

The Foundations of Our Business

Our culture, our strategy and our responsibility underpin the foundations of our success, enabling us to deliver on our purpose: to help the people and businesses of Britain thrive over the long term.

We believe in putting our customers and clients first. Our cultural attributes bring out the very best of our people, skills and strong reputation that we have built with our stakeholders over many years. A combination of expertise, service and relationships with teamwork, integrity and prudence underpins our approach and gives us the tools to help our customers thrive over the long term.

Our long-term strategic approach places exceptional service at the heart of everything we do. Each of our diverse, specialist businesses all have a deep industry knowledge, so they can understand the challenges and opportunities that our customers and clients face. We support the unique needs of our customers and clients to enable them to thrive, rather than simply survive, whatever the market conditions.

And we recognise that to help the people and businesses of Britain thrive, we also have a responsibility to help address the social, economic and environmental challenges facing our business, employees and clients, now and into the future.

These guiding principles are the foundations of our success and enable us to continue delivering for our stakeholders.



Our Purpose



Our purpose is to help the people and businesses of Britain thrive over the long term.

Our purpose is at the heart of our business and guides every decision we make. We take a long-term approach to managing our business.

This means supporting our colleagues, customers and clients, and the communities and environment in which they operate, for the benefit of all our stakeholders. It means helping people and businesses unlock their potential and plan for the future

with confidence, building relationships that stand the test of time. It also means that we continue to be there for the long term, whatever the economic climate, making decisions that are right for today and for generations to come.

Our customers are the people and businesses of Britain and we recognise that putting their needs and interests at the heart of our business is central to our success.



Our Culture



Our distinctive culture and long-term approach are embedded throughout the organisation.

It combines our values of service, expertise and relationships with our ways of working: teamwork, integrity and prudence. These values ensure we continue to provide excellent service for our customers and clients over the long term, bringing out the best in our people and supporting our strong reputation.

Service

We pride ourselves on our excellent level of service and thinking that is both entrepreneurial and disciplined.

93%

say colleagues **go the extra mile** to meet the needs of customers and clients

Expertise

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 believe they have the **skills and knowledge** to do their job well

Relationships

We take the time to understand and build strong long-term relationships with our customers and clients.

High customer satisfaction and strong levels of repeat business across the group

Teamwork

We promote teamwork in a fair and open environment, where individuals and their contributions are valued and respected.

96%

of colleagues believe their **immediate team work well together** to get the job done

Integrity

We insist on trustworthy behaviour and always acting with integrity – “doing the right thing”, internally and externally.

97%

of colleagues believe our **culture** encourages them to **treat customers and clients fairly**

Prudence

We always take a prudent, robust and transparent approach to risk management.

94%

of colleagues believe we are committed to **prudent risk management**

92%

believe our **senior leaders act in line with our values**; 14% higher than the benchmark¹

¹ External benchmark calculated by our survey provider ETS based on responses to the same questions asked to different organisations. All scores are taken from Close Brothers' Employee Opinion Survey, with the survey closing in March 2021.

Our Strategy



To protect, grow and sustain our proven and resilient business model so that it continues to deliver in the long term.



Protect Keeping it safe

Maintaining and enhancing the key strengths of our business model

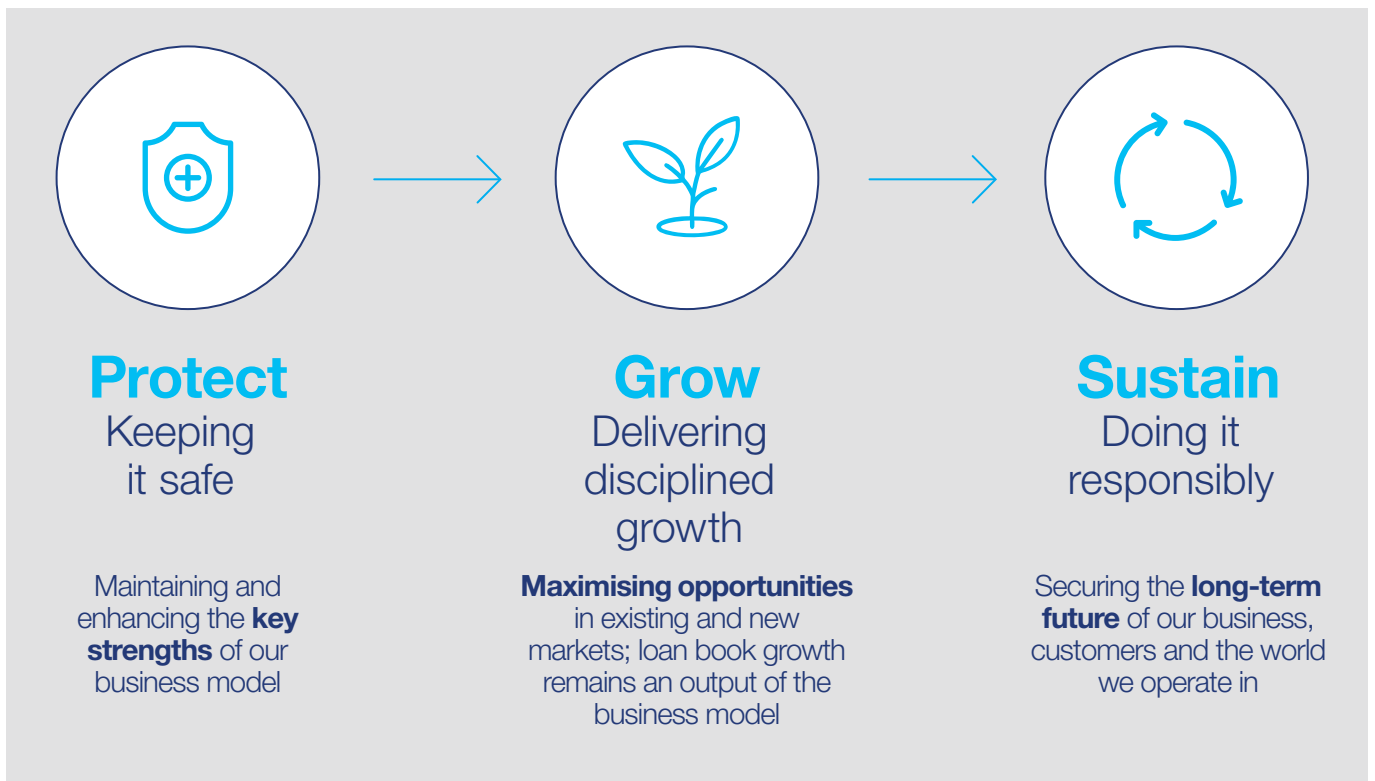
Our key strengths differentiate our proven and resilient business model and have contributed to our long-term track record, enabling us to deliver growth, profitability and returns to shareholders over many years.

Our high levels of personal service and specialism are key points of differentiation. Our people have deep knowledge of the industry sectors and asset classes we cover, leading to lending decisions informed by experts and faster access to funds when our customers need them most.

We run our business prudently, maintaining a strong funding, liquidity and capital position. Our loan book is predominantly secured or structurally protected, with a focus on maintaining strong credit quality.

We adopt a consistent and disciplined approach, as we maintain prudent underwriting and pricing in our lending.

Whilst our focus on the strict management of costs remains unchanged, it is essential that we continue to invest in protecting the key attributes of our model and maintain regulatory compliance and enhance our operational and cyber resilience. Our investments and cost base support the generation of our strong margins, enabling our operational and financial resilience, while also supporting our ability to maximise opportunities as they arise.



Our multi-year investment programmes that are in progress include:

Motor Finance transformation

Improving the service proposition, enhancing operational efficiency and increasing sales effectiveness.



IRB

Transitioning to IRB approach to better reflect the risk profile of our lending.



Asset Finance transformation

Enhancing sales effectiveness through improved data capabilities and technology.



Cyber resilience

Investing to enhance cyber security and operational resilience.



Asset Management technology projects

Continued investment in technology to improve operational leverage, efficiency and resilience.



Data centre transformation

Investing in new data centres and the Cloud.



Our Strategy continued



To protect, grow and sustain our proven and resilient business model so that it continues to deliver in the long term.



Grow Delivering disciplined growth

Maximising opportunities in existing and new markets

Our focus on delivering disciplined growth is critical in enabling us to protect the model, whilst still maximising opportunities and taking the business forward. It allows us to prioritise consistent and prudent underwriting criteria and maintain strong returns across our businesses. We do not manage the group to a growth target, with loan book growth remaining an output of the business model.

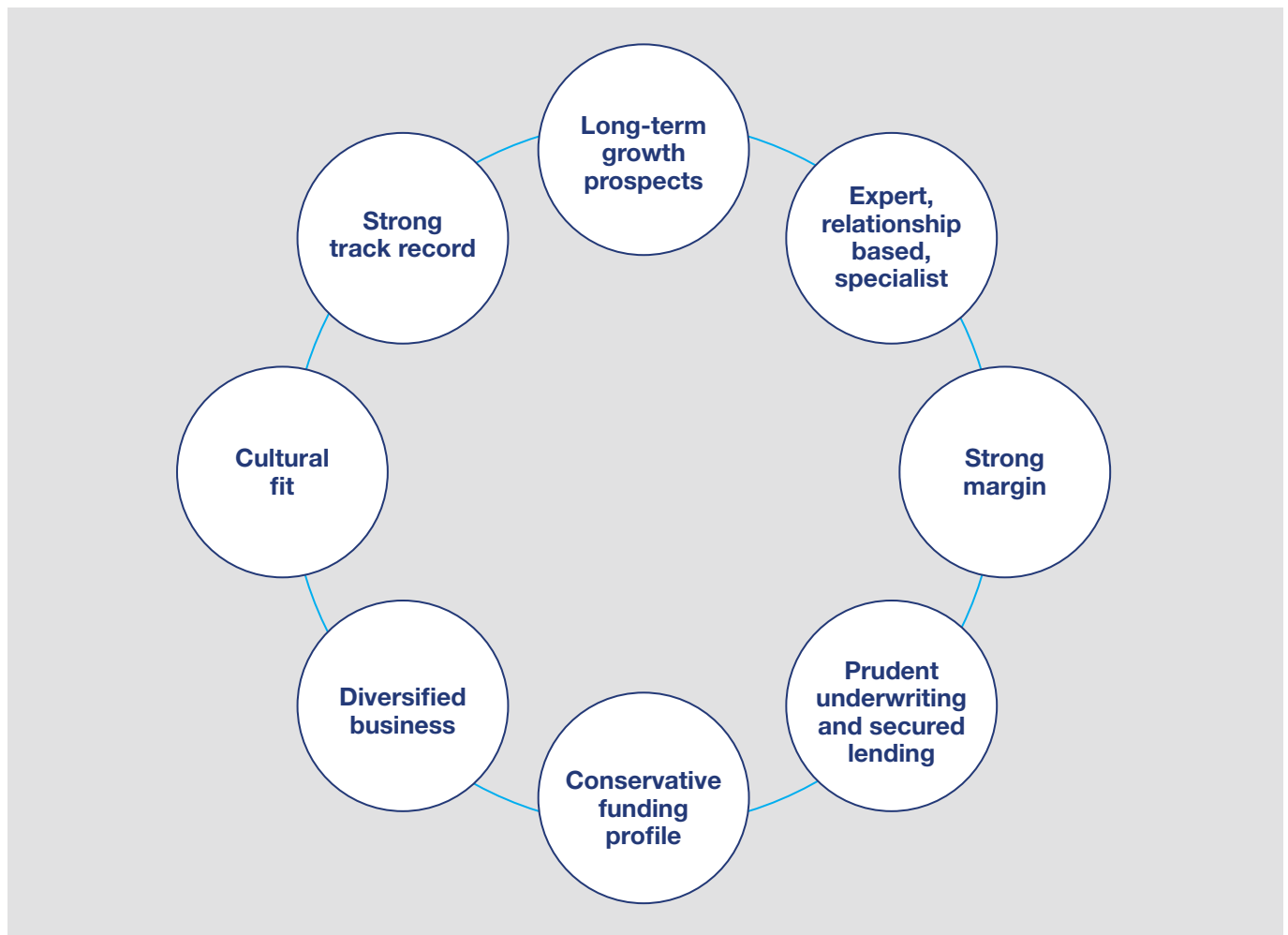
Whilst we remain operationally and strategically well positioned to continue supporting our customers and delivering for our shareholders, we continually assess existing and new markets for growth opportunities that fit with our model.

We have a long history of delivering disciplined growth and, to support us in building on this track record, we have developed our “Model Fit Assessment Framework”. This framework supports our review of opportunities, assessing their fit with our model, culture and responsible way of doing business, alongside their suitability from a strategic perspective.

Ensuring the right fit

These eight criteria are all factors that we consider when assessing growth opportunities. They capture the key strengths of our model and so by taking these into account, it ensures we are following a disciplined approach to growth and preserving the attributes that generate value for our shareholders.

Model Fit Assessment Framework





To protect, grow and sustain our proven and resilient business model so that it continues to deliver in the long term.



Sustain
Doing it responsibly

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

Our long-term approach is embedded throughout our organisation and guides all of our decisions, so it is important that we evolve our business to sustain it for the long term.

For our customers, this involves recognising and responding to changes in their behaviour, adapting our business accordingly and improving our digital capabilities and the customer journey to enhance their user experience. We continue to value the importance of long-standing relationships with our customers, providing them with exceptional service and the deep industry knowledge and expertise of our people.

For our people, this means maintaining our focus on employee engagement to support the wellbeing and needs of our colleagues. We will continue to enable the ongoing development of our people, as we look to retain talent and support our succession planning, whilst also nurturing an inclusive culture where our people feel valued and respected.

We are also focused on our impact. We create value in our local communities by understanding the needs of SMEs and helping them achieve their ambitions, and by creating equal opportunities for all, regardless of background. We maintain our focus on reducing our environmental impact and responding to the risks and opportunities brought by climate change.



Strategy and Key Performance Indicators



Our long-term strategic approach focuses on ways to protect, grow and sustain our model, enabling us to continue delivering excellent stakeholder outcomes.

How we are Achieving This

The Progress we are Making

Future Priorities



Protect Keeping it safe

- Maintaining a strong funding, liquidity and capital position
- Consistently applying our prudent business model through our disciplined approach to underwriting and pricing
- Balancing investment needs and cost discipline
- Maintaining regulatory compliance, whilst enhancing operational and cyber resilience

- Effective response to Covid-19 through agility and operational and financial resilience, benefiting from playbooks and simulations run in preparation for a downturn.
- Strengthening of our funding base and active management of our capital position with a £350 million senior bond issuance and £200 million subordinated debt raise via Tier 2 notes, coupled with a liability management exercise.
- Submission of our initial IRB application to the PRA in December 2020.
- Investing in core technology, operational and cyber resilience whilst retaining rigorous focus on cost management.

- Ongoing focus on pricing and underwriting discipline.
- Continue to maintain our strong funding, liquidity and capital position.
- Disciplined management of costs whilst continuing to invest in strategic programmes that help protect the key attributes of our model.
- Ongoing preparations for a transition to the IRB approach.
- Compliance with ongoing regulatory change.
- Continue to invest in our operational resilience, core technology and regulatory compliance.
- Monitor and mitigate external threats, including the ongoing impact of Covid-19 on the UK economy and competition from both established and emerging players.



Grow Delivering disciplined growth

- Maximising opportunities available to us in the current environment
- Capitalising on cyclical opportunities in each business
- Extending our product offering and launching new initiatives
- Assessing opportunities for disciplined growth in existing and new markets

- Strong new business volumes in Banking, with over £800 million of loan book growth, making the most of demand in our core markets.
- Lent over £1.1 billion across more than 5,700 loans under government support schemes.
- Investing in new hires in CBAM, with one infill acquisition completed in the 2021 financial year.
- Capitalising on increasing trading volumes in Winterflood.
- Growth of Winterflood Business Services, with £6.2 billion of assets under administration.
- Expanded product range in Savings franchise, launching 35 Day Retail Notice Accounts and Cash ISAs.
- Decision to cease permanently the approval of lending to new customers across all of the products offered by Novitas following a strategic review, which concluded that the overall risk profile of the business is no longer compatible with our long-term strategy and risk appetite.

- Continue to capitalise on cyclical and structural growth opportunities in each of our businesses.
- Assess opportunities in new and existing markets, in line with the "Model Fit Assessment Framework".
- Evaluating opportunities in sustainable finance, including renewables and Alternatively Fuelled Vehicles.
- Continuing to grow CBAM through hiring and selective acquisitions.
- Further growth of Winterflood Business Services and expansion of institutional sales trading.



Sustain Doing it responsibly

- Promoting an inclusive culture and supporting new ways of working and social mobility
- Reducing our impact on the environment and responding to the threats and opportunities of climate change
- Promoting financial inclusion, helping borrowers that might be overlooked and enabling savers and investors to access financial markets and advice to plan for their future
- Supporting our customers, clients and partners in the transition towards more sustainable practices

- Strong employee engagement as reflected by the scores in our recent Employee Opinion Survey.
- On track to achieve our target of 36% of female senior managers by 2025.
- Supporting the wellbeing of our employees throughout Covid-19 with events and initiatives from internal networks, virtual workshops and online fitness classes.
- Adapting to new ways of working, offering flexible working arrangements and training focused on managing teams remotely.
- Refreshed our customer principles to clearly articulate the experience we strive to deliver for our customers and partners.
- Maintaining high levels of service as we continued to support our customers and partners through Covid-19.

- Retain and attract staff and maximise productivity by engaging, training and developing our people, nurturing an inclusive and diverse culture and investing in tools and technology.
- Undertake an assessment of our indirect Scope 3 emissions to enable us to develop a transition roadmap.
- Meeting the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").
- Achieve a net zero company car fleet by 2025 and become operationally net zero through our Scope 1 and 2 emissions by 2030.
- Continue to adapt to the evolving needs of our customers and clients and take into account the feedback they provide.

Key performance indicators

Common equity tier 1 capital ratio
Per cent

2021	15.8
2020	14.1
2019	13.0

Net interest margin
Per cent

2021	7.7
2020	7.5
2019	7.9

Banking expense/income ratio
Per cent

2021	52
2020	52
2019	50

Funding cover of loan book
Per cent

2021	131
2020	135
2019	129

Bad debt ratio
Per cent

2021	1.1
2020	2.3
2019	0.6

Creating long-term shareholder value

Group return on opening equity
Per cent

2021	14.5
2020	8.0
2019	15.7

Loan book growth
Per cent

2021	11
2020	0
2019	6

Net inflows
Per cent of opening AUM

2021	7
2020	9
2019	9

Adjusted basic earnings per share
Pence

2021	140.4
2020	74.5
2019	136.7

Employee engagement
Per cent

2021	91
2020	86
2019	88

Net promoter scores
Per cent

Retail Savings	+72
Property Finance ¹	+87
Asset Finance	+72
Motor Finance (dealer)	+70

Dividend per share
Pence

2021	60.0
2020	40.0
2019	66.0

Reduction in overall Scope 1 and 2 emissions
Per cent

2021	23
2020	23
2019	12

¹ Property Finance NPS score excludes the Commercial Acceptances business.

Our Responsibility

Responsibility is key to

our success

“

Acknowledging this responsibility broadens our perspective and encourages us to look at how we operate our business and the decisions we take.”



Adrian Sainsbury Chief Executive



Our responsibility to help address the social, economic and environmental challenges facing our business, employees, customers and clients, now and into the future.

Acknowledging this responsibility and making it part of our DNA broadens our perspective and encourages us to look at how we operate our business and the decisions we take, in the best interests of all our stakeholders, the environment and the society we operate in.

In doing so, we can and will make a greater difference and a positive impact as a business every day, and we already have some great foundations and much to be proud of.

From an environmental perspective, we are supportive of the goals of the Paris Agreement and are targeting becoming operationally net zero through our Scope 1 and 2 carbon emissions by 2030. We have already lowered these emissions by 23% over the last financial year, an achievement which builds upon several consecutive years of reductions.

We take great pride in helping SMEs achieve their ambitions and recognise that putting customers' interests at the heart of our business is central to our success. By aiming to create long-term value and a lasting, positive impact on society, engaging with local communities is integral to how we operate and conduct business.

We recognise the value of a diverse and inclusive workplace, and have made commitments to further increase our diversity through signing up to the Women in Finance Charter, the 30% Club campaign and the Race at Work Charter. We are making great progress towards our targets in these areas, while our ongoing partnerships with organisations such as the Business Disability Forum continue to help us nurture our inclusive culture.

Social mobility is an issue that is closely linked to many other aspects of inclusion. I truly believe that recognising many are not afforded the opportunities of others, and trying to help level the playing field, is a remarkable thing to be able to do. That's why I am really proud that we, as a company, are partnering with organisations like the Social Mobility Foundation and UpReach, connecting us with a new pool of talented young people from disadvantaged backgrounds.

We are particularly proud of our charitable giving and following our donation of £1 million to NHS Charities Together last year we have continued to support those most severely impacted by the pandemic through more recent donations to Bookmark and The Trussell Trust.

Acting responsibly and sustainably is not a new concept for our business; it has always been our business. The last year has made it abundantly clear that we can do amazing things when we support each other and when we work together. But while this is not the beginning of our responsibility journey, it is one that I want to emphasise the importance of, as I firmly believe it will be one of the keys to our future long-term success.

Adrian Sainsbury



Pride in Our Charitable Giving

We are proud of the positive impact we have through our charitable partnerships, and to date we have collectively raised over £500,000 for Cancer Research as part of our long-standing partnership with them. In recognition of this achievement and being named joint Corporate Fundraising Team of the Year, Close Brothers received a Flame of Hope Award from Cancer Research UK. Thanks to staff efforts, we have also helped grant 49 wishes through the Make-A-Wish Foundation by donating over £122,000 over the last two years.

In addition to supporting our two main charity partners, we have increased our overall charitable commitment this year and made donations of £100,000 to two charities we feel faced significant challenges through the pandemic: the children's literacy charity Bookmark, which we have worked with for some time, and the foodbank The Trussell Trust. Both charities make a material difference to children's and families' lives throughout the UK and these donations enable us to help support some of the most vulnerable in our communities.

This year, we were proud to continue to support the NHS Charities Together, in recognition of the vital role that NHS frontline and support staff have in combating Covid-19, by encouraging staff to participate in the NHS' 73rd birthday celebrations and match fund donations from colleagues to this charity.