

Business Model

Close Brothers has a proven and resilient business model, delivering excellent service in sectors we know and understand. Our distinctive strengths ensure we are well positioned to continue delivering on our long-term track record of growth and profitability.

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. As we deliver a human-fronted, tech-enabled approach, we are experts in the industry sectors we serve. 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.

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.

Strong performance across our diversified portfolio of businesses

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 supports our long-term track record of growth, profitability and returns to shareholders over many years.

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 satisfaction

Net promoter scores ("NPS")

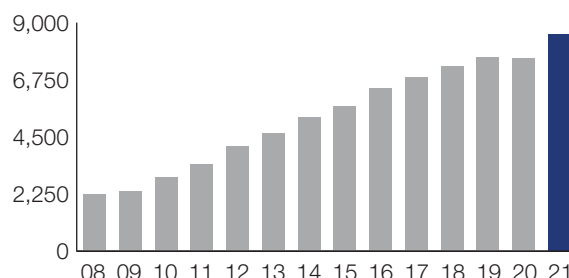


¹ Property Finance NPS score excludes the Commercial Acceptances business.

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

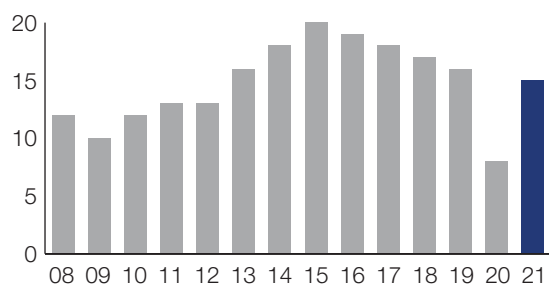
Loan book (£ million)



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

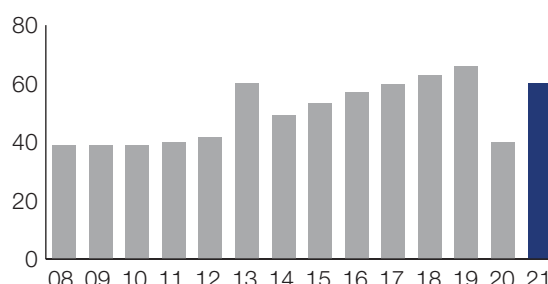
Return on opening equity (%)



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 inflows as a percentage of opening managed assets ranging from 7% to 12% over the past five years. We continue to increase the 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, with only one loss day in the last financial year despite volatile trading conditions. The business has made the most of the volatility and surge in retail trading seen since Covid-19.