

Press Release

Scheduled Trading Update

16 November 2023

Embargoed for release until 7.00 am on 16 November 2023.

Close Brothers Group plc (“the group” or “Close Brothers”) today issues its scheduled trading update relating to the first quarter of its 2024 financial year from 1 August 2023 to 31 October 2023.

Adrian Sainsbury, Chief Executive Officer, said:

“Performance in the first quarter of 2024 reflected continued momentum in Banking, whilst our market-facing businesses were impacted by unfavourable market conditions.

In Banking, we delivered loan book growth across our businesses, strong margins and a stable credit performance. CBAM delivered strong net inflows, at the top end of our target range, helped by our hiring strategy. At Winterflood, performance was impacted by further weakening of investor appetite but we remain well placed for any recovery.

We are successfully implementing our strategy in the current environment, leveraging our long-term relationships, the deep expertise of our people and our customer-centric approach to deliver disciplined growth. By maintaining our pricing discipline, active management of costs and consistent approach to lending through the cycle, we are able to support our customers and clients through these uncertain times.”

Performance in the three months to 31 October 2023

In **Banking**, the loan book increased 3.0% in the quarter (3.4% excluding Novitas and the Irish Motor Finance business in run-off) and 7.5% year-on-year to £9.8 billion (31 July 2023: £9.5 billion), reflecting a continuation of the momentum seen in the second half of the 2023 financial year. We saw good demand in Commercial, despite the roll-off of Government supported lending, driven by strong new business volumes in Leasing and Invoice Finance. In Retail, growth in the UK Motor Finance and Premium Finance businesses more than offset the run-off of the Irish Motor Finance book. The Property loan book continued to grow as we saw drawdowns from our strong pipeline.

We are pleased to confirm that the acquisition of Bluestone Motor Finance (Ireland) DAC was completed on 31 October 2023. This provides a platform for us to re-establish our Motor Finance business in Ireland and deliver disciplined growth in a market that remains a strategic priority for the group, following the cessation of our previous partnership in the Republic of Ireland last year.

The annualised year-to-date net interest margin remained strong at 7.6% (7.5% excluding Novitas) (FY 2023: 7.7%, 7.6% excluding Novitas), reflecting our focus on maintaining pricing discipline in a higher interest rate environment.

We continued to invest in our strategic programmes and are making further progress with our cost management initiatives, with growth in Banking costs in full-year 2024 expected to be within the 8-10% range, as outlined in our full-year 2023 results announcement.

The annualised year-to-date bad debt ratio was stable at 1.0% (FY 2023: 0.9% excluding Novitas)¹. There has been no material change in relation to Novitas in the quarter.

Whilst we have not seen a significant impact on credit performance, we continue to monitor closely the evolving impacts of higher inflation and cost of living on our customers. We remain confident in the quality of our loan book, which is predominantly secured, prudently underwritten, diverse, and supported by the deep expertise of our people.

Close Brothers Asset Management (“CBAM”) delivered strong year-to-date annualised net inflows of 10% (FY 2023: 9%), with the new bespoke investment managers continuing to contribute significantly to the overall inflow rate. As previously outlined, our successful hiring strategy continues to impact CBAM’s cost base in the near term.

In the quarter, managed assets decreased slightly to £16.2 billion (31 July 2023: £16.4 billion) and total assets decreased to £17.0 billion (31 July 2023: £17.3 billion), primarily reflecting unfavourable market movements.

Winterflood’s performance has been adversely impacted by a further weakening of investor appetite and market uncertainty, resulting in an operating loss of £2.5 million in the first quarter.

The **Group (central functions)**² reported net expenses of £9.5 million in the quarter (Q1 2023: net expenses of £7.1 million), with the year-on-year movement primarily driven by net interest expenses from debt issued by the holding company in June 2023³.

We maintained our strong balance sheet and the prudent management of our financial resources.

Our funding base increased to £12.7 billion (31 July 2023: £12.4 billion) and we grew our retail deposit base by 5% to £4.4 billion in the quarter, reflecting the strength of our Savings proposition. Our liquidity coverage ratio was substantially above regulatory requirements as we maintained our prudent liquidity position.

Our Common Equity Tier 1 (“CET1”) capital and Total Capital ratios were 12.7% and 14.7%, respectively, at 31 October 2023 (31 July 2023: 13.3% and 15.3%). The reduction in the quarter was primarily driven by loan book growth (c.40bps) and the Bluestone Motor Finance acquisition (c.20bps)⁴. We remain committed to optimising further our capital structure, including the issuance of debt capital market securities if appropriate, targeting a CET1 capital ratio range of 12% to 13% over the medium term.

Outlook

Our Banking business is sustaining its growth momentum and focusing on pricing discipline, and remains well positioned to make the most of opportunities in the current environment. In CBAM, we remain committed to driving growth organically, through high quality hiring, and through in-fill acquisitions. Winterflood is well positioned for when investor confidence recovers.

Footnotes

¹ At 31 October 2023, there was a 32.5% weighting to the baseline scenario, 30.0% to the upside and 37.5% to the downside scenarios (unchanged from 31 July 2023). Moody’s October unemployment forecast for Q4 2023 under the baseline scenario is 4.4%, 4.1% under the upside scenario and ranges between 4.6% and 4.9% in the downside scenarios. Moody’s October inflation forecast for Q4 2023 under the baseline scenario is 5.0%, 4.6% for the upside scenario and ranges between 3.8% and 3.1% in the downside scenarios. Moody’s October forecast for the Bank of

England base rate for Q4 2023 is 5.3% in the baseline scenario, 5.3% in the upside scenario and ranges from 5.2% to 5.1% in the downside scenarios.

2 Group consists of central functions (such as finance, legal and compliance, risk and human resources) as well as the non-trading head office company and consolidation adjustments and is set out in order that the information presented reconciles to the consolidated income statement.

3 In June 2023, Close Brothers Group plc issued a £250 million senior unsecured bond at an interest rate of 7.75% with the net proceeds to be used for general corporate purposes.

4 The group's capital ratios are presented on a transitional basis after the application of IFRS 9 transitional arrangements which allows banks to add back to their capital base a proportion of the IFRS 9 impairment charges during the transitional period. Without their application, the CET1 and Total capital ratios would be 12.6% and 14.5%, respectively. The applicable minimum CET1 and Total capital ratio regulatory requirements, excluding any applicable PRA buffer, were 9.5% and 13.4% at 31 October 2023. The group's capital ratios are unaudited and include unverified profits net of foreseeable dividend.

Financial Calendar (provisional)*

As announced at the Preliminary Results 2023, going forward, the group has decided to discontinue the issuance of pre-close trading updates in order to align more closely with prevailing market and industry practice.

The provisional financial calendar for the remainder of the 2024 financial year is as follows:

Half Year Results 2024	19 March 2024
Q3 2024 Trading Update	22 May 2024
Preliminary Results 2024	24 September 2024

* All dates are subject to change.

Enquiries

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About Close Brothers

Close Brothers is a leading UK merchant banking group providing lending, deposit taking, wealth management services and securities trading. We employ approximately 4,000 people, principally in the United Kingdom and Ireland. Close Brothers Group plc is listed on the London Stock Exchange and is a constituent of the FTSE 250.

Cautionary Statement

Certain statements included or incorporated by reference within this announcement may constitute "forward-looking statements" in respect of the group's operations, performance, prospects and/or financial condition. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are sometimes, but not always, identified by their use of a date in the

future or such words as “anticipates”, “aims”, “due”, “could”, “may”, “will”, “should”, “expects”, “believes”, “intends”, “plans”, “potential”, “targets”, “goal” or “estimates”. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. There are also a number of factors that could cause actual future operations, performance, financial conditions, results or developments to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. These factors include, but are not limited to, those contained in the Group’s annual report (available at: <https://www.closebrothers.com/investor-relations>). Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Except as may be required by law or regulation, no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser.

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