

Glossary and Definition of Key Terms

Adjusted	Adjusted measures are presented on a basis consistent with prior periods and exclude amortisation of intangible assets on acquisition, to present the performance of the group's acquired businesses consistent with its other businesses; and any exceptional and other adjusting items which do not reflect underlying trading performance
Adjusted operating profit ("AOP")	Calculated as operating income less adjusted operating expenses and impairment losses on financial assets
Assets under administration	Total assets for which Winterflood Business Services provide custody and administrative services
Bad debt ratio	Impairment losses as a percentage of average net loans and advances to customers and operating lease assets
Bargains per day	Average daily number of Winterflood's trades with third parties
Bounce Back Loan Scheme ("BBLs")	UK government business lending scheme that helps small and medium-sized businesses to borrow between £2,000 and £50,000 (up to a maximum of 25% of their turnover)
Buy As You Earn ("BAYE")	The HM Revenue & Customs-approved Share Incentive Plan that gives all employees the opportunity to become shareholders in the group
Capital Requirements Directive V ("CRD V")	European Union regulation implementing the Basel III requirements in Europe, alongside CRR
Capital Requirements Regulation ("CRR")	UK onshored provisions of EU regulation 575/2013
CDP	Formerly the "Carbon Disclosure Project", a leading, internationally recognised independent rating agency and assessor of corporate carbon emissions disclosures and actions
CET1 capital ratio	Measure of the group's CET1 capital as a percentage of risk weighted assets, as required by CRR
Common equity tier 1 ("CET1") capital	Measure of capital as defined by the CRR. CET1 capital consists of the highest quality capital including ordinary shares, share premium account, retained earnings and other reserves, less goodwill and certain intangible assets and other regulatory adjustments
Compensation ratio	Total staff costs as a percentage of adjusted operating income
Coronavirus Business Interruption Loan Scheme ("CBILS")	UK government business lending scheme that helps small and medium-sized businesses access loans and other kinds of finance up to £5 million. The scheme closed at the end of March 2021
Coronavirus Large Business Interruption Loan Scheme ("CLBILS")	UK government business lending scheme that helps medium and large-sized businesses access loans and other kinds of finance up to £200 million
Credit impaired	Where one or more events that have a detrimental impact on the estimated future cash flows of a loan have occurred. Credit impaired events are more severe than SICR triggers. Accounts which are credit impaired will be allocated to Stage 3
Customer satisfaction ("CSAT") score	A measure of customer satisfaction expressed as a percentage of positive responses from the total of those surveyed
Discounting	The process of determining the present value of future payments
Dividend per share ("DPS")	Comprises the final dividend proposed for the respective year, together with the interim dividend declared and paid in the year
Earnings per share ("EPS")	Profit attributable to shareholders divided by number of basic shares
Effective interest rate ("EIR")	The interest rate at which revenue is recognised on loans and discounted to their carrying value over the life of the financial asset
Effective tax rate	Tax on operating profit/(loss) as a percentage of profit/(loss) on ordinary activities before tax
Employee engagement score	A measure, in percentage terms, of the extent to which staff are enthusiastic about their jobs, their level of commitment to the company, and how motivated they are to put effort into their work
Expected credit loss ("ECL")	The unbiased probability-weighted average credit loss determined by evaluating a range of possible outcomes and future economic conditions
Expense/income ratio	Total adjusted operating expenses divided by operating income
Exposure at default ("EAD")	The capital outstanding at the point of default
Financial Conduct Authority ("FCA")	A financial regulatory body in the UK, regulating financial firms and maintaining integrity of the UK's financial market

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Financial Reporting Council (“FRC”)	An independent regulatory body responsible for promoting high quality corporate governance and reporting amongst UK companies
Forbearance	Forbearance occurs when a customer is experiencing financial difficulty in meeting their financial commitments and a concession is granted, by changing the terms of the financial arrangement, which would not otherwise be considered
Funding allocated to loan book	Total funding excluding equity and funding held for liquidity purposes
Funding as % of loan book	Total funding divided by net loans and advances to customers
General Data Protection Regulation (“GDPR”)	Regulation intended to strengthen and unify data protection for all individuals within the European Union
Gross carrying amount	Loan book before expected credit loss provision
High quality liquid assets (“HQLAs”)	Assets which qualify for regulatory liquidity purposes, including Bank of England deposits and sovereign and central bank debt
HM Revenue & Customs (“HMRC”)	The UK’s tax, payments and customs authority
Independent financial adviser	Professional offering independent, whole of market advice to clients including investments, pensions, protection and mortgages
Internal Capital Adequacy Assessment Process (“ICAAP”)	An annual self-assessment of a bank’s material risks and the associated level of capital needed to be held, and undertaking appropriate stress testing of capital adequacy
Internal Liquidity Adequacy Assessment Process (“ILAAP”)	The processes for the identification, measurement, management and monitoring of liquidity
Internal Ratings Based (“IRB”) approach	A supervisor-approved method using internal models, rather than standardised risk weightings, to calculate regulatory capital requirements for credit risk
International Accounting Standards (“IAS”)	Older set of standards issued by the International Accounting Standards Council, setting up accounting principles and rules for preparation of financial statements. IAS are being superseded by IFRS
International Financial Reporting Standards (“IFRS”)	Globally accepted accounting standards issued by the IFRS Foundation and the International Accounting Standards Board
Investment costs	Includes depreciation and other costs related to investment in multi-year projects, new business initiatives and pilots and cyber resilience. Excludes IFRS 16 depreciation
Leverage ratio	Tier 1 capital as a percentage of total balance sheet assets, adjusted for certain capital deductions, including intangible assets, and off balance sheet exposures
Lifetime expected credit loss provision (“Lifetime ECL”)	Losses that result from default events occurring within the lifetime of the loan
Liquidity coverage ratio (“LCR”)	Measure of the group’s HQLAs as a percentage of expected net cash outflows over the next 30 days in a stressed scenario
Loan to value ratio (“LTV”)	For a secured or structurally protected loan, the loan balance as a percentage of the total value of the asset
Loss given default (“LGD”)	The amount lost on a loan if a customer defaults
Managed assets or assets under management (“AUM”)	Total market value of assets which are managed by Close Brothers Asset Management in one of our investment solutions
Market abuse regulation (“MAR”)	European regulation aimed at increasing market integrity and investor protection
MiFID II	The Markets in Financial Instruments Directive is the EU legislation that regulates firms who provide services to clients linked to financial instruments, and the venues where those instruments are traded
Modelled expected credit loss provision	$ECL = PD \times LGD \times EAD$
Modification losses	Modification losses arise when the contractual terms of a financial asset are modified. An adjustment is required to the carrying value of the financial asset to reflect the present value of modified future cash flows discounted at the original effective interest rate
Net carrying amount	Loan book value after expected credit loss provision
Net flows	Net flows as a percentage of opening managed assets calculated on an annualised basis

Net interest margin (“NIM”)	Adjusted income generated by lending activities, including interest income net of interest expense, fees and commissions income net of fees and commissions expense, and operating lease income net of operating lease expense, less depreciation on operating lease assets, divided by average net loans and advances to customers and operating lease assets
Net promoter score (“NPS”)	A measure of customer satisfaction by which unfavourable ratings are deducted from favourable ratings; hence a score above 0 is good, and above 50 is excellent
Net zero	Target of completely negating the amount of greenhouse gases produced by reducing emissions or implementing methods for their removal
Operating margin	Adjusted operating profit divided by adjusted operating income
Paris Agreement	International treaty on climate change, adopted in 2015, with a goal to limit global warming to well below 2, and preferably to 1.5 degrees Celsius, compared to pre-industrial levels
Personal Contract Plan (“PCP”)	PCP is a form of vehicle finance where the customer defers a significant portion of credit to the final repayment at the end of the agreement, thereby lowering the monthly repayments compared to a standard hire-purchase arrangement. At the final repayment date, the customer has the option to: (a) pay the final payment and take the ownership of the vehicle; (b) return the vehicle and not pay the final repayment; or (c) part-exchange the vehicle with any equity being put towards the cost of a new vehicle
Probability of default (“PD”)	Probability that a customer will default on their loan
Prudential Regulation Authority (“PRA”)	A financial regulatory body, responsible for regulating and supervising banks and other financial institutions in the UK
Recovery Loan Scheme	Launched in April 2021 as a replacement to CBILS. Under the terms of the scheme, businesses of any size that have been adversely impacted by the Covid-19 pandemic can apply to borrow up to £10m, with accredited lenders receiving a government-backed guarantee of 80% on losses that may arise. The scheme is due to close at the end of December 2021
Return on assets	Adjusted operating profit attributable to shareholders divided by total closing assets at the balance sheet date
Return on average tangible equity	Adjusted operating profit attributable to shareholders divided by average total shareholder’s equity, excluding intangible assets
Return on net loan book (“RoNLB”)	Adjusted operating profit from lending activities divided by average net loans and advances to customers and operating lease assets
Return on opening equity (“RoE”)	Adjusted operating profit attributable to shareholders divided by opening equity, excluding non-controlling interests
Revenue margin	Income from advice, investment management and related services divided by average total client assets. Average total client assets calculated as a two-point average
Risk weighted assets (“RWAs”)	A measure of the amount of a bank’s assets, adjusted for risk in line with the CRR. It is used in determining the capital requirement for a financial institution
Save As You Earn (“SAYE”)	Scheme intended to encourage saving and build long-term share ownership in the group
Scope 1, 2 and 3 emissions	Categorisation of greenhouse gas emissions, as defined by the Greenhouse Gas (GHG) Protocol, into direct emissions from owned or controlled sources (Scope 1), indirect emissions from the generation of purchased electricity, heating and cooling consumed by the reporting company (Scope 2), and all other indirect emissions that occur in a company’s value chain (Scope 3)
Secured debt	Debt backed or secured by collateral
Senior debt	Represents the type of debt that takes priority over other unsecured or more junior debt owed by the issuer. Senior debt is first to be repaid ahead of other lenders or creditors
Significant increase in credit risk (“SICR”)	An assessment of whether credit risk has increased significantly since initial recognition of a loan using a range of triggers. Accounts which have experienced a significant increase in credit risk will be allocated to Stage 2
Standardised approach	Generic term for regulator-defined approaches for calculating credit, operational and market risk capital requirements as set out in the CRR
Subordinated debt	Represents debt that ranks below, and is repaid after claims of, other secured or senior debt owed by the issuer
Task Force on Climate-related Financial Disclosures (“TCFD”)	Regulatory framework to improve and increase reporting of climate-related financial information, including more effective and consistent disclosure of climate-related risks and opportunities
Term Funding Scheme (“TFS”)	The Bank of England’s Term Funding Scheme

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Term Funding Scheme for Small and Medium-sized Enterprises (“TFSME”)	The Bank of England’s Term Funding Scheme with additional incentives for SMEs
Term funding	Funding with a remaining maturity greater than 12 months
Tier 2 capital	Additional regulatory capital that along with Tier 1 capital makes up a bank’s total regulatory capital. Includes qualifying subordinated debt
Total client assets (“TCA”)	Total market value of all client assets including both managed assets and assets under advice and/or administration in the Asset Management division
Total shareholder return (“TSR”)	Measure of shareholder return including share price appreciation and dividends, which are assumed to be re-invested in the company’s shares
Watch list	Internal risk management process for heightened monitoring of exposures that are showing increased credit risk