



Our Strategy: Protect

Keeping it safe

Maintaining and Enhancing the Key Strengths of our Business Model

Our differentiated and resilient business model has contributed to our long-term track record over many years. Protecting this valuable model and our long-standing business franchise is a key priority for the board as we navigate the current period of uncertainty.

Our high levels of personal service and specialism are key points of differentiation. Our people have deep knowledge of the industry sectors and asset classes we cover, leading to lending decisions informed by experts and faster access to funds when our customers need them most.

We run our business prudently, maintaining a strong funding, liquidity and capital position. Our loan book is predominantly secured or structurally protected, with a focus on maintaining strong credit quality. We adopt a consistent approach, as we maintain pricing and underwriting discipline in our lending.

We ensure that we are operating efficiently and are using technology that appropriately supports our relationship-based model.

Whilst we constantly focus on the strict management of costs, it is essential that we invest in protecting the key attributes of our model, maintain regulatory compliance and continually enhance our operational and cyber resilience. Our investments and cost base support the generation of our strong margins, enabling our operational and financial resilience, while also supporting our ability to maximise opportunities as they arise.

Our Strategic Objectives

- Maintaining a strong capital, funding and liquidity position.
- Consistently applying our prudent business model through our disciplined approach to underwriting and pricing.
- Balancing investment needs and cost discipline.
- Maintaining regulatory compliance, whilst enhancing operational and cyber resilience.

Progress During FY 2024

- Implemented actions to further strengthen the group's capital position given the significant uncertainty regarding the outcome of the FCA's review of historical motor finance commission arrangements, which was announced in January 2024.
- Focused on optimising the allocation of capital across our portfolio of businesses, with selective loan book growth in the second half of the year.
- Issued the group's inaugural Additional Tier 1 ("AT1") in a £200 million transaction to optimise the capital structure, provide further flexibility to grow the business and strengthen the regulatory capital position.

- Strengthened our resilient funding base in the current period of uncertainty.
- Continued to support our customers and lend on responsible terms, adhering to our disciplined approach to underwriting and pricing, whilst maintaining a strong margin.
- Completed our Asset Finance transformation programme, which has introduced a single technology platform across the business, standardising processes, increasing efficiencies and improving customer and colleague experience.
- Made good progress on our strategic and tactical cost management initiatives as we implement measures to deliver annualised savings of c.£20 million, reaching the full run rate by the end of the 2025 financial year.
- Partnered with Wipro, a leading technology services and consulting company, to help us drive our technology transformation programme. To date, we have reduced our headcount by c.100 as we made increased use of outsourcing and removed over 115 IT applications.
- Undertook work across the business to embed compliance with the FCA's Consumer Duty and implement changes for books of business not open to new customers.
- Continued to engage with the PRA as part of our Internal Ratings Based ("IRB") application.
- Further enhanced our operational and cyber resilience, whilst undertaking a continuous cycle of improvements.

Future Priorities

- Continue to further strengthen our capital position, whilst protecting and sustaining our valuable franchise.
- Retaining our strong funding and liquidity position.
- Continuing to focus on pricing and prudent underwriting whilst lending through the cycle.
- Progressing further our cost management initiatives, with a view to achieving positive operating leverage in the 2026 financial year.
- Continuing preparations for a transition to the IRB approach, although the timetable remains under the direction of the PRA.
- Complying with regulatory changes, whilst further strengthening our operational and cyber resilience.
- Continuing to embed our compliance with Consumer Duty requirements.
- Monitoring and mitigating external threats, including the heightened uncertainty in the economic and geopolitical environment and competition from both established and emerging players.

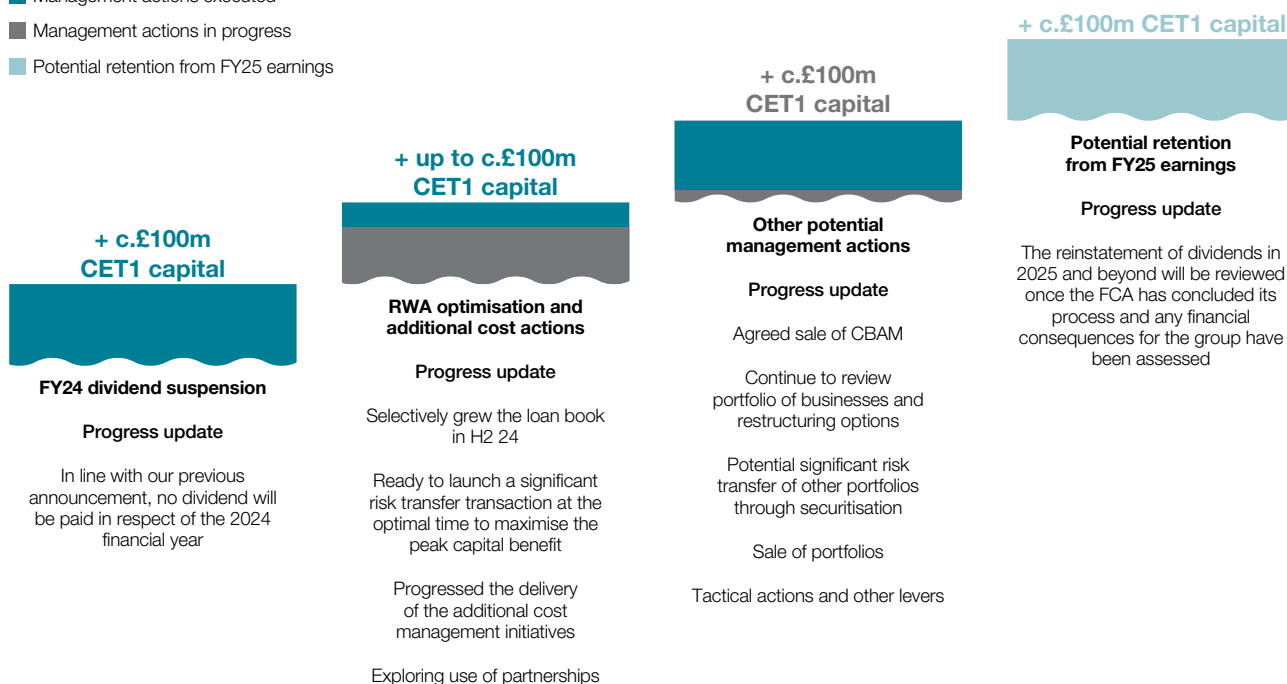
Protecting our business: Taking decisive actions to protect our valuable franchise

Progress update on management actions as presented at H1 2024, which have the potential to strengthen available CET1 capital by c.£400 million by July 2025¹

■ Management actions executed

■ Management actions in progress

■ Potential retention from FY25 earnings



On 11 January 2024, the FCA announced it is using its powers under section 166 of the Financial Services and Markets Act 2000 to review historical motor finance commission arrangements and sales at several firms, following high numbers of complaints from customers.

The review follows the Financial Ombudsman Service (“FOS”) publication of its first two decisions upholding customer complaints relating to discretionary commission arrangements (“DCAs”) against two other lenders in the market.

The FCA review is progressing to determine whether there has been industry-wide failure to comply with regulatory requirements which has caused customer harm and, if so, whether it needs to take any actions. The FCA now aims to set out next steps by the end of May 2025.

There remains significant uncertainty for the industry and the group regarding any potential remedial action as a result of the review.

Notwithstanding this, the board recognises the need to plan for a range of possible outcomes.

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.

We have retained c.£100 million of CET1 capital in the 2024 financial year as a result of the group’s previously announced decision not to pay a dividend for the 2024 financial year.

We are making significant progress against the other identified management actions. To optimise risk weighted assets, we have been growing our loan book selectively, with the impact reflected in both the loan book growth rate delivered this year and the expected trajectory for the 2025 financial year.

We have concluded the work in preparation for a significant risk transfer of assets in Motor Finance. Subject to market conditions, we are ready to launch a transaction at the optimal time to maximise the peak capital benefit, aligned to the revised timetable for the FCA’s work in the motor finance market.

We have continued to deliver against the cost management initiatives previously announced and have also progressed a range of other capital actions.

Following a comprehensive strategic review, we announced the agreed sale of CBAM to Oaktree on 19 September 2024. The transaction is expected to increase the group’s common equity tier 1 capital ratio by approximately 100 basis points on a pro forma basis, marking significant progress towards the plan we outlined in March 2024 to strengthen our capital position in the current uncertain environment.

The board remains confident that these actions leave the group well positioned to navigate the current uncertainty.

1. Numbers are highly indicative. Relative to the group’s projected CET1 capital ratio for 31 July 2025 at the time of our Half Year 2024 results announcement, prior to any management actions. Excludes any potential redress or provision related to the FCA’s review.



Our Strategy: Grow

Delivering disciplined growth

Maximising Opportunities in Existing and New Markets

Our focus on delivering disciplined growth is critical in enabling us to protect our model, whilst maximising opportunities and taking the business forward. This focus allows us to prioritise consistent and prudent underwriting criteria and maintain strong returns across our businesses. Whilst we are currently selectively growing the loan book as we further strengthen our capital position, we do not typically manage the group to a growth target; rather, loan book growth is an output of the business model.

Notwithstanding our short-term focus on further strengthening our capital position, we continually assess existing and new markets for growth opportunities that fit with our model. We also continue to review our portfolio of businesses to ensure they each deliver attractive returns.

We have a long history of delivering disciplined growth and, to support us in building on this track record, we developed our “Model Fit Assessment Framework”. This framework supports our review of opportunities, assessing their fit with our model, culture and responsible way of doing business, alongside their suitability from a strategic perspective.

Our Strategic Objectives

- Maximising opportunities available to us in the current environment and capitalising on cyclical opportunities in each business.
- Extending our product offering and launching initiatives in line with our business model in new and existing markets.

Progress During FY 2024

- Delivered over £500 million of loan book growth and a strong net interest margin reflecting continued customer demand.
- Re-entered the Irish motor finance market with the acquisition of Bluestone Motor Finance (Ireland), which we have rebranded to Close Brothers Motor Finance.
- Continued success from our new initiatives in Commercial, with the Agricultural Equipment and Materials Handling teams writing healthy levels of new business and completing our second syndication deal in Invoice Finance.
- Approved to lend under the UK government’s Growth Guarantee Scheme and the Irish Growth and Sustainability Loan Scheme.
- Provided a further £152 million of funding for battery electric vehicles, towards our £1 billion aim.
- Partnered with more finance technology providers in Motor Finance, giving us access to a wider pool of motor retailers.
- Evolved our Premium Finance proposition to best meet the needs of our customers and to support broker partners.
- Continued to grow and diversify our retail deposit base in Savings, with Easy Access balances at c.£540 million.
- Continued to see success in Property in expanding in the regions outside of London and the South East.

- Built on our strong track record of growth in CBAM as we delivered strong net inflows of 8% and acquired IFA business, Bottrill Adams.
- Further grew Winterflood Business Services, with assets under administration (“AuA”) increasing to £15.6 billion.

Future Priorities

- Continue to capitalise on cyclical and structural growth opportunities in each of our businesses.
- Assess opportunities in new and existing markets, in line with the “Model Fit Assessment Framework”.
- Continue to review our portfolio of businesses.
- Provide further funding for battery electric vehicles, as we progress towards our aim of £1 billion by FY 2027.
- Broaden our sustainability offering to capture demand within the green lending space.
- Continue to grow WBS and target AuA of over £20 billion by FY 2026, supported by our solid pipeline of clients.

Growing our Business

Delivering disciplined growth by ensuring the right fit in line with our “Model Fit Assessment Framework”

The eight criteria are all factors that we consider when assessing growth opportunities. They capture the key strengths of our model, which means that by taking them into account we ensure we are following a disciplined approach to growth and preserving the attributes that generate value for our shareholders.



Growing our business: Re-entering the Irish motor finance market through the acquisition of Bluestone Motor Finance (Ireland)



In October 2023, we completed the acquisition of Bluestone Motor Finance (Ireland) DAC (“Bluestone Motor Finance”), a motor finance specialist in Ireland, which has since been rebranded to Close Brothers Motor Finance (“CBMF”).

CBMF is already a well-established brand in Ireland, with over a decade of experience in this marketplace, having helped over 130,000 customers finance vehicles through a previous partnership, which ended in 2022.

The acquired business aligned closely with several of the “Model Fit Assessment Framework” criteria that we consider when assessing growth opportunities. In particular, there was a strong cultural fit centring around high standards of service for both partners and customers, making this an ideal opportunity for CBMF to re-enter the Irish market.

Like CBMF, the acquired business has invested in its digital capabilities and its online application. The technology is industry-leading in Ireland, while partnerships with online car distribution platforms provide substantial routes to market.

Through an established distribution network of over 650 dealer partners and an experienced sales and underwriting team, we have exciting plans for colleagues, customers and partners in Ireland in the months and years ahead.

Since acquiring the business, we have:

- Rebranded from Bluestone Motor Finance to Close Brothers Motor Finance, including all colleague, customer and partner-facing systems and materials.
- Integrated our new colleagues into the CBMF business, including the equipment and technology they use, the processes and procedures that underpin their activities, and the full range of Close Brothers benefits.
- Aligned the business to our annual reporting processes.
- Implemented our pricing and underwriting standards and credit risk appetite.

Looking ahead, we are planning to:

- Launch new products and services in the Irish market, closely aligned to those already offered in the UK.
- Evolve the business vision and strategy, enabling us to take advantage of opportunities in the Irish market.
- Grow the team by recruiting additional motor finance experts.



Our Strategy: Sustain

Doing it responsibly

Securing the Long-term Future of our Business, Customers and the World we Operate in

Our long-term approach is embedded throughout our organisation and guides all of our decisions, so it is important that we evolve our business to sustain it for the long term.

For our customers, this involves recognising and responding to changes in their behaviour, adapting our business accordingly and improving our digital capabilities, accessibility and the customer journey to enhance their user experience. We continue to value the importance of long-standing relationships with our customers, which allow us to provide them with exceptional service and the deep industry knowledge and expertise of our people.

For our people, this means maintaining our focus on employee engagement to support the wellbeing and needs of our colleagues. We will continue to work to attract and recruit diverse talent into the organisation, enable growth for our people, retain them and support them throughout their careers, whilst also promoting an inclusive culture where our people can thrive.

We are also focused on our impact. We create value in our local communities by understanding the needs of SMEs and helping them achieve their ambitions, and by creating equal opportunities for all, regardless of background. We maintain our focus on reducing our environmental impact and responding to the risks and opportunities brought by climate change.

Our Strategic Objectives

- Promoting an inclusive culture and social mobility.
- Ensuring our business model is sustainable for the long term.
- Reducing our impact on the environment and responding to the threats and opportunities of climate change.
- Promoting financial inclusion, helping borrowers who might be overlooked and enabling savers and investors to access financial markets and advice to plan for their future.
- Supporting our customers, clients and partners in the transition towards more sustainable practices.

Progress During FY 2024

- Positive results in our employee opinion survey reflect a strong sense of inclusion felt by colleagues, with a new question on “speaking up” receiving a high score of 92%.
- Continued to adapt our offering and introduced new digital capabilities to support changing customer behaviour.
- Continued to support social mobility programmes, hosting 35 interns across the group in partnership with the 10,000 Interns Foundation and upReach.
- Our 15 apprentices, funded through the Close Brothers SME Apprentice Programme, entered their second year of training.
- Launched our Group Diversity and Inclusion Strategy.
- Organised events and talks through our Diversity and Inclusion networks to mark events including National Inclusion Week, Black History Month, World Menopause Day, Remembrance Day, International Men’s and Women’s Day, Neurodiversity Celebration Week, Mental Health Week, National Carers Week, Pride Month and Social Mobility Awareness Day.
- Launched our Employee Ambassador Programme, with a cohort of over 30 colleagues, helping to promote and enhance our employer brand, generating positive awareness and engagement, and encouraging others to do the same.
- Reached the milestone of delivering 1,000 reading sessions to children through our partnership with Bookmark.
- Offered employees access to our financial education website, provided by CBAM.
- Reduced our Scope 1 and 2 emissions (market-based) by 41.6% since 2019.
- Published our first intermediate 2030 ambitions for transport assets as one of our commitments under the NZBA.
- Committed to 18% of CBAM’s assets under management (“AuM”) being in line with net zero by 2050 as part of our initial target disclosure for the Net Zero Asset Managers (“NZAM”) initiative.

Future Priorities

- Attract, develop and retain the best talent.
- Increase psychological safety to maintain our strong inclusive culture.
- Deliver good, sustainable outcomes for our customers and embed inclusion in our interactions with external partners.
- Expand our expertise in green and transition assets and broaden our sustainability offering as we support the transition to a net zero carbon economy.
- Become operationally net zero through our Scope 1 and 2 emissions by 2030.
- Set intermediate 2030 targets covering a significant majority of our financed emissions in our loan book in line with our NZBA commitment.
- Continue to adapt our offering based on horizon scanning and trends in the marketplace, as well as the evolving needs of our customers and clients, while taking into account the feedback they provide.

Sustaining our business: Implementing our three-year Group Diversity and Inclusion Strategy



We recognise that to help the people and businesses we work with thrive over the long term, we have a responsibility to help address the social, economic and environmental challenges facing our business, employees and customers. Diversity and inclusion (“D&I”) are embedded into our values and culture internally, and we also know that in a changing external environment, embedding inclusion into our ways of working with customers and external partners will become increasingly important.

We designed a three-year strategy with focus areas, priorities and an action plan. Our thinking was informed by external research and internal insights from our employee networks, data on the employee life cycle stages and our employee opinion survey themes.

Our D&I strategy has three focus areas:

1. Attracting and recruiting more diverse talent, and supporting colleagues throughout their careers.
2. Increasing psychological safety to maintain our strong inclusive culture and promoting inclusive behaviours, respect and teamwork.
3. Delivering good, sustainable outcomes for our customers, and embedding inclusion in our interactions with customers, suppliers, charities and corporate partners.

We have committed to leadership and management engagement and accountability across all D&I actions.

By outlining our strategy and action plan, we are looking to help address our business challenges through a D&I lens, ensuring we are well positioned in the market and prepared for a changing external landscape for D&I.