Close Brothers Group plc

Preliminary Results 2023

26 September 2023

Close Brothers
Modern Merchant Banking

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Agenda

01

Introduction

Adrian Sainsbury, Chief Executive Officer

Highlights

Performed well in second half although FY23 profitability significantly impacted by Novitas provisions in H1

Reduction in AOP[1] driven by **Novitas**, with **positive momentum** generated in **second half**

5% loan book growth and strong net interest margin of 7.7% in **Banking**

Net inflows of 9% in **Asset Management**, with a strong contribution from new hires

Winterflood's performance continued to reflect challenging market conditions, with strong growth in **WBS**

Strong **capital, funding** and **liquidity** positions, with CET1 capital ratio of 13.3%

67.5p full-year dividend, reflecting our underlying performance and confidence in the group's outlook

Notes:
1. Adjusted operating profit

Well placed to support customers in the current environment

Strengths of our model have been evidenced through many cycles and remain unchanged

The distinctive strengths of our model

- Deep expertise
- Strong long-term relationships
- Consistent service

Disciplined and long-term approach, with a strong historical track record

- Disciplined underwriting and pricing through the cycle
- Quality loan book, predominantly secured, prudently underwritten and diverse
- Strong balance sheet
- A long history of loan book growth through the cycle
- Long-term progressive dividend track record

Well positioned to build on momentum generated in second half of the year

02 Financial update

Mike Morgan, Group Finance Director

Income statement

Reduction in AOP mainly driven by higher impairment charges in relation to Novitas

- **Income broadly stable** with 3% growth in Banking offsetting a reduction in Asset Management and Winterflood
- **Costs rose 3%** as higher staff costs and investment in **Banking** and **Asset Management** more than offset lower variable costs in **Winterflood**
- **Impairment charges increased significantly**, reflecting provisions of £117 million related to **Novitas**, as well as **uncertain macroeconomic outlook**
- **AOP pre provisions down 6%**
- **Adjusted EPS** reduced to **55.1p**
- **RoTE** excluding Novitas was **12.0%**
- **DPS** of 67.5p, reflecting the group's **underlying performance** and confidence in our **outlook**

£ million	2023	2022	Change %
Operating income	**932.6**	936.1	-
Adjusted operating expenses	**(615.0)**	(598.0)	3
Impairment losses	**(204.1)**	(103.3)	97
Adjusted operating profit	**113.5**	234.8	(52)
Adjusted operating profit, pre provisions	**317.6**	338.1	(6)
Effective tax rate ("ETR")	**27.6%**	29.0%	
Adjusted EPS	**55.1p**	111.5p	
Dividend per share	**67.5p**	66.0p	

Divisional performance

Reduction in AOP reflecting an increase in impairment charges and a reduction in Winterflood's income

Banking

- **Banking AOP down 47%,** mainly reflecting **higher impairment charges**
- **Decline in profit** across **Commercial, Retail and Property,** although we wrote strong new business volumes and maintained our **pricing discipline**

Asset Management

- **Strong annualised net inflows of 9%,** as we accelerated our efforts to **grow CBAM**
- **Profit reduced 27%** reflecting **wider market conditions** and **costs** related to our **successful hiring strategy**

Winterflood

- Performance **impacted** by **continued market-wide slowdown** in **trading activity in higher margin sectors**

£ million	**2023**	2022	Change %
Banking	**120.1**	227.2	(47)
Commercial excluding Novitas	**122.5**	130.3	(6)
Novitas	***(106.6)***	*(39.3)*	*(171)*
Retail	**34.7**	61.0	(43)
Property	**69.5**	75.2	(8)
Asset Management	**15.9**	21.7	(27)
Winterflood	**3.5**	14.1	(75)
Group	**(26.0)**	(28.2)	(8)
Adjusted operating profit	**113.5**	234.8	(52)
Adjusted operating profit, pre provisions	**317.6**	338.1	(6)

Banking

Good loan book growth and a strong margin, although profitability significantly impacted by Novitas provisions

- **Increase in income** reflecting **good loan book** growth and a **strong net interest margin**
- **Net interest margin** decreased marginally to **7.7%** mainly driven by reduced income from Novitas
- **Higher costs** driven by **salary increases** and **strategic investment spend**
- **Impairment charges increased**, corresponding to a **bad debt ratio of 2.2%,** driven mainly by **Novitas**
- **AOP pre provisions declined 2%**
- **Excluding Novitas, 2% growth in adjusted operating profit pre provisions**

£ million	2023	2022	Change %
Operating income	**713.8**	693.1	3
Adjusted operating expenses	**(389.7)**	(362.6)	7
Impairment losses	**(204.0)**	(103.3)	97
Adjusted operating profit	**120.1**	**227.2**	(47)
Adjusted operating profit pre provisions	**324.1**	330.5	(2)
Excl. Novitas, adjusted operating profit pre provisions	**313.9**	309.1	2
Loan book growth[1]	**4.7%**	5.0%	
Net interest margin[2]	**7.7%**	7.8%	
Expense/income ratio	**55%**	52%	
Bad debt ratio[3]	**2.2%**	1.2%	
Return on net loan book[4]	**1.3%**	2.6%	

Notes:
1. Loan book including operating leases.
2. Net interest, fees and operating lease income divided by average net loan book and operating leases.
3. Impairment losses divided by average net loan book and operating leases.
4. Adjusted operating profit divided by average net loan book and operating leases.

Our Banking businesses

Good demand and loan book growth, with pricing discipline maintained

	Banking excl. Novitas	Commercial excl. Novitas	Retail	Property
Income growth	**6%**	**7%**	**5%**	**5%**
Loan book growth	**6%**	**8%**	**(2)%**	**16%**
Net interest margin	**7.6%** (2022: 7.5%)	**7.2%** (2022: 7.3%)	**8.2%** (2022: 7.8%)	**7.4%** (2022: 7.6%)
Cost growth	**9%**	**12%**	**8%**	**0%**
Bad debt ratio	**0.9%** (2022: 0.5%)	**0.5%** (2022: 0.3%)	**1.6%** (2022: 0.8%)	**1.1%** (2022: 0.4%)
AOP, pre provisions	**£314m** (2022: £309m)	**£143m** (2022: £142m)	**£84m** (2022: £85m)	**£87m** (2022: £82m)

Banking

Continued demand across our Banking businesses with loan book growth of 8% excluding businesses in run-off

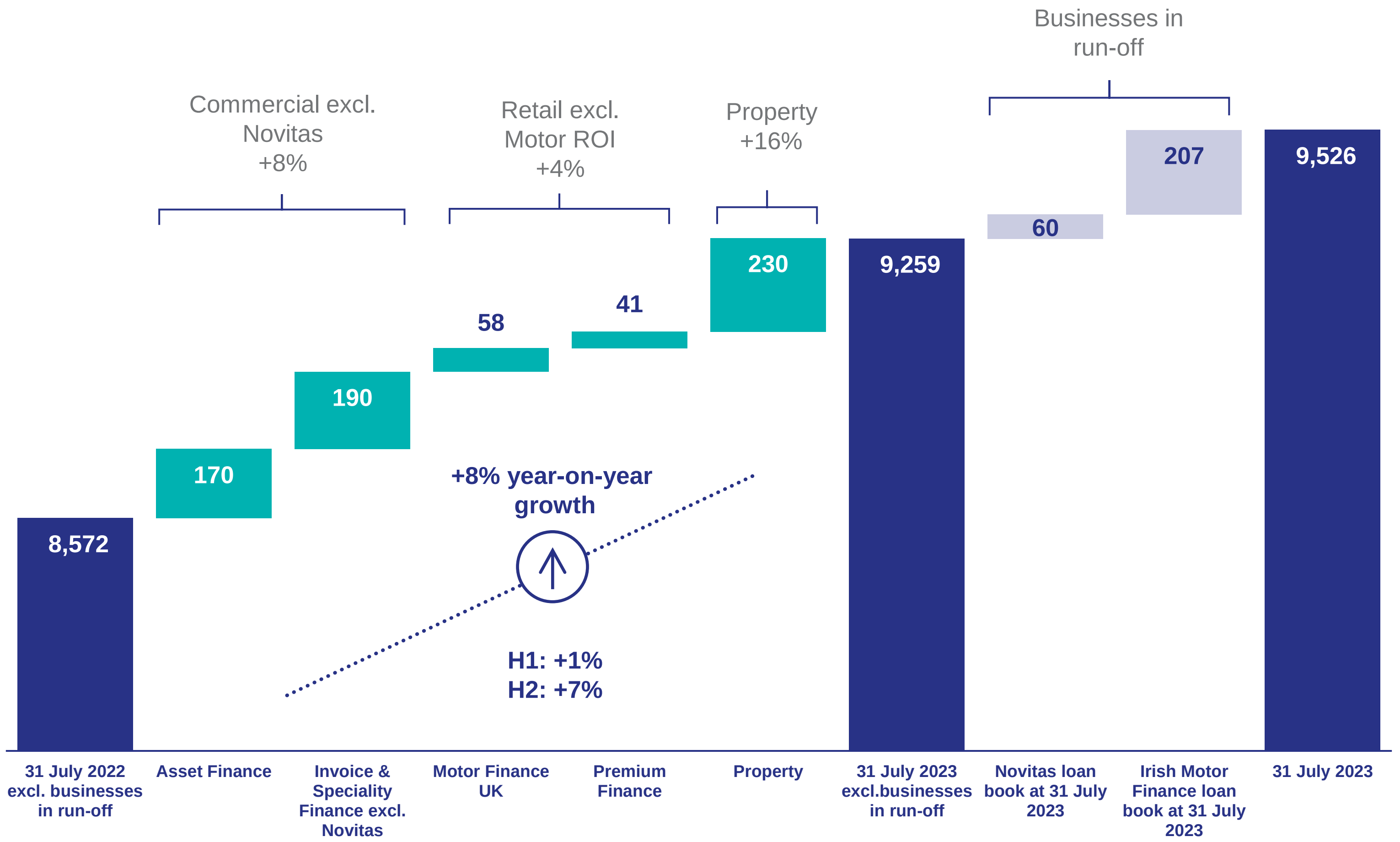
Continued demand across our businesses

- Loan book increased 5%, with an acceleration of growth in the second half
- Growth of 8% when excluding the businesses in run-off
- Driven by strong demand in Commercial and high drawdowns in Property, with growth in Premium and UK Motor Finance offset by the run-off of the Irish book
- Growth initiatives delivered significant contribution to loan book growth

Outlook for loan book growth

- Loan book growth continues to be an output of our model
- We are actively working to identify incremental and new opportunities in both our existing and adjacent markets
- Expect to sustain growth momentum generated in H2
- We remain confident in the growth outlook for the loan book over both the short and medium term

Loan book movement by business[1,2,3,4]
(£ million)



Notes:
1. The Asset Finance and Invoice & Speciality Finance loan books have been re-presented for 31 July 2022 to reflect the recategorisation of Close Brothers Vehicle Hire from Invoice & Speciality Finance to Asset Finance.
2. Includes £271.2 million of operating lease assets (£223.4 million in Asset Finance and £47.8 million in Invoice & Speciality Finance) (31 July 2022: £185.4 million in Asset Finance and £54.6 million in Invoice & Speciality Finance).
3. The Motor Finance loan book includes £206.7 million (31 July 2022: £367.2 million) relating to the Republic of Ireland Motor Finance business, which is in run-off following the cessation of our previous partnership in the Republic of Ireland from 30 June 2022.
4. Numbers may not cast due to rounding.

Banking

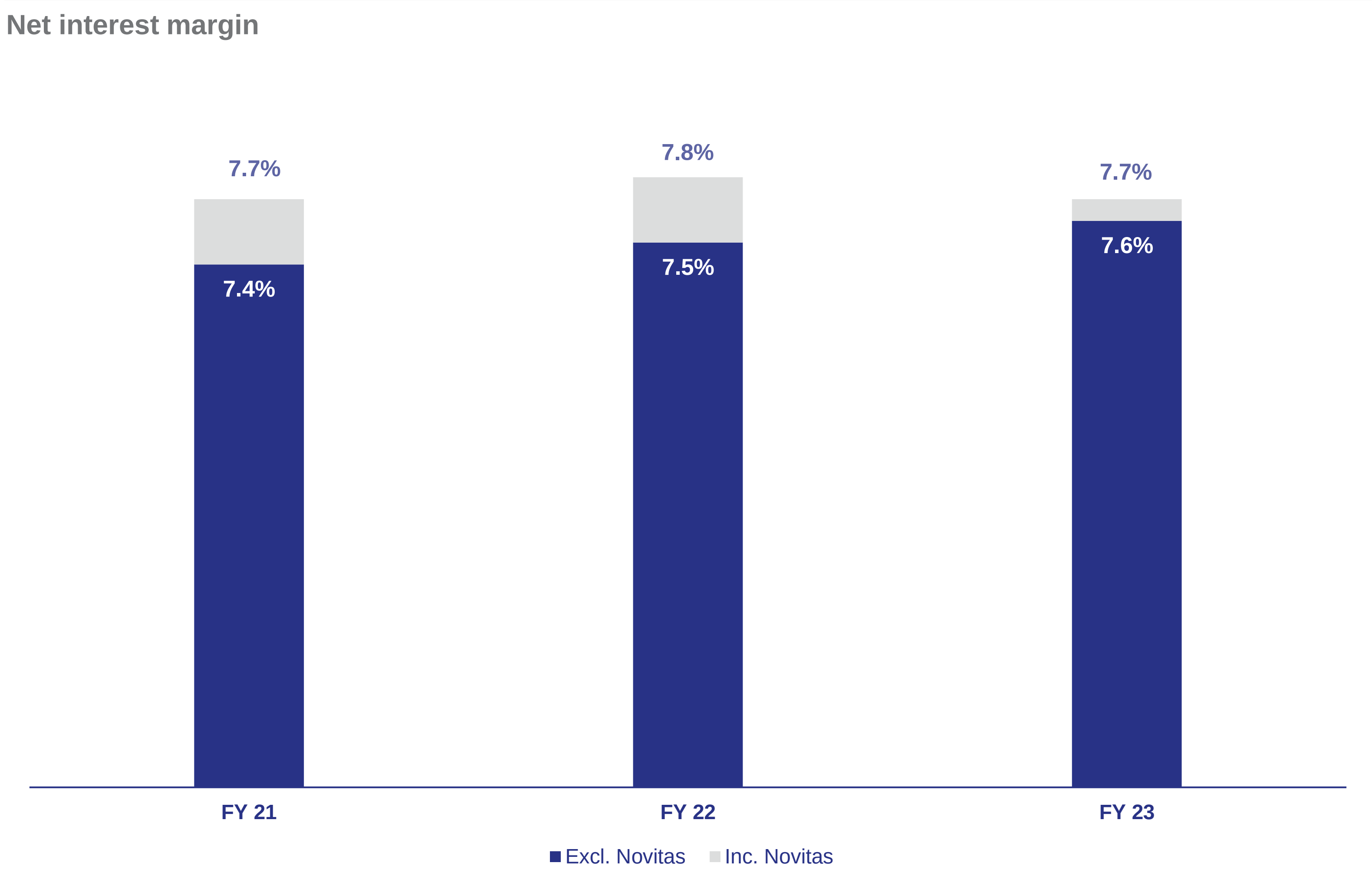
Well positioned to maintain a strong net interest margin as we continue to adopt a disciplined approach to pricing

Strong net interest margin

- Reflects pricing discipline on new lending
- Benefited from optimisation of the group's liability mix and funding costs in a rising rate environment

Well positioned to maintain a strong NIM

- Specialist, relationship driven model supports net interest margin
- Consistently strong NIM compared to sector average
- Remain focused on prioritising margin over volume growth

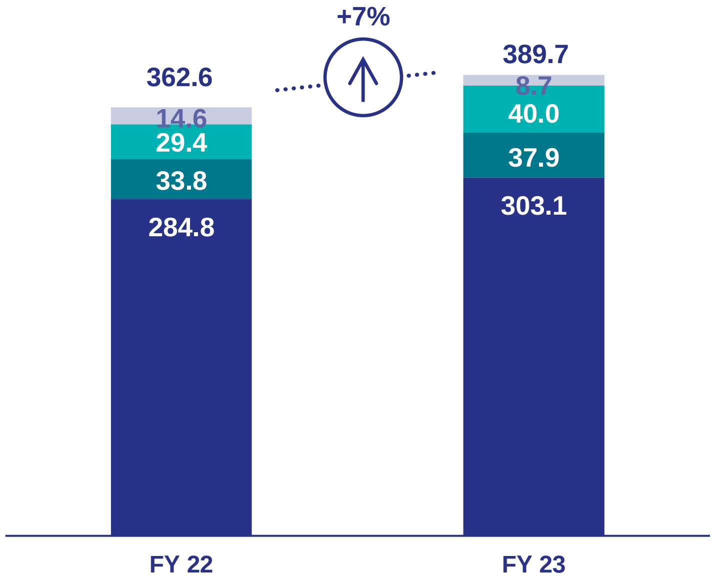


Banking

Focused on delivering positive operating leverage over the medium term

FY23 costs mainly driven by salary increases and continued investment

Banking total costs FY23[1,2] (£ million)



Notes:
1. Refers to adjusted operating expenses.
2. Related ongoing costs resulting from investment projects are recategorised from investment costs to BAU costs after one year. For comparison purposes, £6.5 million has been recategorised from investment costs to BAU costs in the 2022 financial year to adjust for investment projects' ongoing costs that commenced prior to the 2023 financial year.
3. Operating expenses excluding depreciation and costs related to strategic initiatives or investment programmes.
4. Excludes Novitas and Bluestone Motor Finance (Ireland)

Key drivers[4] of our cost base

	FY23	FY24	FY25	
Volume and activity-driven growth	↑	↑	↑	• Loan book growth in FY24 and FY25 expected to drive volume and activity related costs
Inflation and compensation (inc. performance-linked variable compensation)	↑	↑↑	→	• FY24 impacted by higher average salary awards and a normalisation of performance-linked compensation • In FY25+, we expect lower inflationary pressure
Investment (inc. strategic growth initiatives and cost management programmes)	↑	↑	→	• Continued investment in strategic cost management programmes in FY24 • Investment spend expected to stabilise in FY25 with depreciation peaking
Efficiency savings (inc. benefits from tactical and strategic cost actions)	→	↓	↓	• Benefits from tactical and strategic cost management initiatives expected in FY24 and FY25
Cost growth	**+7%**	**+c.8-10%**	**More closely aligned with income growth**	

Banking

Our approach to investments in the business

1

Investing to support income generation and growth

Protects the differentiating strengths of our model. Allows us to continue competing in our niche markets with a high-touch model

Benefits

- Significant contribution from new growth initiatives to loan book growth in FY23
- Strong NIM maintained through the cycle (10-year average: 8.0%)
- Strong customer satisfaction scores
- Retail deposits up 80% since launch of deposit platform[1]
- Motor Finance Transformation: UK loan book up 30% since FY17
- Asset Transformation: introducing single platform to support sales efforts with customer insights

2

Investing to maintain operational resilience and regulatory compliance

Ensures appropriate response to evolving regulatory requirements and developments in the industry, including the emergence of best practice

Benefits

- IRB transition further enhances credit risk management framework
- Implemented programme aligned to requirements of the FCA’s Consumer Duty
- Strengthened our cyber resilience position
- Delivered operational resilience programme
- Increasing use of cloud-based services provides more flexibility and adaptability

3

Investing to generate operational efficiency and cost savings

Creates further investment capacity and reduces cost base.

Strategic cost management programmes in progress with further opportunities being evaluated

Spotlight: Technology transformation programme

A multi-year programme focused on strategic IT services

Benefits

- Moving to outsourcing and offshoring model, migrating to a single third party service provider
- 45 IT applications removed, further in the pipeline
- Reducing cost base

Notes:
1. Increase in retail deposits held with Customer Deposit Platform (“CDT”) from 1 December 2018 to 31 July 2023.

Banking

Higher impairment charges reflecting Novitas and forward-looking provisions for weaker macroeconomic variables

Bad debt ratio of 2.2%

- Included £116.8 million of impairment charges related to Novitas – £114.8 million taken in H1

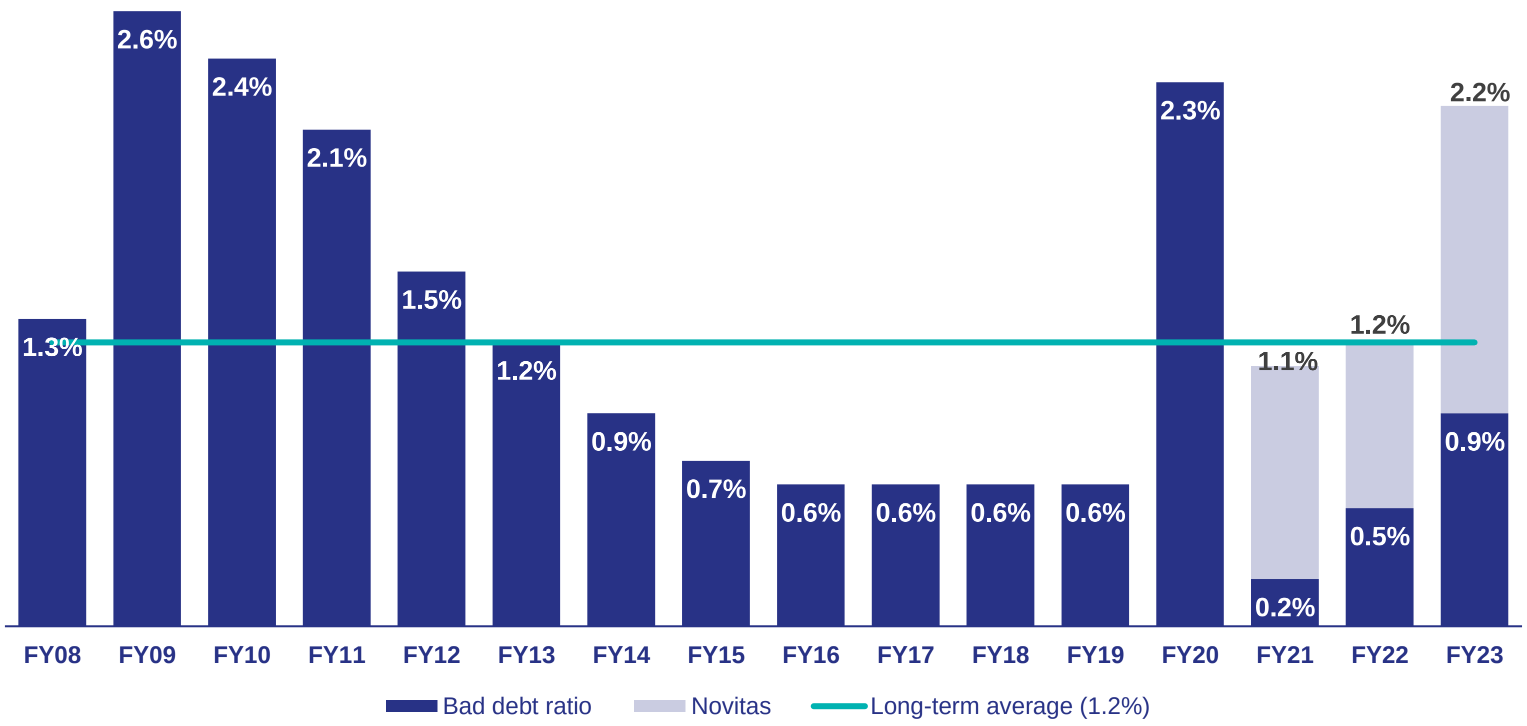
Underlying bad debt ratio of 0.9%

- £87.2 million of impairment charges driven by:
  - Weaker macroeconomic variables and outlook[1]
  - Increased arrears levels in Motor Finance, which have stabilised since H1
- No significant impact of external environment on credit performance at this stage

Outlook for bad debt ratio

- Continue to monitor closely the evolving impacts of rising inflation and cost of living on our customers
- Remain confident in the quality of our loan book, which is predominantly secured or structurally protected, prudently underwritten and diverse
- Expected to remain below long-term average of 1.2% in FY24, based on current market conditions

Long-term average bad debt ratio excluding Novitas[2]



Notes:
1. Macroeconomic scenarios have been updated to reflect the latest available information regarding the macroeconomic environment and outlook, although the weightings assigned to them remain unchanged since the 2022 financial year-end. Resulting position at 31 July 2023 was a 32.5% weighting to the baseline scenario, 30% to the upside and 37.5% to the downside.
2. Bad debt ratio calculated using IAS 39 until the change to IFRS 9 in FY19. Bad debt ratio excluding Novitas only disclosed from FY21 onwards. Long average bad debt ratio of 1.2% based on the average bad debt ratio for FY08-FY23, excluding Novitas.

Asset Management

Strong net inflows, with a significant contribution from new hires

- **Increase in managed assets** driven by **strong net inflows**, partly offset by **negative market performance**
- **2% decline in income** reflecting the impact of **difficult market conditions on income from advice and other services,** more than offsetting increased investment management income
- **Increase in expenses** as we **accelerated our growth strategy** and implemented **inflationary-driven salary rises**
- **AOP reduced by 27%**
- **Reduction in revenue margin** due to flows into lower margin investment management and non-advised products
- **9% net inflows** with **strong contribution from new hires**

£ billion	**31 July 2023**	**31 July 2022**	**% change**
Total managed assets	**16.4**	15.3	7
Total client assets[1]	**17.3**	16.6	5

£ million	**2023**	**2022**	**% change**
Operating income	**144.8**	**148.0**	**(2)**
Investment management	**113.3**	110.4	3
Advice and other services[2]	**29.9**	36.1	(17)
Other income[3]	**1.6**	1.5	7
Adjusted operating expenses	**(128.8)**	(126.3)	2
Impairment losses on financial assets	**(0.1)**	-	n/a
Adjusted operating profit	**15.9**	**21.7**	**(27)**
Operating margin	**11%**	**15%**	
Revenue margin	**84bps**	87bps	
Return on opening equity	**15.5%**	28.6%	
Net inflows	**9%**	5%	

Notes:
1. Total client assets include £4.9 billion of assets (31 July 2022: £5.1 billion) that are both advised and managed.
2. Income from advice and self-directed services, excluding investment management income.
3. Other income includes net interest income and expense, income on principal investments and other income.

Winterflood

Continued impact from slowdown in retail trading activity

- **Challenging market conditions** continued to impact investor appetite
- **Reduced retail activity** with **average daily bargains at 60k**, marginally above pre-pandemic levels (FY19: 56k)
- **Operating income** decreased reflecting **lower trading revenues**, with all trading sectors reporting a decline year-on-year except Fixed Income
- **Diversified revenue streams**, supported by **strong income growth of 45% at WBS**, with **AuA up to £12.9 billion**
- **Operating expenses decreased** as a result of **lower variable staff costs**
- **Operating profit decreased 75%** against a backdrop of challenging market conditions and sustained market declines
- **Long track record of trading profitably** in a range of market conditions and **well positioned to benefit** when market conditions improve

£ million	**2023**	**2022**	**% change**
Operating income	**75.3**	**95.2**	**(21)**
Operating expenses	**(71.8)**	(81.1)	(11)
Operating profit	**3.5**	**14.1**	**(75)**
Average bargains per day	**60k**	81k	
Operating margin	**5%**	15%	
Return on opening equity	**2.6%**	10.5%	
Loss days	**1**	8	
WBS AuA (£ billion)	**12.9**	7.2	

Strong balance sheet

Well placed to continue funding and supporting loan book growth

Prudent approach

- Conservative approach to funding, focused on diversity of sources and prudent maturity profile
- Maintain "borrow long, lend short" principle
- Prudent liquidity management, with Liquidity Coverage Ratio over 1,000%

Total funding

£12.4 billion

Average maturity of funding allocated to loan book at 21 months[2]

Loan book

£9.5 billion

Average maturity of the loan book at 16 months

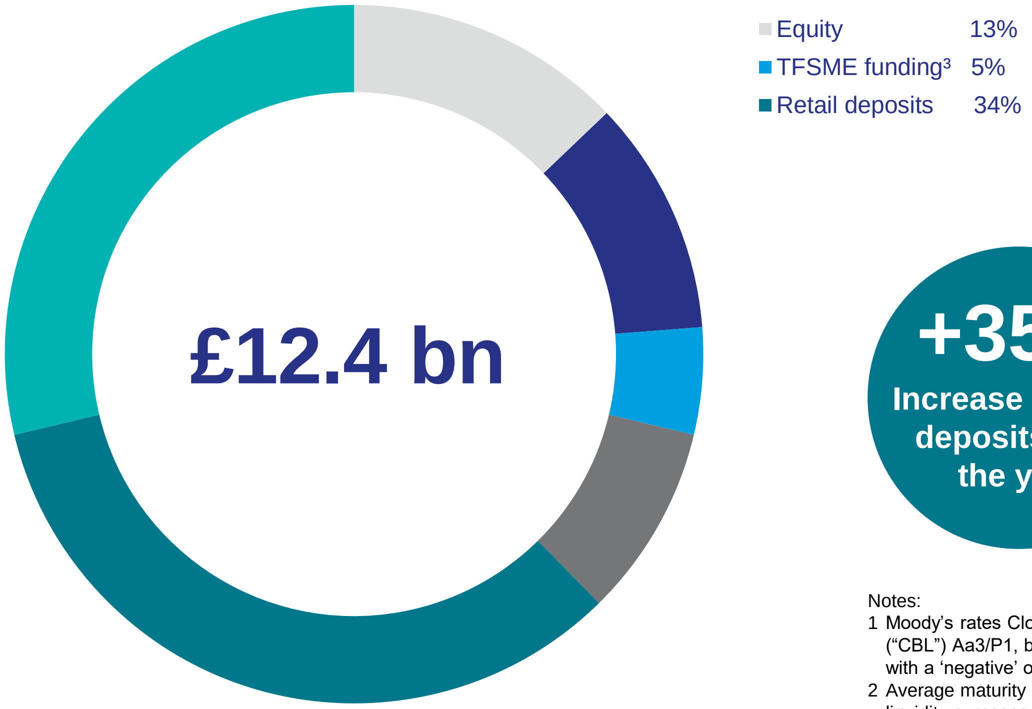
Treasury assets

£2.2 billion

Includes £1.9bn with central banks

Diverse funding base

- Average cost of funds in Banking increased to 3.2% (2022: 1.2%) due to rising interest rates
- Mitigated pressure on cost of funds by continued optimisation of group's liability mix
- Expect average cost of funds to further increase in the next financial year
- Successful issuance of a £250 million senior unsecured bond[3]
- 14% increase in our total deposit base to £7.7bn as we actively grew our Retail deposits
- Retail book now makes up 54% of deposits
- Strong credit ratings[1], with Close Brothers Ltd rated Aa3 by Moody's



+35%
Increase in retail deposits over the year

c.85%
Retail deposits protected by FSCS[4]

Notes:
1 Moody's rates Close Brothers Group ("CBG") A2/P1 and Close Brothers Limited ("CBL") Aa3/P1, both with a 'stable' outlook. Fitch rates both CBG and CBL A-/F2 with a 'negative' outlook.
2 Average maturity of total available funding, excluding equity and funding held for liquidity purposes.
3 Term Funding Scheme with Additional Incentives for SMEs and includes an immaterial Indexed Long Term Repo facility.
4 Financial Services Compensation Scheme.

Capital

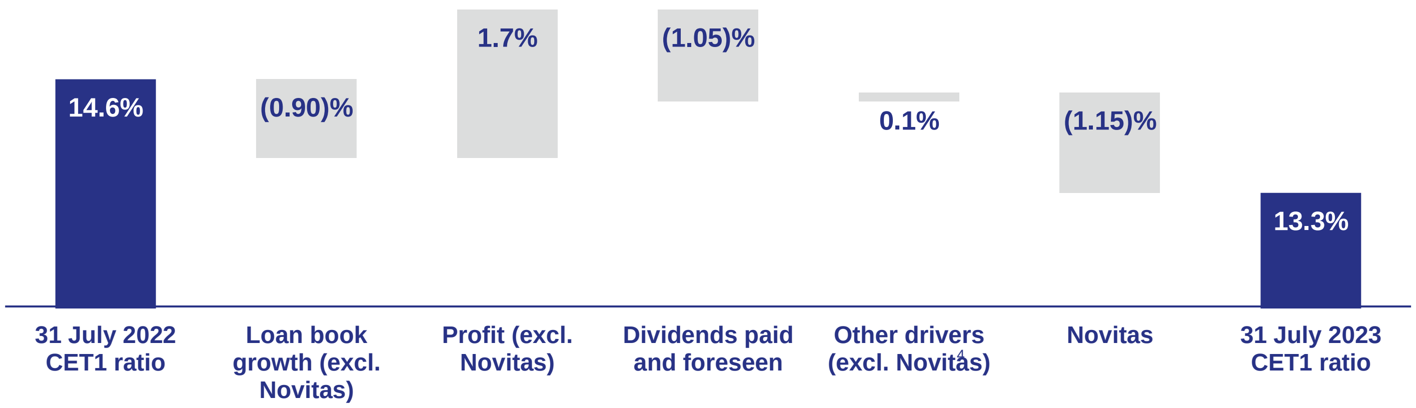
Strong capital position

- **Reduction in CET1 capital ratio** mainly reflected the impact of Novitas, loan book growth and underlying profit
- Increase in **RWAs** mainly driven by loan book growth
- **Leverage ratio** remained strong at **11.4%**
- Continue to engage with the PRA on **IRB application** with additional documentation submitted as part of **Phase 2**

Capital overview

	31 July 2023	31 July 2022
CET1 capital ratio (transitional) [1]	13.3%	14.6%
Total capital ratio (transitional)	15.3%	16.6%
Leverage ratio[3]	11.4%	12.0%
CET1 capital (£m)	1,311	1,397
RWAs (£m)	9,848	9,591

Movement in CET1 capital ratio over the year[1,2]



Notes:
1. The fully loaded CET1 ratio, excluding the application of IFRS 9 transitional arrangements, was 13.0% at 31 July 2023 (31 July 2022: 13.8%).
2. Numbers may not cast due to rounding.
3. The leverage ratio is calculated as tier 1 capital as a percentage of total balance sheet assets excluding central bank claims, adjusting for certain capital deductions, including intangible assets, and off balance sheet exposures, in line with the UK leverage framework under CRR.
4. Other drivers includes IFRS 9 transitional arrangements, RWAs associated with derivatives and credit valuation adjustment and other smaller drivers.

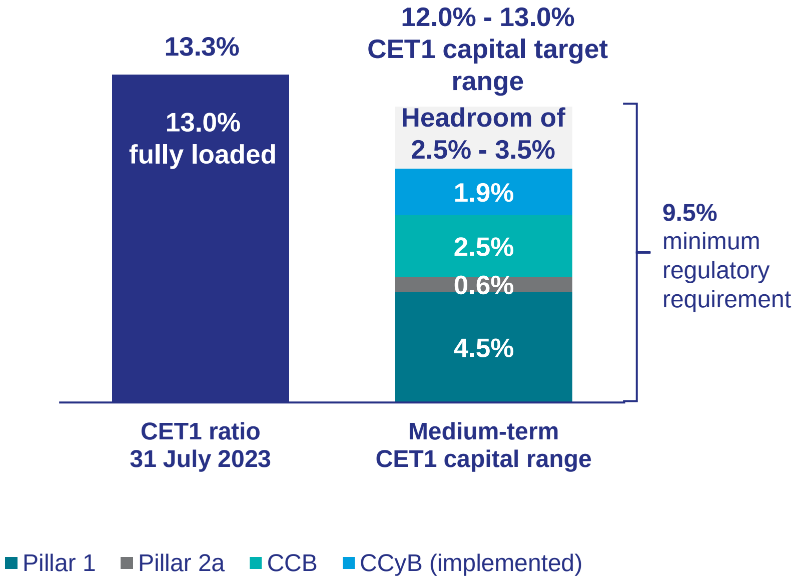
Capital management framework

Prudent management of financial resources is a core part of our business model

CET1 capital ratio target range

Targeting a CET1 capital ratio range of 12% to 13% over medium term, which will allow the group to maintain a buffer to minimum regulatory requirements while retaining flexibility for growth

Opportunities to deploy capital to deliver disciplined growth and to optimise further our capital structure



Deploying capital to deliver disciplined growth

1. **Loan book growth** — Deploy capital to support disciplined loan book growth in Banking

2. **Strategic growth opportunities** — Strategic growth initiatives and small acquisitions that fit with our business model

3. **Capital distributions to shareholders** — Commitment to a progressive and sustainable dividend while maintaining a prudent level of dividend cover

   Further capital distributions to shareholders will be assessed based on future opportunities

03 Strategy and business update

Adrian Sainsbury, Chief Executive Office

Supporting our customers when it matters most

Building on our long history of loan book growth

Uncertainty remains but UK economy still growing

- Economic activity has been more resilient than expected
- Persistent inflation and faster than expected interest rate rises
- Improved outlook for unemployment
- Challenging backdrop for both consumers and SME customers

Cautious optimism returning for UK SMEs[1]

- SME business confidence continues to rise modestly, reversing 2022's downward trend
- Appetite to invest and expand in the next 12 months remains stable
- Different dynamics across our businesses but overall demand has continued

Well placed to support customers amidst an uncertain environment leveraging our relationships, expertise and service

- Disciplined underwriting and pricing
- Quality loan book, predominantly secured, prudently underwritten and diverse
- Strong balance sheet to support growth
- A long history of loan book growth through the cycle

Notes:
1. Source: Close Brothers Asset Finance's Business Sentiment Index. All figures, unless otherwise stated, are from a Censuswide survey conducted in September 2023. The survey canvassed the opinion of 911 SME owners across the UK and Ireland and across several industries on a range of issues affecting their businesses.

Moving forward on the delivery of our strategy

Remain focused on our strategic priorities

Protect

Grow

Sustain

Resuming our track record of earnings growth and returns

1 Disciplined growth

Delivering disciplined growth

2 Cost efficiency

Strategic cost management initiatives in place. Focused on delivering positive operating leverage over the medium term

3 Capital optimisation

Committed to optimising further our capital structure, with opportunities to deploy capital to deliver disciplined growth

Grow: Committed to delivering disciplined growth

Leveraging our relationships, expertise and relentless focus on customer service to deliver disciplined growth

Financing the UK's transition to a net zero economy

We aim to provide £1.0 billion of funding for battery electric vehicles by FY 2027

£164 million lent in 2023

Significant opportunity in broadening our sustainable finance offering

Incremental growth opportunities

Actively reviewing opportunities for growth that fit our business model

Hired new teams focused on adjacent asset classes in Asset Finance, who are executing deals

Continued to take advantage of opportunities in the ABL space and participated in first syndication deal

Hired new team providing bespoke loan structures for SMEs

Successful piloting of a buy-to-let offering to existing Property bridging finance customers

Agreed to acquire Bluestone Motor Finance, providing a platform for disciplined growth in Ireland

Capitalising on long-term trends in Wealth Management

Target net inflows of 6% - 10% in CBAM, subject to market conditions

9% net inflow rate in 2023 with strong contribution from new hires

Building on an excellent track record of increasing client assets organically

Accelerated growth strategy of continued selective hiring and building pipeline of in-fill acquisitions

Significant growth potential in WBS

Targeted WBS assets under administration exceeding £10 billion in the 2023 financial year

Grew AuA to £12.9 billion at 31 July 2023, supported by onboarding of Fidelity International

Award-winning and highly scalable proprietary technology

See significant growth potential with WBS in years to come

Expect to grow AuA to over £20 billion by FY26

Business update – Banking

Commercial

Commercial

Lends to SMEs through our direct sales force and third-party distribution channels

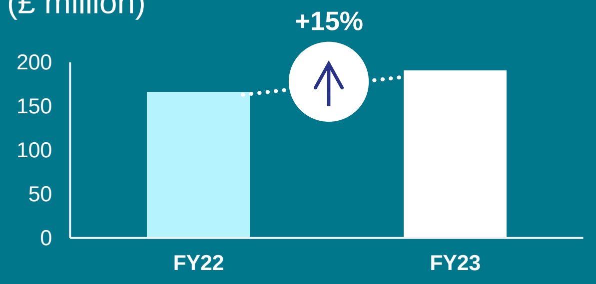
Asset Finance

- Good customer demand in spite of competitive market
- Supported by new specialist lending teams
- Strong new business volumes in Leasing, particularly Contract Hire and Energy

Invoice & Speciality Finance

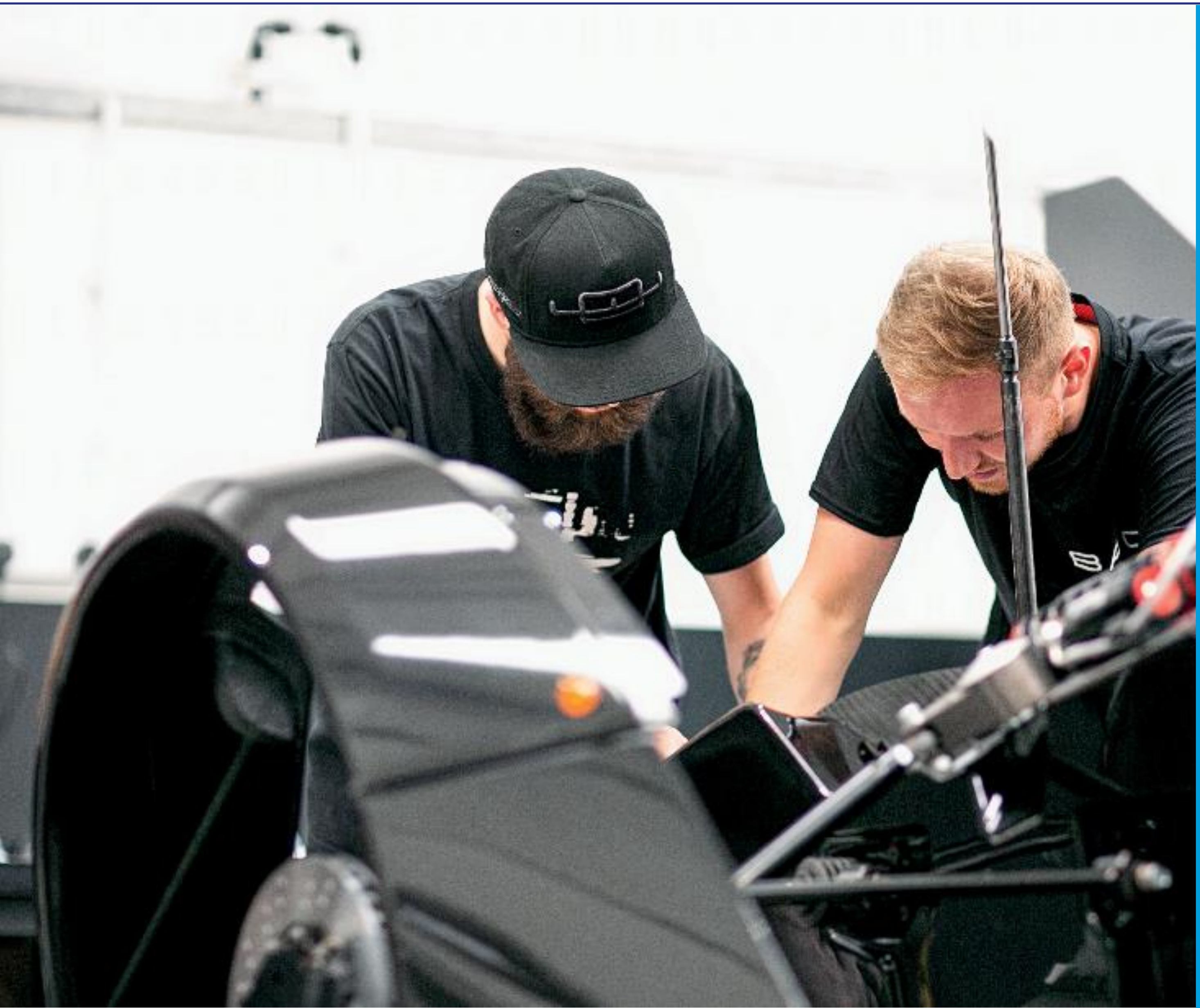
- Record new business volumes and an uptick in utilisation
- Good growth in Irish business
- Completed first syndication deal

Commercial average new business volumes (£ million)



Business update – Banking

Retail



Retail

Provides finance to individuals and businesses through a network of intermediaries

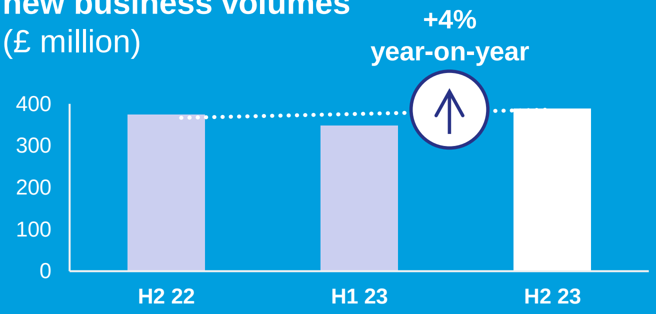
Motor Finance

- Prioritised **margin** and **pricing discipline**, passing through multiple rate rises
- Growth in **UK** business, supported by our **enhanced proposition** and **new routes to market**
- **Partnership** with **AutoTrader** proving successful

Premium Finance

- **Increased volumes** in H2 in the **consumer** business, benefiting from **premium inflation** and **growth** in **average loan sizes**

Retail (excl. Irish Motor Finance) average new business volumes
(£ million)



Business update – Banking

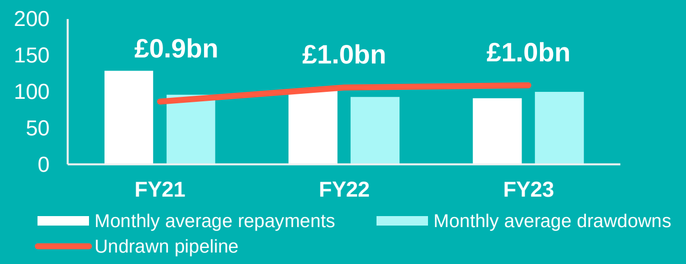
Property

Property

Provides short-term residential development finance for experienced professionals and offers refurbishment and bridging loans

- Seen a **slowdown** in the **UK property market** with **rising interest rates** and a **fall** in **housebuilding levels**
- **Strong drawdowns** and a **normalising** of **repayment levels**
- **Grown active customer numbers**, with **pipeline** now at a **record level**
- **Good demand** for our **growth initiatives** including **our specialist buy-to-let extension** and **enhanced LTV offering** for select customers
- Continued focus on **growing regional loan book**

Repayments, drawdowns and undrawn pipeline (£ million)



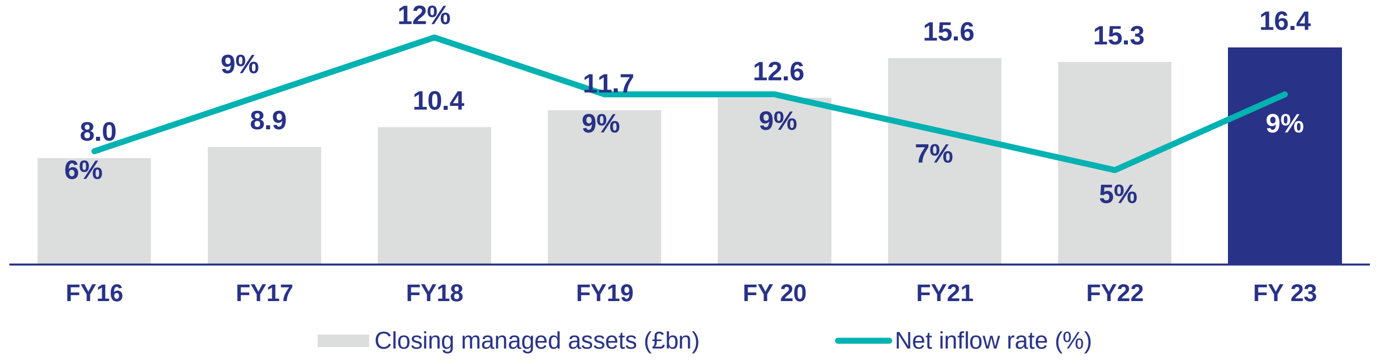
Business update – Asset Management

Acceleration of our growth strategy

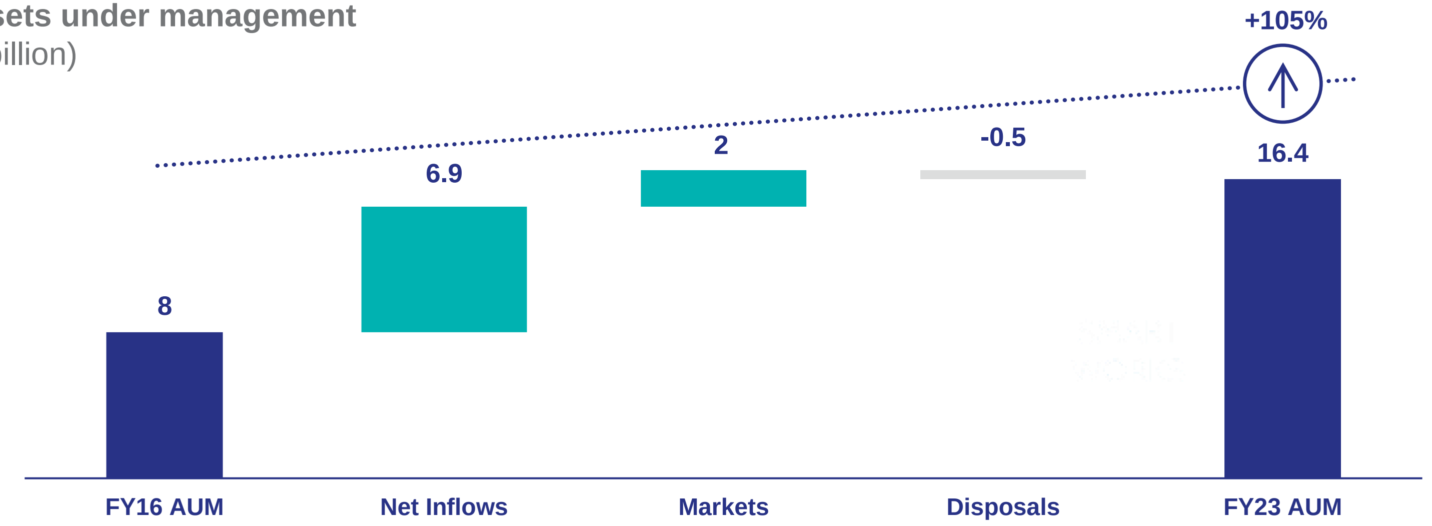
Accelerated growth strategy

- **Increased rate of hiring**, recruiting **15 new bespoke managers** during the year
- **New hires contributed significantly** to **strong net inflow rate**
- **Strong momentum in net inflow rates in August**
- Opened **new offices** in Cheltenham and Birmingham to support **new teams**
- Building healthy **acquisition pipeline**

Net inflow rates and closing managed assets
(% and £ billion)



Assets under management
(£ billion)



Business update – Winterflood

Continued diversification of revenue streams to balance the cyclicality seen in the trading business

Balancing cyclicality in the trading business

- Continued slowdown in trading activity from geopolitical and economic uncertainty
- Domestically-focused UK indices have suffered sustained market declines, negatively impacting investor confidence and appetite
- Confident in Winterflood's track record
- Well positioned to retain market position and benefit when investor appetite returns
- Exploring growth opportunities to balance the cyclicality seen in the trading business

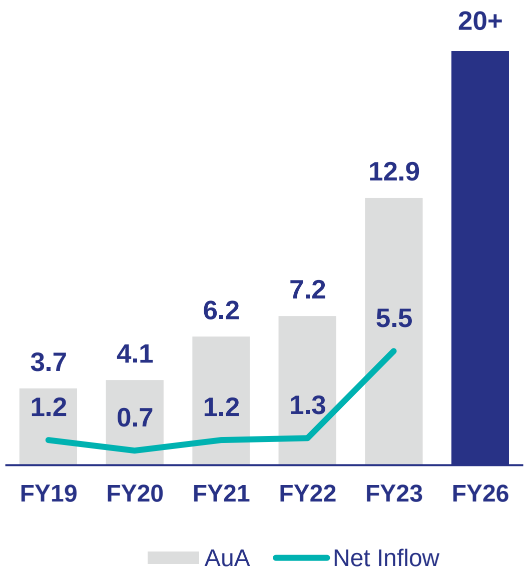
Diversified revenue streams and growth initiatives

- Diversification within market-making business through **Fixed Income**
- **Investment Trusts** business acts as **corporate broker** to over 50 Investment Trusts
- Launched **collaborations** with **PrimaryBid** and **JP Jenkins** in initiatives to simplify **UK retail participation** in capital markets
- **Well placed to benefit** when **market conditions improve**

Winterflood Business Services

- **WBS continued its positive trajectory** despite sustained declines in **equity markets**
- **AuA grew to £12.9 billion** after successfully completing the planned migration of custody assets of Fidelity International
- **Strong income growth of 45%** to £14.8 million
- **Strong pipeline** of clients and diversification of client base provides a basis to drive growth both **externally** and **organically**
- Focused on developing our **client relationships** and investing in our **technology**
- **Expected to grow to over £20 billion of AuA by FY26**

WBS AuA
(£ billion)



Sustain: Our responsibility

Our responsibility remains fundamental to our purpose, strategy and culture

E

Our car fleet

Now

46.1%

battery electric with average emissions now down to 23.5 gCO_2/km

E

Our green lending

£1 billion

of lending for zero emissions battery electric vehicles over five years to 2027

2023:£164m

E

Our emissions

54.7%

Reduction in Scope 1 and 2 emissions since 2019 (market based)

54.8%

Renewable energy as a proportion of our energy use across our offices and Brewery Rentals business

S

Our customer service awards

S

Our inclusivity

96%

of our colleagues feel included

S

Our inclusivity

37 students completed six-week internships:

31 as part of the 10,000 Black Interns programme

Six university students from lower socioeconomic backgrounds through our partnership with upReach

G

Our alliances

As a signatory to the NZBA, we commit to transition our lending and investment portfolios to align with net-zero pathways by 2050

S

Our communities

200

employees used their volunteering day

E Environmental
S Social
G Governance

Outlook

Well positioned to maintain stable returns in FY24

Growth

- Encouraged by the momentum generated in Banking and CBAM in H2, with a good start to FY24
- Expect to sustain growth momentum in FY24
- Well positioned to maintain strong margins

Costs

Banking

- FY24 c.8-10% cost growth
- FY25 cost growth to more closely align with income growth
- Investing to support growth and cost efficiencies

CBAM

- Acceleration of our hiring strategy will continue to be reflected in the cost trajectory going forward

Winterflood

- Variable cost base to reflect recovery in income

Credit performance

- FY24 bad debt ratio expected to remain below long-term average (excluding Novitas) of 1.2%, based on current market conditions

CET1 capital ratio

- Targeting 12% to 13% over the medium term

04 Appendix

Appendix: Novitas

Accelerated efforts to resolve the issues surrounding Novitas and ensure good customer outcomes

No read-across to other books in our portfolio

Provisions adequately reflects the remaining risk of credit losses

- Recognised £116.8 million of additional provisions in 2023, of which £114.6 million recognised in H1
- Materially increased the assumptions for Probability of Default and Loss Given Default in H1

Litigation against ATE insurer

- Entered into formal legal action against one of the ATE insurers
- Relates to the recoverability of funds in relation to failed cases
- Entered into a settlement with another small ATE insurer and remain in discussions with a third

Novitas impairment provisions (£ million) and coverage ratio (%)

Other financial impact

Net income related to Novitas expected to reduce from £18.9 million in FY23 to c.£9 million in FY24

Appendix: Income Statement

Including and excluding Novitas

Including Novitas £ million	2023	2022	% change
Operating income	**932.6**	936.1	-
Adjusted operating expenses	**(615.0)**	(598.0)	3
Impairment losses	**(204.1)**	(103.3)	98
Adjusted operating profit	**113.5**	**234.8**	**(52)**
Adjusted operating profit, pre provisions	**317.6**	**338.1**	**(6)**

Excluding Novitas (£ million)	2023	2022	% change
Operating income	**913.7**	900.1	2
Adjusted operating expenses	**(606.3)**	(583.4)	4
Impairment losses	**(87.3)**	(42.6)	105
Adjusted operating profit	**220.1**	**274.1**	**(20)**
Adjusted operating profit, pre provisions	**307.4**	**316.7**	**(3)**

Appendix: Lending model

Prudent and disciplined approach to lending

A proven and resilient lending model

Long track record of disciplined and consistent lending through the cycle

Predominantly secured loan book, with short tenors and low average loan sizes

Experience in underwriting, collections and credit risk management

Scenario planning to leverage internal expertise and experience

Well positioned to protect the business and maximise opportunity in the event of a downturn

	Core products and security[1]	Average loan size[2,3]	Typical loan maturity[2,3]
Asset Finance	• Commercial asset financing, hire purchase and leasing solutions • Diverse range of assets and sectors	c.£57k	3 – 4 years
Invoice & Speciality Finance	• Debt factoring, invoice discounting and asset-based lending • Includes our smaller, specialist businesses	c.£595k	3 months
Motor Finance	• Point of sale finance for predominantly used vehicles • PCP c.9% of the loan book	c.£7k	4 years
Premium Finance	• Personal and commercial insurance policies • Policy refundability and/or broker recourse	c.£0.5k	11 months
Property Finance	• Residential development finance, refurbishment and bridging loans • Typical LTVs below standard market levels	c.£1,500k	12 – 24 months[4]

1. Lending statistic figures are for illustrative purposes only and may not be representative of all loan types. The profile of individual loans may vary significantly.
2. Approximations at 31 July 2023.
3. Typical loan maturities for new business on a contractual basis, except core Invoice Finance which is on a behavioural basis. Average loan size and typical loan maturity include the Invoice Finance business only.
4. Typical development loan maturity. 36 – 60 months typical investment term loan maturity.

Appendix: Model Fit Assessment Framework

Protecting the key attributes of our model

Appendix: Sustain – Our Responsibility

Our responsibility is fundamental to our purpose, strategy and culture

Sustainable objectives	Our progress At 31 July 2023	Our targets
Environment Reducing our impact on the environment and tackling climate change	• 55% reduction in Scope 1 and 2 emissions since 2019[1] • CBG car fleet now 46% battery electric • Lent £164 million for battery electric vehicles in 2023 • Became a signatory to the Net Zero Banking Alliance and Net Zero Asset Managers Alliance	• Operationally net zero by 2030 through our Scope 1 and 2 emissions • Align all operational and attributable emissions from our lending and investment portfolios with pathways to net zero by 2050 • Aim to provide over £1.0 billion of lending for battery electric vehicles over the five years to 2027

Society
Ensuring we are a diverseand inclusive employer. Serving the needs of our customers.
	• 31% female senior managers at 31 July 2023
	• 9% of managers from an ethnic minority background at 31 July 2023
	• Strong customer scores[2]:
	  • Asset Finance CSAT 92%
	  • Motor Finance dealer NPS +75
	  • Property Finance NPS +88
	  • Savings online CSAT 80%
		• 36% female senior managers by 2025
		• 14% of our managers to be of an ethnic minority background by 2025
		• Maintain or improve customer satisfaction scores across our businesses

Governance Setting high standards of corporate governance to ethically and transparently achieve long term success for our stakeholders.	• 36% of board members were female at 31 July 2023 • Met the recommendations of the Parker Review • CBAM a signatory of the UK Stewardship Code • Current ratings of AA from MSCI and 26.8 from Sustainalytics	• Maintain high standards of governance, with appropriate Board level oversight • Continue to build on our external ESG ratings

Some of our partners and commitments

1. Market based Scope 1 and 2 emissions.
2. Customer satisfaction score ("CSAT"). Net promoter score ("NPS"). Property Finance NPS excludes Commercial Acceptances.