

# Financial Overview

## Summary Group Income Statement<sup>1</sup>

	2024 £ million	2023 £ million	Change %
Operating income	944.2	932.6	1
Adjusted operating expenses	(674.8)	(615.0)	10
Impairment losses on financial assets	(98.8)	(204.1)	(52)
<b>Adjusted operating profit</b>	<b>170.6</b>	<b>113.5</b>	<b>50</b>
Banking	205.4	120.1	71
<i>Banking excluding Novitas</i>	205.6	226.7	(9)
Commercial	89.5	15.9	463
<i>Of which: Novitas</i>	(0.2)	(106.6)	(100)
Retail	37.9	34.7	9
Property	78.0	69.5	12
Asset Management	12.2	15.9	(23)
Winterflood	(1.7)	3.5	(148)
Group (central functions)	(45.3)	(26.0)	74
<b>Adjusting items:</b>			
Complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements	(6.9)	–	–
Provision in relation to the BiFD review	(17.2)	–	–
Restructuring costs	(3.1)	–	–
Amortisation of intangible assets on acquisition	(1.4)	(1.5)	(7)
<b>Statutory operating profit before tax</b>	<b>142.0</b>	<b>112.0</b>	<b>27</b>
Tax	(41.6)	(30.9)	35
<b>Profit after tax</b>	<b>100.4</b>	<b>81.1</b>	<b>24</b>
<b>Profit attributable to shareholders</b>	<b>100.4</b>	<b>81.1</b>	<b>24</b>
Adjusted basic earnings per share <sup>2</sup>	76.1p	55.1p	
Basic earnings per share <sup>2</sup>	59.7p	54.3p	
Ordinary dividend per share	–	67.5p	
Return on opening equity	6.9%	5.0%	
Return on average tangible equity	8.3%	5.9%	

- Adjusted measures are presented on a basis consistent with prior periods and exclude amortisation of intangible assets on acquisition, to present the performance of the group's acquired businesses consistent with its other businesses; and any exceptional and other adjusting items which do not reflect underlying trading performance. Further detail on the reconciliation between operating and adjusted measures can be found in Note 3 "Segmental Analysis".
- Refer to Note 7 "Earnings per Share" for the calculation of basic and adjusted earnings per share.

### Basis of Presentation

Results are presented both on a statutory and an adjusted basis to aid comparability between periods. Adjusted measures are presented on a basis consistent with prior periods and exclude costs associated with complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements, provisions in relation to the Borrowers in Financial Difficulty review, restructuring costs and amortisation of intangible assets on acquisition, to present the performance of the group's acquired businesses consistent with its other businesses; and any exceptional and other adjusting items which do not reflect underlying trading performance. The adjusting items are presented within administrative expenses on a statutory basis. Please refer to Note 3 "Segmental Analysis" for further details on items excluded from the adjusted performance metrics.

### Statutory Operating Profit

Statutory operating profit before tax increased 27% to £142.0 million (2023: £112.0 million), reflecting higher profitability in the Banking division, driven primarily by the non-recurrence of the significant impairment charges incurred in relation to Novitas in the prior year. This was partly offset by costs associated with the handling of complaints and other operational costs associated with the FCA's review of historical motor finance commission arrangements, a provision recognised in relation to the Past Business Review and expected customer compensation in respect of forbearance related to motor finance lending following discussions with the FCA in relation to its market-wide review of Borrowers in Financial Difficulty ("BiFD"), and an increase in Group (central functions) net expenses.

### Adjusted Operating Profit

Adjusted operating profit increased 50% to £170.6 million (2023: £113.5 million), as the significant decrease in impairment charges and 1% growth in income offset a 10% growth in adjusted operating expenses. Excluding Novitas, adjusted operating profit decreased to £170.8 million (2023: £220.1 million).

Banking adjusted operating profit increased to £205.4 million (2023: £120.1 million), with the prior year including an impairment charge of £116.8 million taken in relation to Novitas. Excluding Novitas, Banking adjusted operating profit decreased to £205.6 million (2023: £226.7 million) as higher income from loan book growth was more than offset by cost growth in line with guidance. In the Asset Management division, adjusted operating profit declined by 23% to £12.2 million (2023: £15.9 million) as higher income was offset by an increase in costs as we invested in new hires in our bespoke investment management business. Winterflood delivered an operating loss of £1.7 million (2023: operating profit of £3.5 million), primarily reflecting lower trading income in a challenging market environment and one-off dual-running property costs. Group (central functions) net expenses, which include the central functions such as finance, legal and compliance, risk and human resources, increased to £45.3 million (H1 2024: £21.0 million, H2 2024: £24.3 million, 2023: £26.0 million), driven primarily by interest charges of £19.4 million (2023: £2.5 million) incurred on the group's £250 million senior unsecured bond issued in June 2023 at an interest rate of 7.75% and an increase in professional fees and expenses associated with the potential impact on the group of the FCA's review of historical motor finance commission arrangements.

We expect Group (central functions) net expenses to increase to between £55 million and £60 million in the 2025 financial year, primarily reflecting an elevated level of professional fees and expenses associated with the potential impact on the group of the FCA's review of historical motor finance commission arrangements and its revised timetable, as well as a decline in interest income received from the proceeds of the group bond being placed on deposit with the reduction in interest rates.

Return on opening equity increased to 6.9% (2023: 5.0%) and return on average tangible equity increased to 8.3% (2023: 5.9%).

### Operating Income

Operating income increased 1% to £944.2 million (2023: £932.6 million), with growth in both Asset Management and Banking offsetting a decline in Winterflood and higher interest expenses from the group senior unsecured bond.

Income in the Banking division increased 2%. This reflected good loan book growth and strong, albeit reduced, margins as we maintained our focus on pricing discipline and optimising funding costs in the higher rate environment, although experienced margin pressures and lower activity-driven fee income in the Commercial businesses. As previously highlighted, Banking income in the prior year benefited from one-off items related to movements through profit and loss from derivatives outside of a hedge accounting relationship and Novitas income. Excluding the impact of these items, Banking income grew 4%. Income in Asset Management increased 9%, driven by higher investment management income, reflecting growth in AuM delivered by our bespoke investment management business. Income in Winterflood reduced 3% as the decline in trading income more than offset growth in WBS. Income decreased in the Group (central functions) to £(11.5) million (2023: £(1.3) million), driven by interest charges incurred on the group's £250 million senior unsecured bond issued in June 2023 at an interest rate of 7.75%, partly offset by interest income received from the proceeds being placed on deposit.

### Operating Expenses

Adjusted operating expenses rose 10% to £674.8 million (2023: £615.0 million), primarily driven by increased staff costs across the group, as well as continued investment in Banking. In the Banking division, costs grew 8%, at the lower end of the guidance provided, as we incurred inflationary-related increases in staff costs, higher regulatory compliance and assurance expenses and continued to invest in our strategic programmes. We also made good progress on our strategic and tactical cost management initiatives as we implement measures to deliver annualised cost savings of c.£20 million, reaching the full run rate by the end of the 2025 financial year, with the total benefit, in the 2026 financial year. Costs rose 13% in Asset Management, mainly reflecting wage inflation and new hires to support future growth. Winterflood's costs increased 4%, primarily reflecting one-off costs incurred by relocating premises. Expenses in the Group (central functions) rose to £33.8 million (2023: £24.7 million), reflecting an increase in professional fees and expenses associated with the potential impact on the group of the FCA's review of historical motor finance commission arrangements, as well as performance-driven compensation and share-based awards.

Overall, the group's expense/income ratio increased to 71% (2023: 66%), whilst the compensation ratio increased to 41% (2023: 37%), reflecting inflation-related wage increases and new hires in CBAM.

### Impairment Charges and IFRS 9 Provisioning

Impairment charges decreased significantly to £98.8 million (2023: £204.1 million), corresponding to a bad debt ratio of 1.0% (2023: 2.2%) with the prior year including a charge of £116.8 million in relation to Novitas. Overall, provision coverage increased to 4.3% (31 July 2023: 3.9%).

Excluding Novitas, impairment charges rose 6% to £92.4 million (2023: £87.3 million), mainly driven by loan book growth and the ongoing review of provisions and coverage across our loan portfolios, partly offset by improvements to the macroeconomic outlook. The bad debt ratio, excluding Novitas, remained stable at 0.9% (2023: 0.9%) and remains below our long-term bad debt ratio of 1.2%. The coverage ratio increased slightly to 2.3% (31 July 2023: 2.1%), excluding Novitas.

Since the 2023 financial year end, we have updated the macroeconomic scenarios to reflect the latest available information regarding the macroeconomic environment and improved outlook, although the weightings assigned to them

remain unchanged. At 31 July 2024, there was a 30% weighting to the strong upside, 32.5% weighting to the baseline, 20% weighting to the mild downside, 10.5% weighting to the moderate downside and 7% weighting to the protracted downside.

Whilst we have not seen a significant impact on credit performance, we continue to monitor closely the evolving impacts of inflation and cost of living on our customers. We remain confident in the quality of our loan book, which is predominantly secured or structurally protected, prudently underwritten, diverse, and supported by the deep expertise of our people. Looking forward, we expect the bad debt ratio for the 2025 financial year to remain below our long-term average of 1.2%.

### Adjusting Items

We recognised £28.6 million of adjusting items in the 2024 financial year, of which £2.9 million were incurred in the first half (consisting of £0.6 million of amortisation of intangible assets on acquisition and £2.3 million relating to complaints handling expenses and other operational costs associated with the FCA's review of historical motor finance commission arrangements, which have been recategorised as an adjusting item).

We incurred £6.9 million of complaints handling expenses and other operational costs associated with the FCA's review of historical motor finance commission arrangements.

As highlighted in the Q3 trading update, following discussions with the FCA in relation to its market-wide review of Borrowers in Financial Difficulty, which assessed forbearance and related practices, the group has conducted a Past Business Review of customer forbearance related to its motor finance lending. This has now concluded and a provision of £17.2 million has been recognised in respect of the review and expected customer compensation. We have commenced making compensation payments to customers, with the resulting remediation programme expected to be materially complete this calendar year. This provision, which should sufficiently address the outcomes of the review, is higher than previously estimated, reflecting our decision to both widen the population of in-scope customers and increase the assumptions for average distress and inconvenience payments, in line with our commitment to achieving fair customer outcomes.

### Summary Group Balance Sheet

	31 July 2024 £ million	31 July 2023 £ million
Loans and advances to customers and operating lease assets <sup>1</sup>	10,098.7	9,526.2
Treasury assets <sup>2</sup>	2,300.9	2,229.4
Market-making assets <sup>3</sup>	691.8	787.6
Other assets	989.4	1,007.1
<b>Total assets</b>	<b>14,080.8</b>	<b>13,550.3</b>
Deposits by customers	8,693.6	7,724.5
Borrowings <sup>4</sup>	2,339.2	2,839.4
Market-making liabilities <sup>3</sup>	631.6	700.7
Other liabilities	573.9	640.8
<b>Total liabilities</b>	<b>12,238.3</b>	<b>11,905.4</b>
<b>Equity<sup>5</sup></b>	<b>1,842.5</b>	<b>1,644.9</b>
<b>Total liabilities and equity</b>	<b>14,080.8</b>	<b>13,550.3</b>

1. Includes operating lease assets of £267.9 million (31 July 2023: £271.2 million).

2. Treasury assets comprise cash and balances at central banks and debt securities held to support the Banking division.

3. Market-making assets and liabilities comprise settlement balances, long and short trading positions and loans to or from money brokers.

4. Borrowings comprise debt securities in issue, loans and overdrafts from banks and subordinated loan capital.

5. Equity includes the group's £200.0 million Fixed Rate Reset Perpetual Subordinated Contingent Convertible Securities (AT1 securities), net of transaction costs, which are classified as an equity instrument under IAS 32.

In addition, we incurred £3.1 million of restructuring costs in the 2024 financial year primarily relating to redundancy and associated costs. We have made good progress on streamlining the workforce, which has been achieved through the consolidation of roles across our businesses and functions, as well as through the management of vacancies.

### Tax Expense

The tax expense was £41.6 million (2023: £30.9 million), which corresponds to an effective tax rate of 29.3% (2023: 27.6%).

The standard UK corporation tax rate for the financial year is 25.0% (2023: 21.0%). The effective tax rate is above the UK corporation tax rate primarily due to disallowable expenditure, including expected customer compensation following the BIFD review, partly offset by tax relief from the Additional Tier 1 ("AT1") securities coupon payments. An additional banking surcharge of 3% (2023: 6.3%) applies to banking company profits as defined in legislation, but only above a certain amount, resulting in a nil (2023: 5.5%) surcharge impact.

### Earnings Per Share

Adjusted basic earnings per share ("EPS") increased to 76.1p (2023: 55.1p) and basic EPS increased to 59.7p (2023: 54.3p). Both the adjusted and basic EPS calculation include the payment of the coupon related to the Fixed Rate Resetting AT1 Perpetual Subordinated Contingent Convertible Securities, at an annual rate of 11.125%, on 29 May 2024. The associated coupon is due on 29 May and 29 November of each year, with any AT1 coupons paid deducted from retained earnings, reducing the profit attributable to ordinary shareholders.

### Dividend

Given the significant uncertainty regarding the outcome of the FCA's review of historical motor finance commission arrangements and any potential financial impact as a result, the board has considered it prudent for the group to further strengthen its capital position, while supporting our customers and business franchise. Therefore, as announced on 15 February 2024, the group will not pay a dividend on its ordinary shares for the 2024 financial year.

The reinstatement of dividends in the 2025 financial year and beyond will be reviewed once the FCA has concluded its process and any financial consequences for the group have been assessed.

## Financial Overview continued

The group maintained a strong balance sheet and a prudent approach to managing its financial resources. The fundamental structure of the balance sheet remains unchanged, with most of the assets and liabilities relating to our Banking activities. Loans and advances make up the majority of assets. Other items on the balance sheet include treasury assets held for liquidity purposes, and settlement balances in Winterflood. Intangibles, property, plant and equipment, and prepayments are included as other assets. Liabilities are predominantly made up of customer deposits and both secured and unsecured borrowings to fund the loan book.

Total assets increased 4% to £14.1 billion (31 July 2023: £13.6 billion), mainly reflecting growth in the loan book and higher Treasury assets. Total liabilities were 3% higher at £12.2 billion (31 July 2023: £11.9 billion), driven primarily by higher customer deposits, partly offset by a reduction in borrowings. Both market-making assets and liabilities, which related to trading activity at Winterflood, were lower due to a decrease in value traded at the end of the year.

Total equity increased 12% to £1.8 billion (31 July 2023: £1.6 billion), primarily reflecting the issuance of AT1 securities net of transaction costs and profit in the year, which was partially offset by dividend payments for the 2023 financial year of £67.1 million (2023: £99.1 million) and the AT1 coupon payment of £11.1 million (2023: £nil). The group's return on assets increased to 0.8% (2023: 0.6%).

### Movements in Capital and Other Regulatory Metrics

The CET1 capital ratio reduced from 13.3% to 12.8%, mainly driven by loan book growth (-c.100bps), a decrease in IFRS 9 transitional arrangements (-c.20bps), Bluestone Motor Finance (Ireland) DAC acquisition (-c.20bps) and AT1 coupon (-c.10bps). This was partly offset by profits for the current financial year (c.90bps).

CET1 capital increased 5% to £1,374.8 million (31 July 2023: £1,310.8 million), mainly driven by £100.4 million of profits, partly offset by the dividends paid and foreseen related to the AT1 coupon of £15.0 million and a decrease in the transitional IFRS 9 add-back to capital of £19.7 million.

Tier 1 capital increased 20% to £1,574.8 million (31 July 2023: £1,310.8 million), driven by the issuance of the group's inaugural AT1 in a £200 million transaction to optimise the capital structure and provide further flexibility to grow the business. The transaction strengthened the regulatory capital position and was in line with the group's strategy and capital management framework.

Total capital increased 17% to £1,774.8 million (31 July 2023: £1,510.8 million), primarily reflecting the AT1 issuance.

RWAs increased 9% to £10.7 billion (31 July 2023: £9.8 billion), driven by loan book growth (c.£790 million) primarily in Commercial and Property, the acquisition of Bluestone Motor Finance (Ireland) DAC (c.£120 million), and a decrease in operational risk RWAs (c.£40 million), reflecting a reduction in average income in Winterflood partly offset by loan book growth.

As a result, CET1, tier 1 and total capital ratios were 12.8% (31 July 2023: 13.3%), 14.7% (31 July 2023: 13.3%) and 16.6% (31 July 2023: 15.3%), respectively.

The applicable CET1, tier 1 and total capital ratio requirements, including Capital Requirements Directive ("CRD") buffers but excluding any applicable Prudential Regulation Authority ("PRA") buffer, were 9.7%, 11.4% and 13.7%, respectively, at 31 July 2024. Accordingly,

we continue to have headroom significantly above the applicable requirements of c.310bps in the CET1 capital ratio, c.330bps in the tier 1 capital ratio and c.290bps in the total capital ratio.

The group applies IFRS 9 regulatory transitional arrangements which allow banks to add back to their capital base a proportion of the IFRS 9 impairment charges during the transitional period. Our capital ratios are presented on a transitional basis after the application of these arrangements. On a fully loaded basis, without their application, the CET1, tier 1 and total capital ratios would be 12.7%, 14.6% and 16.5%, respectively.

The leverage ratio, which is a transparent measure of capital strength not affected by risk weightings, increased to 12.7% (31 July 2023: 11.4%) primarily due to the increase in tier 1 capital.

The PRA Policy Statement PS 9/24 Implementation of the Basel 3.1 standards near-final part 2 was published on 12 September 2024, with an implementation date of 1 January 2026, six months later than previously anticipated. The majority of rules applicable to the group remain unchanged, including the proposed removal of the small and medium-sized enterprises ("SME") supporting factor, new conversion factor for cancellable facilities and new market risk rules. As a result, we continue to expect implementation to result in an increase of up to c.10% in the group's RWAs calculated under the standardised approach. However, the PRA has proposed to apply an SME lending adjustment as part of Pillar 2a, to ensure that the removal of the SME support factor does not result in an increase in overall capital requirements for SME lending. Whilst this adjustment is subject to PRA confirmation and a resulting restatement of the group's total capital requirements, we would reasonably expect the UK implementation of Basel 3.1 to have a less significant impact on the group's capital headroom position than initially anticipated.

As outlined at the Half Year 2024 results, following our application (in December 2020) to transition to the Internal Ratings Based ("IRB") approach, the application has successfully moved to Phase 2 of the process and engagement with the regulator continues. Our Motor Finance, Property Finance and Energy portfolios, where the use of models is most mature, were submitted with our initial application.

### Further Strengthening our Capital Position

In March 2024, we announced a range of management actions which have the potential to strengthen the group's available CET1 capital by approximately £400 million by the end of the 2025 financial year (when compared to the group's projected CET1 capital ratio for 31 July 2025 at the time of our Half Year results announcement, prior to any management actions). While there remains considerable uncertainty regarding the specifics of any potential redress scheme, if required, as well as its timing, the board is confident that these actions leave the group well positioned to navigate the current uncertainty.

Subject to the execution of these management actions and capital generation, we have the potential to increase the group's CET1 capital ratio to between 14% and 15% at the end of the 2025 financial year (excluding any potential redress or provision related to the FCA's review of historical motor finance commission arrangements). Over the medium term, we remain committed to our previous CET1 capital target range of 12% to 13%.

## Group Capital

	31 July 2024 £ million	31 July 2023 £ million
Common Equity Tier 1 capital	<b>1,374.8</b>	1,310.8
Tier 1 capital	<b>1,574.8</b>	1,310.8
Total capital	<b>1,774.8</b>	1,510.8
Risk weighted assets	<b>10,701.2</b>	9,847.6
Common Equity Tier 1 capital ratio (transitional)	<b>12.8%</b>	13.3%
Tier 1 capital ratio (transitional)	<b>14.7%</b>	13.3%
Total capital ratio (transitional)	<b>16.6%</b>	15.3%
Leverage ratio <sup>1</sup>	<b>12.7%</b>	11.4%

1. 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 the UK Capital Requirements Regulation.

## Group Funding<sup>1</sup>

	31 July 2024 £ million	31 July 2023 £ million
Customer deposits	<b>8,693.6</b>	7,724.5
Secured funding	<b>1,205.1</b>	1,676.6
Unsecured funding <sup>2</sup>	<b>1,219.1</b>	1,308.6
Equity	<b>1,842.5</b>	1,644.9
<b>Total available funding<sup>3</sup></b>	<b>12,960.3</b>	12,354.6
Total funding as a percentage of loan book <sup>4</sup>	<b>128%</b>	130%
Average maturity of funding allocated to loan book <sup>5</sup>	<b>20 months</b>	21 months

1. Numbers relate to core funding and exclude working capital facilities at the business level.

2. Unsecured funding excludes £55.7 million (31 July 2023: £44.3 million) of non-facility overdrafts included in borrowings and includes £140.0 million (31 July 2023: £190.0 million) of undrawn facilities.

3. Includes £250 million of funds raised via a senior unsecured bond with a five-year tenor by Close Brothers Group plc, the group's holding company, in June 2023, with proceeds currently used for general corporate purposes.

4. Total funding as a percentage of loan book includes £267.9 million (31 July 2023: £271.2 million) of operating lease assets in the loan book figure.

5. Average maturity of total available funding, excluding equity and funding held for liquidity purposes.

Our Treasury function is focused on managing funding and liquidity to support the Banking businesses, as well as interest rate risk.

Our conservative approach to funding is based on the principle of "borrow long, lend short", with a spread of maturities over the medium and longer term, comfortably ahead of a shorter average loan book maturity. We have maintained a prudent maturity profile, with the average maturity of funding allocated to the loan book at 20 months (31 July 2023: 21 months), ahead of the average loan book maturity at 16 months (31 July 2023: 16 months).

Our funding draws on a wide range of wholesale and deposit markets including several public debt securities at both group and operating company level, as well as public and private secured funding programmes and a diverse mix of customer deposits. This broad funding base reduces concentration risk and ensures we can adapt our position through the cycle.

Total funding increased by 5% over the year to £13.0 billion (31 July 2023: £12.4 billion), which accounted for 128% (31 July 2023: 130%) of the loan book at the balance sheet date, as we actively sought to grow our customer deposit base over the year. The average cost of funding in Banking increased to 5.5% (2023: 3.2%) reflecting the stabilisation of interest rates at a higher level and the corresponding impact on deposit pricing pressure. With macroeconomic indicators showing improvement in the second half of the financial year, the Bank of England base rate cut in August 2024 and further expectations of interest rate reductions, the pressure on cost of funding has begun to ease in recent months. We are well positioned to continue benefiting from our diverse funding base.

Customer deposits increased 13% to £8.7 billion (31 July 2023: £7.7 billion). Of this, non-retail deposits decreased 15% to £3.0 billion (31 July 2023: £3.5 billion) and retail deposits increased by 36% to £5.7 billion (31 July 2023: £4.2 billion), as we actively sought to grow our retail deposit base and product offering. In line with our prudent and conservative approach to funding, our deposits are predominantly term, with only 8% of total deposits available on demand and over 65% having at least three months to maturity. At 31 July 2024, approximately 86% of retail deposits were protected by the Financial Services Compensation Scheme.

Secured funding decreased 28% to £1.2 billion (31 July 2023: £1.7 billion), with our fifth public Motor Finance securitisation completed in November 2023 more than offset by a £250 million repayment related to our Motor Finance warehouse securitisation and the repayment of £490 million of the Term Funding Scheme for Small and Medium-sized Enterprises ("TFSME") ahead of the scheduled maturity date. This takes our remaining drawings under the scheme to £110 million (31 July 2023: £600 million), which will mature in October 2025, and which we expect to replace in line with our diverse funding profile, dependent on market conditions and demand.

Unsecured funding, which includes senior unsecured and subordinated bonds and undrawn committed revolving facilities, reduced 7% to £1.2 billion (31 July 2023: £1.3 billion).

Group Liquidity

	31 July 2024 £ million	31 July 2023 £ million
Cash and balances at central banks	1,584.0	1,937.0
Sovereign and central bank debt	383.7	186.1
Supranational, sub-sovereigns and agency (“SSA”) bonds	145.5	–
Covered bonds	187.7	106.3
<b>Treasury assets</b>	<b>2,300.9</b>	<b>2,229.4</b>

The investment in our customer deposit platform continues to deliver tangible benefits and provide us with scalability. Deposits held through this platform have now grown to over £6.3 billion and we have continued to expand and diversify our products, with Easy Access complementing our existing offering of Notice Accounts and Fixed Rate Cash ISAs. The introduction of Easy Access provides us access to a large potential deposit pool, with balances of c.£540 million (at 31 July 2024). We have also recently onboarded an additional depositor aggregator partner, which has provided another avenue for us to secure fixed retail funding. We remain focused on growing our retail funding base from a variety of segments, further optimising our cost of funding and maturity profile.

Our Savings business provides simple and straightforward savings products to both individuals and businesses, whilst being committed to providing the highest level of customer service. In the second half of the financial year, we conducted a review aimed at enhancing operational efficiency and supporting our retail deposit growth ambitions. As a result, our Savings business has been integrated into the Retail business. This strategic move will leverage established shared operations, supporting the continued expansion of the business.

Our credit ratings continue to reflect the group’s inherent financial strength, diversified business model and consistent risk appetite. Moody’s Investors Services (“Moody’s”) ratings for CBG and CBL are A3/P2 and A1/P1 respectively (at 14 August 2024) with a negative outlook. Moody’s ratings for Close Brothers Group’s senior unsecured and subordinated debt is A3 (at 14 August 2024). Fitch Ratings (“Fitch”) Issuer Default Ratings (“IDRs”) for CBG and CBL are BBB+/F2 with a “negative outlook” (at 20 February 2024).

Group Liquidity

The group continues to adopt a conservative stance on liquidity, ensuring it is comfortably ahead of both internal risk appetite and regulatory requirements.

In light of the significant uncertainty regarding the outcome of the FCA’s review of historical motor finance commission arrangements, we have deliberately maintained a higher level of liquidity. We have continued to diversify our large, high quality liquid asset portfolio held mainly in cash and government bonds. Over the year, treasury assets increased 3% to £2.3 billion (31 July 2023: £2.2 billion) and were predominantly held on deposit with the Bank of England.

We regularly assess and stress test the group’s liquidity requirements and continue to exceed the liquidity coverage ratio (“LCR”) regulatory requirements, with a 12-month average LCR to 31 July 2024 of 1,034% (31 July 2023: 1,143%). In addition to internal measures, we monitor funding risk based on the CRR rules for the net stable funding ratio (“NSFR”). The four-quarter average NSFR to 31 July 2024 was 134.4% (31 July 2023: 126.0%).

Post Balance Sheet Event

Following a comprehensive strategic review, on 19 September 2024 the group announced that it entered into an agreement to sell CBAM to Oaktree for an equity value of up to £200 million.

The upfront proceeds would increase the group’s common equity tier 1 (“CET1”) capital ratio by approximately 100 basis points on a pro forma basis. This calculation is based on a net asset value of £121.8 million at 31 July 2024, a tangible net asset value of £66.1 million, and assumes an immediate reduction in credit risk weighted assets (“RWAs”) associated with the CBAM business. It does not include any immediate reduction in operational risk RWAs and excludes any capital impact in respect of the contingent deferred consideration. This estimate is subject to change before completion.

The transaction is expected to complete in early 2025 calendar year and is conditional upon receipt of certain customary regulatory approvals.

Further details of the financial impacts of the sale agreement on the group can be found in Note 29: “Post Balance Sheet Event”.

## Banking

### Key Financials

	2024 £ million	2023 £ million	Change %
Operating income	724.9	713.8	2
Adjusted operating expenses	(420.6)	(389.7)	8
Impairment losses on financial assets	(98.9)	(204.0)	(52)
<b>Adjusted operating profit</b>	<b>205.4</b>	<b>120.1</b>	<b>71</b>
<b>Adjusted operating profit, pre provisions</b>	<b>304.3</b>	<b>324.1</b>	<b>(6)</b>
<b>Adjusting items:</b>			
Complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements	(6.9)	–	–
Provision in relation to the BiFD review	(17.2)	–	–
Restructuring costs	(3.1)	–	–
Amortisation of intangible assets on acquisition	(0.2)	(0.1)	100
<b>Statutory operating profit</b>	<b>178.0</b>	<b>120.0</b>	<b>48</b>
Net interest margin	7.4%	7.7%	
Expense/income ratio	58.0%	54.6%	
Bad debt ratio	1.0%	2.2%	
Return on net loan book	2.1%	1.3%	
Return on opening equity	10.6%	6.6%	
<b>Closing loan book and operating lease assets</b>	<b>10,098.7</b>	<b>9,526.2</b>	<b>6</b>

### Key Financials (Excluding Novitas)

	2024 £ million	2023 £ million	Change %
Operating income	713.9	694.9	3
Adjusted operating expenses	(415.8)	(381.0)	9
Impairment losses on financial assets	(92.5)	(87.2)	6
<b>Adjusted operating profit</b>	<b>205.6</b>	<b>226.7</b>	<b>(9)</b>
<b>Adjusted operating profit, pre provisions</b>	<b>298.1</b>	<b>313.9</b>	<b>(5)</b>
Net interest margin	7.3%	7.6%	
Expense/income ratio	58.2%	54.8%	
Bad debt ratio	0.9%	0.9%	
<b>Closing loan book and operating lease assets</b>	<b>10,036.3</b>	<b>9,466.3</b>	<b>6</b>

### Robust Profit Performance Reflecting our Focus on Costs and Pricing Discipline

Whilst the market backdrop was mixed in the first half of the year, with the continued uncertainty testing the resilience of SMEs and consumers, we saw an overall improvement in sentiment in the second part of the year as inflation fell and interest rates peaked, with the Bank of England base rate reduced in August 2024.

In Commercial, we have delivered good loan book growth of 6% and are starting to benefit from the investment in our Asset Finance transformation programme. Net interest margin has declined to 6.6%, driven by a combination of pressure on new business margins in the higher interest rate environment, a reduction in activity-driven fee income and a higher proportion of growth in some of our portfolios with larger loan sizes and lower margin. Whilst the Retail business has faced a challenging regulatory backdrop, we have remained focused on providing excellent service for our customers and delivered a 9% increase in adjusted operating profit. Motor Finance has continued to see good customer demand in the UK and is rebuilding its presence in the Irish market, with the loan book up 3%. Premium Finance has delivered a strong performance overall, notwithstanding a 3% decline in the loan book. The Property business has had a strong year, with profitability up 12% and the loan book at c.£2 billion, as optimism returns to the UK property market and we continue to build customer advocacy through

our relationship-led model. This resilient performance has been delivered notwithstanding the challenging regulatory backdrop, as we have sought to balance supporting our customers whilst protecting our franchise.

Banking adjusted operating profit increased to £205.4 million (2023: £120.1 million), with the prior year including an impairment charge of £116.8 million in relation to Novitas. Excluding Novitas, Banking adjusted operating profit decreased 9% to £205.6 million (2023: £226.7 million), as growth in income, driven by good loan book growth and a strong, albeit reduced, net interest margin, was more than offset by higher costs and an increase in impairment charges.

On a statutory basis, operating profit increased to £178.0 million (2023: £120.0 million), notwithstanding £27.4 million of adjusting items which included £6.9 million of costs associated with the handling of complaints and other operational costs associated with the FCA's review of historical motor finance commission arrangements, including increased resourcing in our complaints and legal teams and £3.1 million of restructuring costs.

In addition, in respect of the FCA's market-wide review of BiFD, which is focused on providing a stronger framework for firms to protect customers facing payment difficulties and covers matters such as affordability, forbearance and vulnerable customers, we have conducted a Past Business Review of customer forbearance related to motor finance lending. This was a voluntary review undertaken with oversight from the FCA. A provision of £17.2 million has been recognised in respect of the review and expected customer compensation. We have commenced making remediation payments to customers, with the resulting remediation programme expected to be materially complete this calendar year.

The loan book grew 6% over the year to £10.1 billion (31 July 2023: £9.5 billion), reflecting healthy drawdowns in Property and strong new business in Invoice Finance, as well as good demand in Motor Finance and in Asset Finance, driven by the Leasing business. This was partly offset by a decline in Premium Finance and the run-off of the legacy Republic of Ireland Motor Finance loan book. Overall, the loan book grew 4% in the first half of the year and slowed to 2% in the second half, reflecting the selective loan book actions identified at the Half Year 2024 results.

Excluding the businesses in run-off, Novitas and the legacy Republic of Ireland Motor Finance business, the loan book grew 7% to £9.9 billion (31 July 2023: £9.3 billion).

Operating income increased 2% to £724.9 million (2023: £713.8 million), reflecting good loan book growth and strong, albeit reduced, margins. As previously highlighted, the prior year benefited from Novitas income (£19 million in 2023 versus £11 million in 2024) and movements through profit and loss from derivatives outside of a hedge accounting relationship (£2 million benefit in 2023 versus £5 million adverse impact in 2024). Excluding the impact of Novitas and these movements in derivatives, operating income rose 4%, driven by loan book growth.

Whilst the net interest margin remained strong as we maintained our focus on pricing discipline and optimising funding costs in the higher rate environment, it decreased to 7.4% (2023: 7.7%), with c.12bps of margin reduction reflecting the movements through profit and loss from derivatives outside of a hedge accounting relationship and Novitas income benefiting the prior year. Excluding the impact of these items, the net interest margin decreased by c.16bps, primarily reflecting margin pressures and lower activity-driven fee income in the Commercial businesses, partly offset by the pass through of higher rates in Retail. We are well positioned to sustain the net interest margin delivered in the second half of the 2024 financial year of 7.2%.

Adjusted operating expenses increased 8% to £420.6 million (2023: £389.7 million), driven mainly by inflationary-related increases in staff costs, higher regulatory compliance and assurance expenses and continued investment, partly offset by the progress we have made on our tactical and strategic cost management initiatives. This also included £6.5 million (2023: £0.8 million) of costs related to the acquisition, integration and running of Close Brothers Motor Finance in Ireland, which completed in October 2023, and spend of £4.8 million (2023: £8.7 million) related to Novitas as we continue to wind down the business. The expense/income ratio increased to 58.0% (2023: 54.6%) and the compensation ratio rose to 32% (2023: 30%), reflecting inflation-related wage increases.

Overall Banking cost growth was at the lower end of the 8-10% guidance range provided at the Full Year 2023 results on a like-for-like basis, with an 8% increase to £421.0 million (2023: £388.9 million), when including £6.9 million (2023: £nil)

of costs associated with the handling of complaints and other operational costs associated with the FCA's review of historical motor finance commission arrangements and excluding £6.5 million (2023: £0.8 million) related to Close Brothers Motor Finance in Ireland.

Over the year, we have continued to make good progress on our strategic cost management initiatives. Our technology transformation programme, initiated in 2023, is focused on simplifying and modernising our technology estate, removing unnecessary cost and increasing our use of strategic partners, whilst creating a more digitally enabled and agile IT environment that is secure, resilient and sustainable. We have partnered with Wipro, a leading technology services and consulting company, to help us drive our transformation. To date, we have reduced our headcount by c.100, as we made increased use of outsourcing, and removed over 115 IT applications.

As outlined at the Half Year 2024 results, we have also mobilised additional cost management initiatives to support the ongoing profitability of the business, particularly in light of the capital actions and their expected impact on future income. These initiatives are expected to generate annualised savings of c.£20 million, reaching the full run rate by the end of the 2025 financial year, with the total benefit in the 2026 financial year. These include rationalising our third-party suppliers and property footprint and adjusting our workforce to drive increased efficiency and effectiveness. In recent months, we have served notice to vacate our Wimbledon Bridge House office and establish a more suitable London footprint to meet the needs of the business, resulting in the removal of approximately 800 desks.

We have incurred £3.1 million of restructuring costs, which have been recognised as an adjusting item in the 2024 financial year, primarily relating to redundancy and associated costs. We expect to incur £5-10 million of restructuring costs in the 2025 financial year as we continue to implement cost management actions to improve future efficiency.

We expect income and adjusted operating expenses growth, excluding the impact of adjusting items which do not reflect the underlying performance of our business, to be aligned in the 2025 financial year and to deliver positive operating leverage in the 2026 financial year.

Impairment charges decreased significantly to £98.9 million (2023: £204.0 million), corresponding to a bad debt ratio of 1.0% (2023: 2.2%) with the prior year including a charge of £116.8 million in relation to Novitas. Overall, provision coverage increased to 4.3% (31 July 2023: 3.9%).

Excluding Novitas, impairment charges rose 6% to £92.5 million (2023: £87.2 million), mainly driven by loan book growth and the ongoing review of provisions and coverage across our loan portfolios, partly offset by improvements to the macroeconomic outlook. The bad debt ratio, excluding Novitas, remained stable at 0.9% (2023: 0.9%) and remains below our long-term bad debt ratio of 1.2%. The coverage ratio increased slightly to 2.3% (31 July 2023: 2.1%), excluding Novitas.

Whilst we have not seen a significant impact on credit performance, we continue to monitor closely the evolving impacts of inflation and cost of living on our customers. We remain confident in the quality of our loan book, which is predominantly secured or structurally protected, prudently underwritten, diverse, and supported by the deep expertise of our people. Looking forward, we expect the bad debt ratio for the 2025 financial year to remain below our long-term average.



## Loan Book Analysis

	31 July 2024 £ million	31 July 2023 £ million	Change %
<b>Commercial</b>	<b>5,101.6</b>	4,821.3	6
Commercial – Excluding Novitas	5,039.2	4,761.4	6
Asset Finance <sup>1</sup>	3,655.4	3,481.3	5
Invoice and Speciality Finance <sup>1</sup>	1,446.2	1,340.0	8
Invoice and Speciality Finance – Excluding Novitas <sup>1</sup>	1,383.8	1,280.1	8
<b>Retail</b>	<b>3,041.9</b>	3,001.8	1
Motor Finance <sup>2</sup>	2,016.0	1,948.4	3
Premium Finance	1,025.9	1,053.4	(3)
<b>Property</b>	<b>1,955.2</b>	1,703.1	15
<b>Closing loan book and operating lease assets<sup>3</sup></b>	<b>10,098.7</b>	9,526.2	6
<b>Closing loan book and operating lease assets – Excluding Novitas</b>	<b>10,036.3</b>	9,466.3	6

1. The Asset Finance and Invoice and Speciality Finance loan books have been re-presented for 31 July 2023 to reflect the recategorisation of Close Brothers Brewery Rentals ("CBBR") from Invoice and Speciality Finance to Asset Finance.
2. The Motor Finance loan book includes £92.8 million (31 July 2023: £206.7 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.
3. Includes operating lease assets of £267.9 million (31 July 2023: £271.2 million).

### Update on Progress Relating to Novitas

The decision was made to wind down Novitas and withdraw from the legal services financing market following a strategic review in July 2021, which concluded that the overall risk profile of the business was no longer compatible with our long-term strategy and risk appetite. As announced in H1 2023, we have accelerated our efforts to resolve the issues surrounding this business and continue to pursue formal legal action issued against one of the After the Event ("ATE") insurers in November 2022. We are actively seeking recovery from a second insurer and entered into a settlement with another smaller ATE insurer in July 2023.

During the year, we recognised impairment charges of £6.4 million (2023: £116.8 million) in relation to Novitas, primarily as a result of increased time to recovery assumptions and legal costs associated with the insurer disputes. While we will continue to review provisioning levels in light of future developments, including the experienced credit performance of the book and the outcome of the group's initiated legal action, we believe the provisions adequately reflect the remaining risk of credit losses for the Novitas loan book (c.£62 million net loan book at 31 July 2024).

In addition, in line with IFRS 9 requirements, a proportion of the expected credit loss is expected to unwind, over the estimated time to recovery period, to interest income. The group remains focused on maximising the recovery of remaining loan balances, either through successful outcome of cases or recourse to the customers' ATE insurers, whilst complying with its regulatory obligations and always focusing on ensuring good customer outcomes.

### Good Loan Book Growth from Continued Customer Demand

The loan book grew 6% over the year to £10.1 billion (31 July 2023: £9.5 billion), reflecting healthy drawdowns in Property and strong new business in Invoice Finance, as well as good demand in Motor Finance and in Asset Finance, driven by the Leasing business. This was partly offset by a decline in Premium Finance and the run-off of the legacy Republic of Ireland Motor Finance loan book. Overall, the loan book grew 4% in the first half of the year and slowed to 2% in the second half, reflecting the selective loan book actions identified at the Half Year 2024 results.

Excluding the businesses in run-off, Novitas and the legacy Republic of Ireland Motor Finance business, the loan book grew 7% to £9.9 billion (31 July 2023: £9.3 billion).

The Commercial loan book grew 6% to £5.1 billion (31 July 2023: £4.8 billion). Asset Finance delivered loan book growth of 5%, reflecting good demand in the Leasing business particularly from the Contract Hire, Energy and Materials Handling portfolios, notwithstanding a stabilisation in the second half of the year. Invoice and Speciality Finance grew 8% over the year, despite the typical seasonal decline seen in the first half, driven by strong new business volumes and higher level of utilisations. Excluding Novitas, the Commercial book increased 6% to £5.0 billion (31 July 2023: £4.8 billion).

The Retail loan book grew 1% to £3.0 billion (31 July 2023: £3.0 billion). Motor Finance grew 3% as strong new business volumes in the UK Motor Finance business more than offset the run-off of the legacy Republic of Ireland loan book. Following the acquisition of Bluestone Motor Finance (Ireland) DAC, which completed in October 2023, this business has been rebranded as Close Brothers Motor Finance and had a loan book of £38.8 million at 31 July 2024. The Premium Finance loan book contracted 3%, reflecting the competitive market environment and marginally reduced demand from business customers in the higher interest rate environment.

The legacy Republic of Ireland Motor Finance business accounted for 5% of the Motor Finance loan book (31 July 2023: 11%) and 1% of the Banking loan book (31 July 2023: 2%).

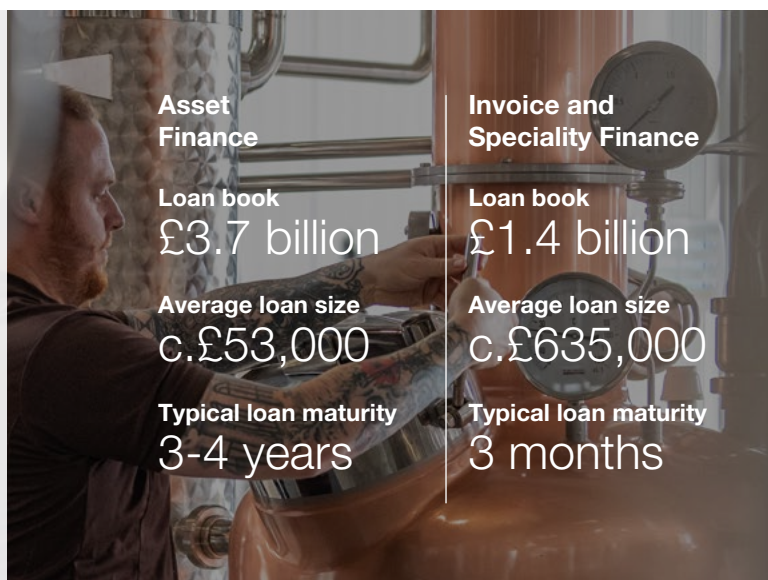
The Property loan book grew 15% as we saw healthy drawdowns from our new business pipeline, as the market benefited from the stabilisation of interest rates and improving market sentiment.

Whilst we remain focused on delivering disciplined growth over the medium term, our priority in the short term is to further strengthen our capital position through identified management actions, including selective loan book growth. Within Commercial and Property, we are exploring the use of partnerships and capital efficient government lending schemes. Across our businesses, we are continuing to prioritise pricing discipline and credit quality and are centred on optimising the allocation of capital across our portfolio of businesses. As a result, we currently plan for low single-digit percentage growth in the loan book for the 2025 financial year.

## Banking – Commercial: At a Glance

Commercial lends to more than 28,000 small and medium-sized enterprises and 35,000 individuals through our in-house teams, where loans are originated via our direct sales force or introduced by third-party distribution channels.

Asset Finance provides commercial asset financing, hire purchase and leasing solutions for a diverse range of assets and sectors. Invoice and Speciality Finance works with small businesses to provide debt factoring, invoice discounting and asset-based lending and includes some of our smaller specialist businesses.



### Banking: Commercial

	2024 £ million	2023 £ million	Change %
Operating income	329.6	347.8	(5)
Adjusted operating expenses	(208.4)	(194.4)	7
Impairment losses on financial assets	(31.7)	(137.5)	(77)
<b>Adjusted operating profit</b>	<b>89.5</b>	<b>15.9</b>	<b>463</b>
<b>Adjusted operating profit, pre provisions</b>	<b>121.2</b>	<b>153.4</b>	<b>(21)</b>
<b>Adjusting items:</b>			
Provision in relation to the BiFD review	(0.6)	–	–
Restructuring costs	(2.2)	–	–
Amortisation of intangible assets on acquisition	–	(0.1)	(100)
<b>Statutory operating profit</b>	<b>86.7</b>	<b>15.8</b>	<b>449</b>
Net interest margin	6.6%	7.4%	
Expense/income ratio	63.2%	55.9%	
Bad debt ratio	0.6%	2.9%	
<b>Closing loan book and operating lease assets<sup>1</sup></b>	<b>5,101.6</b>	<b>4,821.3</b>	<b>6</b>

### Commercial Key Metrics Excluding Novitas

	2024 £ million	2023 £ million	Change %
Operating income	318.6	328.9	(3)
Adjusted operating expenses	(203.6)	(185.7)	10
Impairment losses on financial assets	(25.3)	(20.7)	22
<b>Adjusted operating profit</b>	<b>89.7</b>	<b>122.5</b>	<b>(27)</b>
<b>Adjusted operating profit, pre provisions</b>	<b>115.0</b>	<b>143.2</b>	<b>(20)</b>
Net interest margin	6.5%	7.2%	
Expense/income ratio	63.9%	56.5%	
Bad debt ratio	0.5%	0.5%	
<b>Closing loan book and operating lease assets<sup>1</sup></b>	<b>5,039.2</b>	<b>4,761.4</b>	<b>6</b>

1. Operating lease assets of £267.9 million (31 July 2023: £271.2 million).

## Continued Demand in Commercial, Reflecting the Diversity of our Offering

The Commercial businesses provide specialist, predominantly secured lending principally to the SME market and include Asset Finance and Invoice and Speciality Finance. We finance a diverse range of sectors, with Asset Finance offering commercial asset financing, hire purchase and leasing solutions across a broad range of assets including commercial vehicles, machine tools, contractors' plant, printing equipment, company car fleets, energy project finance, and aircraft and marine vessels, as well as our Vehicle Hire and Brewery Rentals businesses. The Invoice and Speciality Finance business provides debt factoring, invoice discounting and asset-based lending, and also includes Novitas. As previously announced, Novitas ceased lending to new customers in July 2021.

Whilst market uncertainty has continued over the year, we have seen the resilience of SME businesses. Customer demand has remained relatively robust, notwithstanding the competitive marketplace, reflecting the diversity of our offering and the strength of our customer relationships. Our growth initiatives continue to prove successful, with healthy new business volumes written by both our Materials Handling and Agricultural Equipment teams and our second syndication deal completed in Invoice Finance. We have also been approved to lend under the UK government's Growth Guarantee Scheme, launched in July 2024, and the Irish Growth and Sustainability Loan Scheme, which launched in August 2024.

During the year, we completed an internal restructure and created a Broker and Professional Solutions business to simplify and improve our offering to the broker market.

Adjusted operating profit for Commercial increased to £89.5 million (2023: £15.9 million), reflecting a significant decrease in impairment charges. On a pre-provision basis, adjusted operating profit reduced 21% to £121.2 million (2023: £153.4 million), reflecting both a decline in income and cost growth. Excluding Novitas, adjusted operating profit decreased 27% to £89.7 million (2023: £122.5 million).

On a statutory basis, operating profit increased to £86.7 million (2023: £15.8 million) and includes £2.8 million of adjusting items. These primarily relate to £2.2 million of restructuring costs and a £0.6 million provision in relation to the Past Business Review and expected customer compensation in respect of customer forbearance related to motor finance lending.

Operating income reduced 5% to £329.6 million (2023: £347.8 million) as loan book growth was more than offset by pressure on new business margins and activity-driven fee income, as well as reduction in Novitas income. The net interest margin declined to 6.6% (2023: 7.4%), reflecting both lower fee income and the need to balance the repricing of new business written in Asset Finance with our focus on maintaining support to our customers impacted by the higher interest rate environment, as highlighted in the first half. Furthermore, we saw a higher proportion of loan book growth in some of our portfolios with larger loan sizes and lower margin. Excluding Novitas, the net interest margin decreased to 6.5% (2023: 7.2%).

Adjusted operating expenses grew 7% to £208.4 million (2023: £194.4 million), mainly driven by increased staff costs and investment spend, which has been partly offset by lower costs in relation to Novitas. As a result, the Commercial expense/income ratio increased to 63.2% (2023: 55.9%).

During the year, we completed the Asset Finance transformation programme, which has introduced a single technology platform across the business that has standardised processes, increased efficiencies and improved customer and colleague experience.

Impairment charges decreased materially to £31.7 million (2023: £137.5 million), with £116.8 million incurred in relation to Novitas in the prior year. Provision coverage increased marginally to 5.7% (31 July 2023: 5.2%).

Excluding Novitas, there was an increase in impairment charges to £25.3 million (2023: £20.7 million), reflecting loan book growth and the ongoing review of provisions and coverage, including a slight uptick in arrears in Asset Finance as we enter a more normalised credit environment. This corresponded to a bad debt ratio of 0.5% (2023: 0.5%) and a stable coverage ratio (excluding Novitas) of 1.4% (31 July 2023: 1.4%).

## Banking – Retail: At a Glance

Retail provides finance to individuals and businesses through a network of intermediaries.

Motor Finance provides several products at point of sale in a dealership, or online via a broker, which allow consumers to buy vehicles from over 4,250 retailers in the UK and 650 in Ireland.

Premium Finance helps make insurance payments more manageable for people and businesses, by allowing them to spread the cost over fixed instalments. It works with c.1,300 insurance brokers in the UK and Ireland.

### Motor Finance

Loan book  
£2.0 billion

Average loan size  
c.£7,000

Typical loan maturity  
4 years

### Premium Finance

Loan book  
£1.0 billion

Average loan size  
c.£600

Typical loan maturity  
11 months

## Banking: Retail

	2024 £ million	2023 £ million	Change %
Operating income	262.4	248.1	6
Adjusted operating expenses	(177.3)	(164.4)	8
Impairment losses on financial assets	(47.2)	(49.0)	(4)
<b>Adjusted operating profit</b>	<b>37.9</b>	<b>34.7</b>	<b>9</b>
<b>Adjusted operating profit, pre provisions</b>	<b>85.1</b>	<b>83.7</b>	<b>2</b>
<b>Adjusting items:</b>			
Complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements	(6.9)	–	–
Provision in relation to the BiFD review	(16.6)	–	–
Restructuring costs	(0.6)	–	–
Amortisation of intangible assets on acquisition	(0.2)	–	–
<b>Statutory operating profit</b>	<b>13.6</b>	<b>34.7</b>	<b>(61)</b>
Net interest margin	8.7%	8.2%	
Expense/income ratio	67.6%	66.3%	
Bad debt ratio	1.6%	1.6%	
<b>Closing loan book<sup>1</sup></b>	<b>3,041.9</b>	<b>3,001.8</b>	<b>1</b>

1. The Motor Finance loan book includes £92.8 million (31 July 2023: £206.7 million) relating to the legacy 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.

## Focus on Maintaining our Margins and Underwriting Discipline in a Challenging Backdrop

The Retail businesses provide intermediated finance, through motor dealers, motor finance brokers and insurance brokers. Finance is provided to both individuals and to a broad spectrum of UK businesses.

Whilst the market backdrop has presented challenges, with significant uncertainty in relation to the FCA's motor finance work, we have seen good demand over the year and have remained focused on providing excellent service to our customers and partners. In Motor Finance, we have seen strong volumes as we have benefited from expanding our routes to market and our ability to partner with more finance technology providers, such as iVendi and AutoConvert, as part of our strategy to be where the consumer chooses finance. Whilst the Premium Finance business operates in a mature and competitive market, in which we have continued to deepen and evolve our proposition to best meet the needs of our customers and to support broker partners in simplifying premium finance in their businesses. More broadly across our Retail businesses, we have been focused on monitoring our delivery of good customer outcomes in respect of Consumer Duty.

We completed the acquisition of Bluestone Motor Finance (Ireland) (DAC) in October 2023 and have since rebranded the business to Close Brothers Motor Finance. This year, we have focused on the integration and alignment of our pricing and underwriting standards and credit risk appetite. Demand has been healthy and, looking forward, we plan to launch new products and services, enabling us to take advantage of opportunities in the Irish market.

During the second half of the financial year, we integrated our Savings business, which provides simple and straightforward savings products to both individuals and businesses, into Retail. This strategic move will leverage established shared operations, supporting the continued expansion of our retail deposit offering. The presentation of the Retail business financial performance is not impacted by this move.

Adjusted operating profit for Retail rose to £37.9 million (2023: £34.7 million), as growth in income and lower impairment charges were partly offset by higher costs. On a pre-provision basis, adjusted operating profit increased 2% to £85.1 million (2023: £83.7 million).

On a statutory basis, operating profit decreased to £13.6 million (2023: £34.7 million) and was driven mainly by £6.9 million of costs associated with the handling of complaints and other operational costs associated with the FCA's review of historical motor finance commission arrangements, a £16.6 million provision in relation to the Past Business Review and expected customer compensation in respect of customer forbearance related to motor finance lending and £0.6 million of restructuring costs.

Operating income increased 6% to £262.4 million (2023: £248.1 million), driven by both growth in Retail loan book and a strengthening of the net interest margin to 8.7% (2023: 8.2%), as we focused on pricing discipline in the higher rate environment.

Adjusted operating expenses grew 8% to £177.3 million (2023: £164.4 million), driven primarily by the acquisition of Close Brothers Motor Finance in Ireland, higher staff costs and increased regulatory costs. As a result, the expense/income ratio increased to 67.6% (2023: 66.3%).

As previously outlined, the FCA is conducting a review of historical motor finance commission arrangements and sales at several firms, following high numbers of complaints from customers. The estimated impact of any redress scheme, if required, is highly dependent on a number of factors and as such, at this early stage, the timing, scope and quantum of a potential financial impact on the group, if any, cannot be reliably estimated at present. Since the announcement by the FCA of its review of historical motor finance commission arrangements in January 2024, we have seen a further increase in enquiries and complaints. We have also taken

steps to enhance our operational capabilities to respond to increased complaints volumes and potential changes such as the implementation of a consumer redress scheme, if required. We remain focused on mitigating the impact on resource expenses through outsourcing and deployment of automated solutions to assist in triaging new complaints, improving our processing speed. We continue to monitor the impact on our current handling of these complaints and are following the playbooks in place to ensure we have the appropriate resources to respond effectively.

Impairment charges decreased marginally to £47.2 million (2023: £49.0 million), driven primarily by an improvement in the macroeconomic outlook compared to the prior year. As previously highlighted, in Motor Finance, arrears levels have stabilised at a higher level than pre-pandemic, reflecting the continued cost of living pressures on our customers. The bad debt ratio remained stable at 1.6% (2023: 1.6%), with the provision coverage ratio increasing modestly to 3.0% (31 July 2023: 2.9%).

We remain confident in the credit quality of the Retail loan book. The Motor Finance loan book is predominantly secured on second hand vehicles which are less exposed to depreciation or significant declines in value than new cars. Our core Motor Finance product remains conditional sale and hire-purchase contracts, with less exposure to residual value risk associated with Personal Contract Purchase ("PCP"), which accounted for c.10% of the Motor Finance loan book at 31 July 2024 (31 July 2023: c.9%). The Premium Finance loan book benefits from various forms of structural protection including premium refundability and, in most cases, broker recourse for the personal lines product.

## Banking – Property: At a Glance

Property provides residential development finance, bridging finance and commercial development loans to experienced property developers and investors across mainland UK and Northern Ireland, through its two brands, Close Brothers Property Finance and Commercial Acceptances. Lends to c.700 professional property developers with a focus on small to medium-sized residential developments.



## Banking: Property

	2024 £ million	2023 £ million	Change %
Operating income	132.9	117.9	13
Adjusted operating expenses	(34.9)	(30.9)	13
Impairment losses on financial assets	(20.0)	(17.5)	14
<b>Adjusted operating profit</b>	<b>78.0</b>	<b>69.5</b>	<b>12</b>
<b>Adjusted operating profit, pre provisions</b>	<b>98.0</b>	<b>87.0</b>	<b>13</b>
<b>Adjusting items:</b>			
Restructuring costs	(0.3)	–	–
<b>Statutory operating profit</b>	<b>77.7</b>	<b>69.5</b>	<b>12</b>
Net interest margin	7.3%	7.4%	
Expense/income ratio	26.3%	26.2%	
Bad debt ratio	1.1%	1.1%	
<b>Closing loan book</b>	<b>1,955.2</b>	<b>1,703.1</b>	<b>15</b>

### Healthy Drawdowns Driving Strong Loan Book Growth

Property comprises Property Finance and Commercial Acceptances. The Property Finance business is focused on specialist residential development finance to established SME housebuilders and professional developers in the UK. Property Finance also provides funding for commercial properties, housing associations and refurbishment and bridging finance. Commercial Acceptances provides bridging and short-term loans for auction properties, refurbishment projects and small residential development projects.

Although the backdrop has been mixed over the year, with SME housebuilders having faced a challenging period, we have seen positive sentiment return to the UK property market. The economic environment is more stable, housebuilding is a focus area for the new UK government and the mortgage market remains competitive. We delivered a strong financial performance, supported by our relationship-led proposition and excellent customer service. Our focus on expanding in the regions outside of London and the South East is continuing to prove successful, and our pipeline remains healthy at c.£850 million (2023: c.£1 billion). We are also seeing a benefit through our initiatives including Tomorrow’s Developer.

Adjusted operating profit rose 12% to £78.0 million (2023: £69.5 million), as the business achieved neutral operating leverage. On a pre-provision basis, operating profit increased 13% to £98.0 million (2023: £87.0 million).

On a statutory basis, operating profit also increased 12% to £77.7 million (2023: £69.5 million) and included £0.3 million of restructuring costs.

Operating income rose 13% to £132.9 million (2023: £117.9 million), driven by strong loan book growth, although the net interest margin decreased marginally to 7.3% (2023: 7.4%), mainly reflecting one-off early redemptions benefiting the prior year and lower fee yields due to the higher utilisation of loan facilities.

Adjusted operating expenses also rose 13% to £34.9 million (2023: £30.9 million), reflecting an increase in staff costs and a higher apportionment of indirect central resources in line with loan book growth. The expense/income ratio remained stable at 26.3% (2023: 26.2%).

Impairment charges increased to £20.0 million (2023: £17.5 million), corresponding to a bad debt ratio of 1.1% (2023: 1.1%). This was driven primarily by loan book growth and an ongoing review of provisions and coverage, which included increased specific provisions relating to legacy facilities. The provision coverage ratio increased to 3.0% (31 July 2023: 2.4%).

The Property loan book is conservatively underwritten. We work with experienced, professional developers, predominantly SMEs with a focus on delivering mid-priced family housing, and have minimal exposure to the prime central London market, with our regional loan book making up over 50% of the Property Finance portfolio. Our long track record, expertise and quality of service ensure the business remains resilient to competition and continues to generate high levels of repeat business.

### Asset Management: At a Glance

**Close Brothers Asset Management (“CBAM”)** is a leading, vertically integrated wealth manager, providing investment management and financial planning services to private clients in the UK. CBAM operates out of 15 offices with more than 170 investment professionals and c.870 employees.

**Managed assets**  
£19.3 billion

**Total client assets**  
£20.4 billion

**Clients**  
c.22,000

### Building on our Successful Growth Track Record

Close Brothers Asset Management provides personal financial advice and investment management services to private clients in the UK, including full bespoke management, managed portfolios and funds, distributed both directly via our advisers and investment managers, and through third-party financial advisers.

Total operating income rose 9% to £157.8 million (2023: £144.8 million), reflecting positive net inflows and market movements, with growth in AuM delivered by our bespoke investment management business resulting in

higher investment management income. This was partially offset by a decrease in income from advice and other services due to a shift in product mix and an increase in higher value clients where an initial fee is typically not charged. The revenue margin reduced to 82bps (2023: 84bps) primarily due to a change in the mix of business into more lower margin passive and fixed income products and a move to larger client size with a typically lower fee margin.

Adjusted operating expenses increased 13% to £145.6 million (2023: £128.8 million), reflecting wage inflation and new hires to support future growth. Of this, £10.4 million (2023: £4.7 million) of costs related to the hiring of

# Asset Management

## Key Financials<sup>1</sup>

	2024 £ million	2023 £ million	Change %
Investment management	126.9	113.3	12
Advice and other services	28.4	29.9	(5)
Other income <sup>2</sup>	2.5	1.6	56
<b>Operating income</b>	<b>157.8</b>	<b>144.8</b>	<b>9</b>
Adjusted operating expenses <sup>1</sup>	(145.6)	(128.8)	13
Impairment losses on financial assets	–	(0.1)	(100)
<b>Adjusted operating profit</b>	<b>12.2</b>	<b>15.9</b>	<b>(23)</b>
<b>Adjusting items:</b>			
Amortisation of intangible assets on acquisition	(1.2)	(1.5)	(20)
<b>Statutory operating profit</b>	<b>11.0</b>	<b>14.4</b>	<b>(24)</b>
Revenue margin (bps)	82	84	
Operating margin	8%	11%	
Return on opening equity <sup>3</sup>	7.3%	12.0%	

- Adjusted measures are presented on a basis consistent with prior periods and exclude amortisation of intangible assets on acquisition, to present the performance of the group's acquired businesses consistent with its other businesses; and any exceptional and other adjusting items which do not reflect underlying trading performance. Further detail on the reconciliation between operating and adjusted measures can be found in Note 3 "Segmental Analysis".
- Other income includes net interest income and expense, income on principal investments and other income.
- Prior year comparative has been restated following a misstatement. The figure reported in the prior year was 15.5%.

investment managers and the associated AuM in the bespoke investment management business. The expense/income ratio grew to 92.3% (2023: 89.0%), with the compensation ratio also increasing to 64% (2023: 59%).

Adjusted operating profit in CBAM decreased 23% to £12.2 million (2023: £15.9 million) as income growth was more than offset by higher costs, reflecting investment in new hires. The operating margin reduced to 8% (2023: 11%), corresponding to 14% (2023: 14%) when excluding the costs related to the hiring of investment managers and the associated AuM in the bespoke investment management business. Statutory operating profit before tax was £11.0 million (2023: £14.4 million).

CBAM has a strong track record of growth, with net inflows delivered through successfully servicing existing clients and attracting new clients, as well as through selective in-fill acquisitions. In March, we completed the acquisition of Bottrill Adams, an IFA business based in Dorset with c.£220 million of assets, as we expand our regional presence in the South West. During the year, we also hired 12 bespoke investment managers (H1 2024: nine, H2 2024: three, 2023: 14) and following a period of strong growth in our Bespoke business, our priority in this channel is to now strengthen our position and maximise opportunities to accelerate our profitability.

### Strong Net Inflows Delivered in a Mixed Macroeconomic Environment

Whilst the backdrop has been fairly mixed and presented challenges over the year, the general improvement in economic indicators in the second half of the year has led to a strengthening in equity markets and positive investor sentiment. Over the year, net inflows remained healthy at £1.3 billion (2023: £1.3 billion) and delivered a net inflow rate of 8% (2023: 9%), with the bespoke investment management business contributing significantly to the overall inflow rate.

Total managed assets increased 18% to £19.3 billion (31 July 2023: £16.4 billion), driven by strong net inflows and positive market performance. Total client assets, which includes advised and managed assets, also increased by 18% to £20.4 billion (31 July 2023: £17.3 billion) and includes

the associated client assets following the acquisition of Bottrill Adams.

### Fund Performance

Our funds and segregated bespoke portfolios are designed to provide attractive risk-adjusted returns for our clients, consistent with their long-term goals and investment objectives. Fund performance has been good across asset classes, with all our funds delivering positive absolute returns during the period and 13 out of 15 outperforming their peer group and delivering first and second quartile returns, demonstrating the strength of our investment team.

### Our Sustainable Funds and Net Zero Commitment

At CBAM, we continue to look at how to develop and enhance our sustainable proposition as more of our clients seek to make a difference with their investments. Complementing our Socially Responsible Investment Service and the ethical screening we can offer our Bespoke clients, we are growing our range of Sustainable Funds. Our Sustainable Select Fixed Income Fund, which utilises a sustainable investment methodology to target a reduction in CO<sub>2</sub> emissions intensity versus its benchmark, continues to see healthy net inflows. Over the last five years to the end of July 2024, the fund returned 16.8% against its benchmark of 8%.

We became signatories to the Net Zero Asset Managers ("NZAM") initiative in September 2022 and as part of our initial target disclosure, committed to 18% of our AuM (as at 31 July 2022) being in line with net zero by 2050. We have also been developing a stewardship and engagement strategy focused on our NZAM targets and are developing a climate risk management process to track and support the achievement of these targets. We also published our first Task Force on Climate-related Financial Disclosures ("TCFD") aligned entity report in June 2024, along with product-level disclosures aligned with TCFD recommendations.

**Movement in Client Assets**

	31 July 2024 £ million	31 July 2023 £ million
Opening managed assets	16,419	15,302
Inflows	3,231	2,729
Outflows	(1,928)	(1,411)
Net inflows	1,303	1,318
Market movements	1,609	(201)
<b>Total managed assets</b>	<b>19,331</b>	<b>16,419</b>
Advised only assets	1,091	907
<b>Total client assets<sup>1</sup></b>	<b>20,422</b>	<b>17,326</b>
<b>Net flows as percentage of opening managed assets</b>	<b>8%</b>	<b>9%</b>

1. Total client assets include £5.3 billion of assets (31 July 2023: £4.9 billion) that are both advised and managed.

The FCA Sustainability Disclosure Requirements (“SDR”) regulations for fund managers came into force during 2024 which included anti-greenwashing rules and a name and labelling regime for sustainable investment funds. We are working through these regulations to align our sustainable funds with the SDR regulations for the December 2024 implementation date.

**Well Placed to Strengthen CBAM’s Position**

Following a period of strong growth and investment, our focus is to strengthen our position and maximise opportunities to accelerate profitability through providing excellent service, building on the strength of our client relationships. In the Bespoke business, we are shifting our focus to only selective hiring of investment managers. We continue to target net inflows in the range of 6-10%.

**Sale Agreement with Oaktree**

Following a comprehensive strategic review, on 19 September 2024, the group announced that it entered into an agreement to sell CBAM to Oaktree for an equity value of up to £200 million.

CBAM is a well-regarded UK wealth management franchise with a strong track record of growth, healthy net inflows and significant growth potential. To realise the potential value of the business in the medium-term to the fullest extent possible, the group would need to continue to invest to accelerate CBAM’s growth strategy in the short and medium term, including via acquisitions against a consolidating market backdrop.

The transaction marks significant progress towards the plan we outlined in March 2024 to strengthen our capital base. Additionally, this sale represents competitive value for the group’s shareholders and allows us to simplify the group, focusing on our core lending business.

The transaction will also enable CBAM to accelerate its growth strategy under Oaktree’s ownership, which recognises CBAM’s value and its potential to become a leading UK wealth manager of scale. In order to achieve this, Oaktree intends to provide CBAM with the incremental investment required to increase its profitability and presence in the wealth management sector.

The transaction is expected to complete in early 2025 calendar year and is conditional upon receipt of certain customary regulatory approvals. The details regarding the transaction can be found in the relevant announcement published on 19 September 2024, available on the Investor Relations website.

Further details of the financial impacts of the sale agreement on the group can be found in Note 29: “Post Balance Sheet Event”.

**Securities: At a Glance**

Winterflood is a leading UK liquidity provider, delivering high-quality execution services to over 500 stockbrokers, wealth managers, institutional investors and other market counterparties. It also provides corporate advisory services to investment trusts and institutional sales trading. Winterflood Business Services (“WBS”) provides outsourced dealing and custody solutions to over 60 corporate clients.

Average bargains per day  
c.55,000

Investment trust corporate  
broking and advice clients  
50

WBS assets under  
administration  
£15.6 billion



## Winterflood

### Key Financials

	2024 £ million	2023 £ million	Change %
Operating income	73.0	75.3	(3)
Operating expenses	(74.8)	(71.8)	4
Impairment gains on financial assets	0.1	–	–
<b>Operating (loss)/profit</b>	<b>(1.7)</b>	<b>3.5</b>	<b>(148)</b>
Average bargains per day (*000)	55	60	
Operating margin	(2)%	5%	
Return on opening equity	(2.5)%	2.6%	
Loss days	3	1	
Winterflood Business Services assets under administration (£ billion)	15.6	12.9	21

### Uncertain Macroeconomic Outlook Continued to Negatively Affect Trading Performance

Winterflood is a leading UK liquidity provider, delivering high-quality execution services to platforms, stockbrokers, wealth managers and institutional investors, as well as providing corporate advisory services to investment trusts and outsourced dealing and custody services via Winterflood Business Services (“WBS”).

Over the year, uncertainty in the macroeconomic environment, combined with geopolitical concerns, have continued to weigh on domestic markets and impact investor appetite. With investors currently able to achieve equity-like returns from money markets and debt instruments, which have a lower risk profile, we have seen a reduction in trading volumes and subdued Investment Trusts corporate activity. As a result, Winterflood experienced a reduction in trading income in the year and delivered an operating loss of £1.7 million (2023: operating profit of £3.5 million), after incurring one-off dual-running property costs of c.£3 million.

Operating income reduced 3% to £73.0 million (2023: £75.3 million), as lower trading volumes have driven a decline in trading income, which more than offset growth in WBS.

Trading income decreased 12% to £51.8 million (2023: £58.6 million) reflecting the unfavourable market conditions, particularly in the first quarter where we incurred three loss days (2023: one loss day), as equity and bond prices declined. Whilst there was an improvement in general market conditions in the second half of the year, AIM, Small Cap and FTSE 350 trading sectors recorded a decline against the prior year. Average daily bargains for the year were 55k, down 8% year-on-year (2023: 60k) and marginally lower than pre-pandemic levels (2019: 56k).

Notwithstanding low issuance and transaction volumes in the year, income from the Investments Trusts corporate business increased 60% to £4.0 million (2023: £2.5 million).

WBS continued to see good momentum, with income rising 17% to £17.3 million (2023: £14.8 million). AuA increased 21% to £15.6 billion (H1 2024: £13.8 billion, 2023: £12.9 billion), supported by net inflows and positive market movements as equity markets improved in the second half of the year.

Operating expenses increased 4% to £74.8 million (2023: £71.8 million), primarily driven by one-off dual-running property costs of c.£3 million incurred by relocating premises. As highlighted in the Half Year 2024 results, we have undertaken a cost review during the year to right-size elements of the business, to ensure we are appropriately and efficiently organised to meet current business requirements, whilst remaining scalable for future growth. This cost review will result in annualised fixed cost savings of £4.0 million from the 2025 financial year onwards, with the impact in 2024 of £0.9 million, helping to offset inflationary pressures.

We continue to explore growth opportunities which are additive to the trading business, whilst remaining focused on driving efficiencies and optimising organisational resilience which maintains the strengths of the franchise. WBS remains focused on developing its client relationships and investing in its award-winning proprietary technology to provide highly scalable and bespoke solutions for clients. WBS is well positioned for further growth, both organically and supported by a healthy pipeline of clients, and expects to grow AuA to over £20 billion by 2026.

We have also developed Winterflood Retail Access Platform (“WRAP”) using in-house technology and expertise. This is an end-to-end retail distribution platform that enables retail investors to participate in capital markets transactions such as initial public offerings and secondary fundraisings through retail intermediaries, across both equity and fixed income instruments. Since inception, WRAP has raised over £47 million from retail investors, across both equity and gilt offerings. In 2024, WRAP has been mandated on 17 transactions, representing approximately a third of the total retail platform offers executed in the UK market. WRAP combines the expertise of Winterflood’s whole of retail market reach with comprehensive in-house delivery across implementation, order aggregation and settlement.

While short-term trading conditions remain challenging, we are confident that Winterflood remains well positioned to retain its market position and benefit when investor appetite returns.