

## Press Release

### Scheduled Trading Update

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18 November 2021

Embargoed for release until 7.00am on 18 November 2021.

Close Brothers Group plc (“the group” or “Close Brothers”) today issues its scheduled trading update relating to the first quarter of its 2022 financial year from 1 August 2021 to 31 October 2021 (“the quarter”).

#### **Adrian Sainsbury, Chief Executive Officer**

*“We are encouraged by our performance at this early stage of the financial year as we continue to make the most of opportunities arising in the current environment. Although the economic trajectory remains uncertain, the strengths of our proven and resilient model, together with the expertise of our people, leave us well placed to continue supporting our customers and clients and to protect, grow and sustain our business over the long term.*”

*Our responsibility towards the environment remains at the forefront of our minds. In addition to targeting being operationally net zero through our Scope 1 and 2 emissions by 2030, we have now started an assessment of our indirect Scope 3 emissions as we look to better understand our impact and how we can help with the transition to a lower carbon future.”*

#### **Group and divisional performance**

The group has made an encouraging start to the year, with a strong performance in Banking and good growth momentum in Close Brothers Asset Management (“CBAM”), although in Winterflood, trading income has continued to moderate since the end of the 2021 financial year.

We maintained a strong capital position, with a Common Equity Tier 1 (“CET1”) capital ratio of 15.7% at 31 October 2021 (31 July 2021: 15.8%), significantly above the applicable minimum regulatory requirement<sup>1</sup>.

In **Banking**, the loan book increased 2.4% in the quarter to £8.6 billion (31 July 2021: £8.4 billion). This was driven by improved utilisation in Invoice Finance, along with good demand in the Asset and Motor Finance businesses. The Property book remained stable from 31 July 2021.

The annualised net interest margin remained strong as we continued to focus on our pricing discipline.

We are making good progress with our key strategic investment programmes to protect, grow and sustain our business model. We continue to exercise rigorous management of business as usual costs, although we are mindful of inflationary pressures, particularly on staff costs.

The credit performance of the loan book as a whole remained strong. We remain confident in the quality of our lending, which is predominantly secured, prudently underwritten and diverse. Our impairment provisions continue to reflect the improved but still uncertain economic outlook<sup>2</sup>.

**CBAM** has seen good growth momentum, benefiting from strong net inflows and rising markets in the period. The business achieved annualised net inflows of 8% (FY 2021: 7%) and increased managed assets to £16.0 billion (31 July 2021: £15.6 billion). Total client assets grew to £17.4 billion (31 July 2021: £17.0 billion).

**Winterflood** has experienced further moderation of trading performance since the end of the 2021 financial year, with income in the quarter reverting to close to pre-Covid-19 levels, reflecting a market wide slowdown in retail trading activity and a change in the mix of trading volumes in the quarter. The team's experience and focus on managing risk resulted in no loss days in the quarter.

## Outlook

While the economic trajectory remains uncertain, we have made an encouraging start to the year.

We are well positioned to maximise opportunities in the current environment and remain confident in the long-term growth prospects of our Banking businesses.

In Asset Management, we are well placed to benefit from the proven, ongoing demand for our services and continue to invest to support the long-term growth potential of the business.

Winterflood is well positioned to continue trading profitably in a range of market conditions but remains sensitive to changes in the market environment. We remain focused on growing Winterflood Business Services.

## Footnotes

1 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, and excluding the benefit related to the current treatment of software assets, the CET1 ratio would be 14.3%. In line with the amended CRR, effective on 23 December 2020, the CET1 capital ratio at 31 October 2021 includes a c.40bps benefit related to software assets which are exempt from the deduction requirement for intangible assets from CET1. The Prudential Regulation Authority ("PRA") published PS17/21 'Implementation of Basel standards' on 9 July 2021, confirming the reversal to the earlier position. This will result in the reversal of this benefit and reduction of the CET1 capital ratio upon implementation on 1 January 2022. The applicable minimum regulatory requirement, excluding any PRA buffer was 7.6% at 31 October 2021.

2 Expected credit losses reflect the application of macroeconomic scenarios, which have been updated to include more recent externally sourced scenarios on a monthly basis since the start of the pandemic. At 31 October 2021, weightings remained unchanged since the Full Year 2021 results with 20% weighted to the upside scenario, 40% to the baseline scenario and 40% to downside scenarios. The modelled impact of macroeconomic scenarios and their respective weightings is overlaid with expert judgment in relation to stage allocation and coverage ratios at the individual portfolio level, incorporating our experience and knowledge of our customers, the sectors in which they operate, and the assets that we finance.

## 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 over 3,700 people, principally in the UK. Close Brothers Group plc is listed on the London Stock Exchange and is a member of the FTSE 250.

## Cautionary Statement

*Certain statements included within this announcement may constitute “forward-looking statements” in respect of the group’s operations, performance, prospects and/or financial condition. 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. 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. This announcement does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any shares or other securities in the company or any of its group members, nor does it constitute a recommendation regarding the shares or other securities of the company or any of its group members. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser or other professional. Statements in this announcement reflect the knowledge and information available at the time of its preparation. Liability arising from anything in this announcement shall be governed by English law. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.*