion of our product offering into adjacent markets that fit with our Banking business model and the continued development of Winterflood Business Services.

The group has a strong capital position, which supports our ability to finance such growth opportunities. The board is acutely aware of its responsibility to monitor the management and allocation of the group's capital resources in the best interest of our shareholders. We believe that these strategic growth opportunities, combined with disciplined loan book growth in the existing Banking businesses, represent the best use of our shareholders' capital. The board remains committed to paying a progressive and sustainable dividend while maintaining a prudent level of dividend cover, in line with the group's dividend policy.

### Our Most Valuable Asset

Close Brothers' culture is one of the foundations of our long-term success. It is the expertise of our people and a relentless focus on delivering excellent customer service that is the cornerstone of our business model.

We have recently conducted our latest employee opinion survey ("EOS") and I was pleased to see that we have retained high levels of employee engagement at 86%, which is close to pre-pandemic levels. We are committed to fostering a culture that attracts and retains talent, whilst also growing and building the expertise of our people. 97% of colleagues say that they believe they have the skills and knowledge to do their job well. We also promote teamwork in a fair and open environment, where individuals and their contributions are valued and respected. Again, 97% of colleagues agree that their immediate teams work well together to get the job done. These strong numbers show the group's culture and values are deeply embedded in the organisation. You can read more about the EOS highlights on page 23 of this report.

### Board Changes

During the year, we were pleased to welcome Patricia Halliday and Tracey Graham as independent non-executive directors with effect from 1 August 2021 and 22 March 2022, respectively.

Patricia has over 30 years' experience in risk management across the investment, corporate and retail banking sectors, both in the UK and internationally, with a deep understanding of the regulatory, risk and governance environment in which the group operates. On joining the board on 1 August 2021, she was appointed as a member of the board's Risk and Audit Committees.

Tracey is an experienced non-executive director, having served on a number of listed companies and mutual boards. She was appointed as a member of the board's Remuneration and Risk Committees and brings significant commercial, operational and customer service expertise gained across a range of sectors, including from executive and non-executive roles in financial services and other customer-facing businesses.

After nine years' dedicated service on the board, Lesley Jones and Bridget Macaskill will retire from the board at the conclusion of the Annual General Meeting ("AGM"). I would like to thank both Lesley and Bridget for their huge contribution to the group over that time.

Patricia will assume the role of chair of the Risk Committee from the date of the AGM.

The appointments of Patricia and Tracey further contribute to the strengthening and diversity of the range of skills, backgrounds and experience on the board. I am also very pleased that we comply with the recommendations of the Parker Review in terms of the composition of the board.

### Making a Lasting Positive Impact, Both Now and into the Future

During the year, the board and management team have maintained a strong focus on the group's sustainability agenda. I am particularly pleased with the progress we have made towards meeting our climate responsibilities as I firmly believe that we have an important role to play in supporting our customers and clients transitioning to a low-carbon economy.

We have further developed our climate strategy and significantly improved our understanding of our impact on the environment, covering not just our operational emissions, but also the implications across our financed activities. As a group we are supportive of the goals of the Paris Agreement to achieve net zero by 2050. We have set ourselves ambitious targets for our operational emissions and are now setting ourselves a wider and longer-term ambition to align our operational and attributable greenhouse gas emissions from our lending and investment portfolios with pathways to net zero by 2050. To this end, I am pleased to report that we have recently joined as a signatory to the Net Zero Banking Alliance. You can read more about our climate disclosures on pages 42 to 57 of this report.

### Our People

Our people are key in driving the long-term success of this organisation and I would like to thank them for their commitment and dedication. Together, I am confident that we will continue to deliver on our purpose.

**Michael N. Biggs**  
Chairman

27 September 2022