

## Press Release

### Scheduled Trading Update

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21 July 2022

Embargoed for release until 7.00 am BST on 21 July 2022.

Close Brothers Group plc (“the group” or “Close Brothers”) today issues its scheduled pre-close trading update ahead of its 2022 financial year end. Close Brothers will release its results for the full year ended 31 July 2022 on 27 September 2022.

All statements in this release relate to the 11 months to 30 June 2022 unless otherwise indicated.

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

*“We have delivered a solid performance so far this year despite the uncertain backdrop. Performance in the Banking division was strong as we continued to see good demand across our lending businesses and remain focused on maximising growth in each of our markets, whilst actively identifying new opportunities that align with our disciplined approach. While our market-facing businesses were negatively impacted by falling markets, we continued to see healthy net inflows in CBAM and remain well placed to navigate changes in the market environment at Winterflood.*

*Our proven model, strong financial position and deep expertise leave us well positioned to continue to support our customers and clients, whilst continuing to deliver on our long track record of profitability and disciplined growth.”*

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

The group delivered a solid performance in the first 11 months of the financial year. The strong performance in the Banking division reflected loan book growth and an improved margin, although Close Brothers Asset Management (“CBAM”) and Winterflood were negatively impacted by market movements.

Our Common Equity Tier 1 (“CET1”) ratio was 14.8% at 30 June 2022 (30 April 2022: 14.9%), significantly above the applicable minimum regulatory requirement<sup>1</sup>.

In **Banking**, the loan book increased 5.0% in the first 11 months of the financial year to £8.9 billion (31 July 2021: £8.4 billion). This was primarily driven by healthy new business volumes in Commercial and high demand in Motor Finance, with the Property book slightly down as high repayments more than offset strong drawdowns from our pipeline. Since the Q3 trading update, we continued to see good demand and momentum in the loan book.

The annualised year-to-date net interest margin remained strong at 7.8% and increased marginally on the 2021 financial year (FY 2021: 7.7%) primarily reflecting lower cost of funds.

The year-to-date bad debt ratio of 1.2% (0.6% excluding Novitas) remained stable (Q3 2022: 1.2%, 0.5% excluding Novitas) and included the recognition of further IFRS 9 provisions to take into account updated macroeconomic forecasts since the Q3 trading update<sup>2</sup>. Whilst we are not yet seeing a discernible impact from the current economic uncertainty and rising inflation on our customers, we continue to closely monitor the performance of the book.

**CBAM** has continued to attract client assets and delivered year-to-date annualised net inflows of 5% (Q3 2022: 5%, FY 2021: 7%), despite the impact of volatile market conditions on wider client sentiment. Since the Q3 trading update, managed assets have decreased to £14.8 billion (30 April 2022: £15.4 billion) and total client assets have decreased to £16.0 billion (30 April 2022: £16.7 billion), reflecting negative market movements.

**Winterflood's** performance year-to-date has been adversely affected by reduced trading opportunities following the exceptional highs experienced during the Covid-19 period, which has been exacerbated by falling markets and their impact on investor sentiment, particularly since the Q3 trading update. Winterflood Business Services achieved a strong performance in the period, with continued growth in income and client assets.

## Outlook

We have achieved a solid performance in the first 11 months of the year against a backdrop of rising inflation and heightened market uncertainty. We are in a strong position to take advantage of opportunities and continue delivering on our long-term track record of growth and profitability.

## 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 30 June 2022.

2 At 30 June 2022, there was a 32.5% weighting to the baseline scenario, 30.0% to the upside and 37.5% to the downside scenarios (30 April 2022: 40.0% baseline, 20.0% upside, 40.0% downside). Moody's unemployment forecast for 2022 under the baseline scenario is 3.8%, 3.7% under the upside scenario and ranges between 4.0% and 4.2% in the downside scenarios. Moody's inflation forecast for 2022 under the baseline scenario is 9.6%, 9.3% for the upside scenario and ranges between 10.1% and 11.9% in the downside scenarios.

## 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.*