Close Brothers

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Press Release

Scheduled Trading Update

21 January 2022

Embargoed for release until 7.00am GMT on 21 January 2022.

Close Brothers Group plc ("the group" or "Close Brothers") today issues its scheduled pre-close trading update ahead of its 2022 half year end. Close Brothers will release its half year results for the six months ending 31 January 2022 on 15 March 2022.

All statements in this release relate to the five months to 31 December 2021 ("the period") unless otherwise indicated.

Adrian Sainsbury, Chief Executive Officer

"We have seen good momentum in our business, as we continue to make the most of opportunities in our core markets. We are navigating the current environment effectively and remain confident that our proven and resilient model, supported by the hard work and expertise of our people, leave us well positioned to protect, grow and sustain our business over the long term."

Group and divisional performance

The group has performed well, with good loan book growth at strong margins in Banking and continued growth momentum in Close Brothers Asset Management ("CBAM"), although trading income in Winterflood has moderated since the end of the 2021 financial year.

Our Common Equity Tier 1 ("CET1") ratio was 15.7% at 31 December 2021 (31 July 2021: 15.8%), well above the applicable minimum regulatory requirement[1].

In **Banking**, we have seen good demand across our businesses. The loan book increased 2.9% to £8.69 billion (31 July 2021: £8.44 billion) driven by good new business levels in Asset Finance and Motor Finance and improved utilisation in Invoice Finance, despite continued high repayments in the Property business.

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

Our key strategic investment programmes are progressing well and we continue to exercise rigorous control of our costs while remaining mindful of inflationary pressures.

The underlying credit performance of the loan book was strong, and our lending remains predominantly secured, prudently underwritten and diverse. The annualised bad debt ratio was broadly in line with the previous financial year (FY 2021: 1.1%) and includes the impact of updated loss rate assumptions for the Novitas business[2].

CBAM has continued to deliver good growth in the period, achieving annualised net inflows of 8% (FY 2021: 7%) and benefiting from rising markets. Managed assets grew to £16.6 billion (31 July 2021: £15.6 billion) and total client assets increased to £18.0 billion (31 July 2021: £17.0 billion).

As highlighted in the Q1 2022 trading update, **Winterflood's** trading performance has moderated since the end of the 2021 financial year. As a result, operating profit in the period is broadly in line with the H1 2020 run rate (H1 2020 operating profit: £10.6 million). There were no loss days in the period.

Outlook

The group has performed well so far this year and expects to deliver a solid first half performance across our businesses. Although we remain mindful of ongoing uncertainty, we are well placed to continue to make the most of opportunities in the remainder of the year.

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 treatment of software assets at 31 December 2021, the CET1 ratio would be 14.3%. In line with the amended CRR, effective on 23 December 2020, the CET1 capital ratio at 31 December 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 removal of this benefit from the CET1 capital ratio from 1 January 2022. The applicable minimum regulatory requirement, excluding any PRA buffer was 7.6% at 31 December 2021.

2 In July 2021, the group decided to cease permanently the approval of lending to new customers across all of the products offered by Novitas Loans ("Novitas"), a wholly owned subsidiary of Close Brothers acquired in 2017, and withdraw from the legal services financing market. This followed a strategic review of Novitas, which concluded that the overall risk profile of the business is no longer compatible with our long-term strategy and risk appetite. As of 31 July 2021, Novitas had a loan book net of provisions of £181.5 million, representing 2.1% of the group's total loans at this date.

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.*