Close Brothers

Press Release

Scheduled Trading Update

17 November 2022

Embargoed for release until 7.00 am on 17 November 2022.

Close Brothers Group plc ("the group" or "Close Brothers") today issues its scheduled trading update relating to the first quarter of its 2023 financial year from 1 August 2022 to 31 October 2022.

Adrian Sainsbury, Chief Executive Officer

"We have delivered a solid start to the financial year, despite the backdrop of heightened market uncertainty. Our margin remained strong in the Banking division, we increased net inflows in CBAM and while trading activity remained subdued in Winterflood, we grew our assets under administration in Winterflood Business Services.

Although the current environment presents challenges, there will also be opportunities and we are confident that we will be able to make the most of these, building on our strong relationships and the consistent application of our model."

Group and divisional performance

The group delivered a solid performance in the quarter, achieving a strong margin in the Banking division and increased net inflows in Close Brothers Asset Management ("CBAM"). Winterflood continued to be impacted by reduced trading activity.

Our Common Equity Tier 1 ("CET1") ratio was 14.6% at 31 October 2022 (31 July 2022: 14.6%), significantly above the applicable minimum regulatory requirement[1].

In **Banking**, we continue to focus on delivering disciplined growth whilst prioritising our margins and credit quality, with loan book growth remaining an output of our business model. The loan book grew marginally in the quarter to £9.13 billion (31 July 2022: £9.10 billion)[2]. This reflected continued demand in the Commercial businesses, although new business volumes in Motor Finance moderated. Our Property loan book was stable in the period as early redemptions were balanced by drawdowns from our strong pipeline.

The annualised year-to-date net interest margin remained strong, as we continued to focus on our pricing discipline in the higher interest rate environment.

The year-to-date bad debt ratio remained stable at 1.2% (1.0% excluding Novitas) and included the recognition of further IFRS 9 provisions to take into account worsening macroeconomic variables and outlook since the 2022 financial year-end[3] (FY 2022: 1.2%, 0.5% excluding Novitas). Whilst we are not yet seeing a significant impact from the external environment on experienced credit performance, we remain alert to the impact of rising inflation and interest rates and their effect on our customers.

Despite the challenging market conditions, **CBAM** has continued to attract client assets and delivered year-to-date annualised net inflows of 7% (FY 2022: 5%). In the period, managed assets decreased to £14.8 billion (31 July 2022: £15.3 billion) and total client assets decreased to £16.1

billion (31 July 2022: £16.6 billion), reflecting negative market movements. In line with our commitment to actively contribute towards the UK government's net zero climate goals, CBAM is now a signatory of the Net Zero Asset Managers initiative.

Winterflood's performance continued to be impacted by the market-wide slowdown in trading activity. Winterflood Business Services ("WBS") were pleased to onboard Fidelity International as a new client, completing the migration of their custody assets. Total assets under administration now exceed £10 billion and we see significant further growth potential in this business, with a continued solid pipeline of clients.

Outlook

We have made a solid start to the year and are well positioned to navigate successfully this challenging period. Our proven and resilient model, strong financial position and deep expertise enable us to continue supporting our customers and clients, whilst delivering on our long track record of profitability and disciplined growth.

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, the CET1 capital ratio would be 14.0%. The applicable minimum regulatory requirement, excluding any applicable PRA buffer, was 7.6% at 31 October 2022.

2 The loan book is presented including operating lease assets.

3 At 31 October 2022, 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 2022). Moody's October unemployment forecast for Q4 2022 under the baseline scenario is 3.9%, 3.6% under the upside scenario and ranges between 4.1% and 4.4% in the downside scenarios. For 2023, Moody's unemployment forecast is 4.1% under the baseline scenario, 3.6% under the upside scenario and ranges between 4.5% and 6.6% in the downside scenarios. Moody's October inflation forecast for Q4 2022 under the baseline scenario is 10.9%, 10.4% for the upside scenario and ranges between 11.5% and 13.8% in the downside scenarios. For 2023, Moody's inflation forecast is 7.0% under the baseline scenario, 6.8% for the upside scenario and ranges from 7.1% to 10.1% in the downside scenarios. Moody's October forecast for the Bank of England base rate for Q4 2022 is 2.9% in the baseline scenario, also 2.9% in the upside scenario and ranges from 3.1% to 3.9% in the downside scenarios. For 2023, Moody's Bank of England base rate forecast is 4.4% under the baseline scenario, 4.2% for the upside scenario and ranges between 4.2% and 5.3% in the downside scenarios.

Enquiries

Sophie Gillingham	Close Brothers Group plc	020 3857 6574
Camila Sugimura	Close Brothers Group plc	020 3857 6577
Kimberley Taylor	Close Brothers Group plc	020 3857 6233
Irene Galvan	Close Brothers Group plc	020 3857 6217
Sam Cartwright	Maitland	07827 254561

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 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.