

Close Brothers Group plc

Preliminary Results 2024

19 September 2024



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Agenda

01 Introduction

02 Financial Update

03 Business and Strategy Update

04 Appendices

01

Introduction

Mike Morgan, Group Finance Director



Overview of the year



Delivered a **resilient performance**, with **key metrics in line** with guidance



Achieved **loan book growth** and **strong margins** in **Banking** and **market-leading net inflows** in **CBAM**; **Winterflood** remained impacted by **unfavourable market** conditions



Focused on **cost discipline** and **progressing cost actions** to improve future **efficiency**



Made **significant progress** against **capital actions** previously announced; Agreed **sale of CBAM**



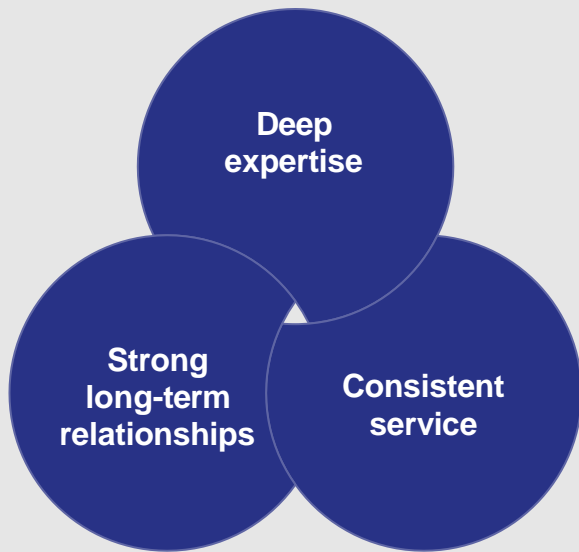
Whilst the **timeline** for the **FCA's** review in the motor finance market has been **extended**, our **top priority** remains to further strengthen our **capital** position and protect our **valuable franchise**



Continued to **support our customers** and provide **excellent service**. Well positioned to take advantage of **future opportunities**

The distinctive strengths of our through-the-cycle model endure

The distinctive strengths of our model



Disciplined and long-term approach, with a strong track record



Disciplined underwriting and pricing through the cycle



Quality loan book, predominantly secured, prudently underwritten and diverse



Strong balance sheet



Diverse funding base and prudent approach to liquidity



A long history of loan book growth through the cycle

Strong customer sentiment scores across the group



92%

Asset Finance CSAT¹



+98

Property Finance NPS²



+67

Motor Finance dealer NPS²



+72

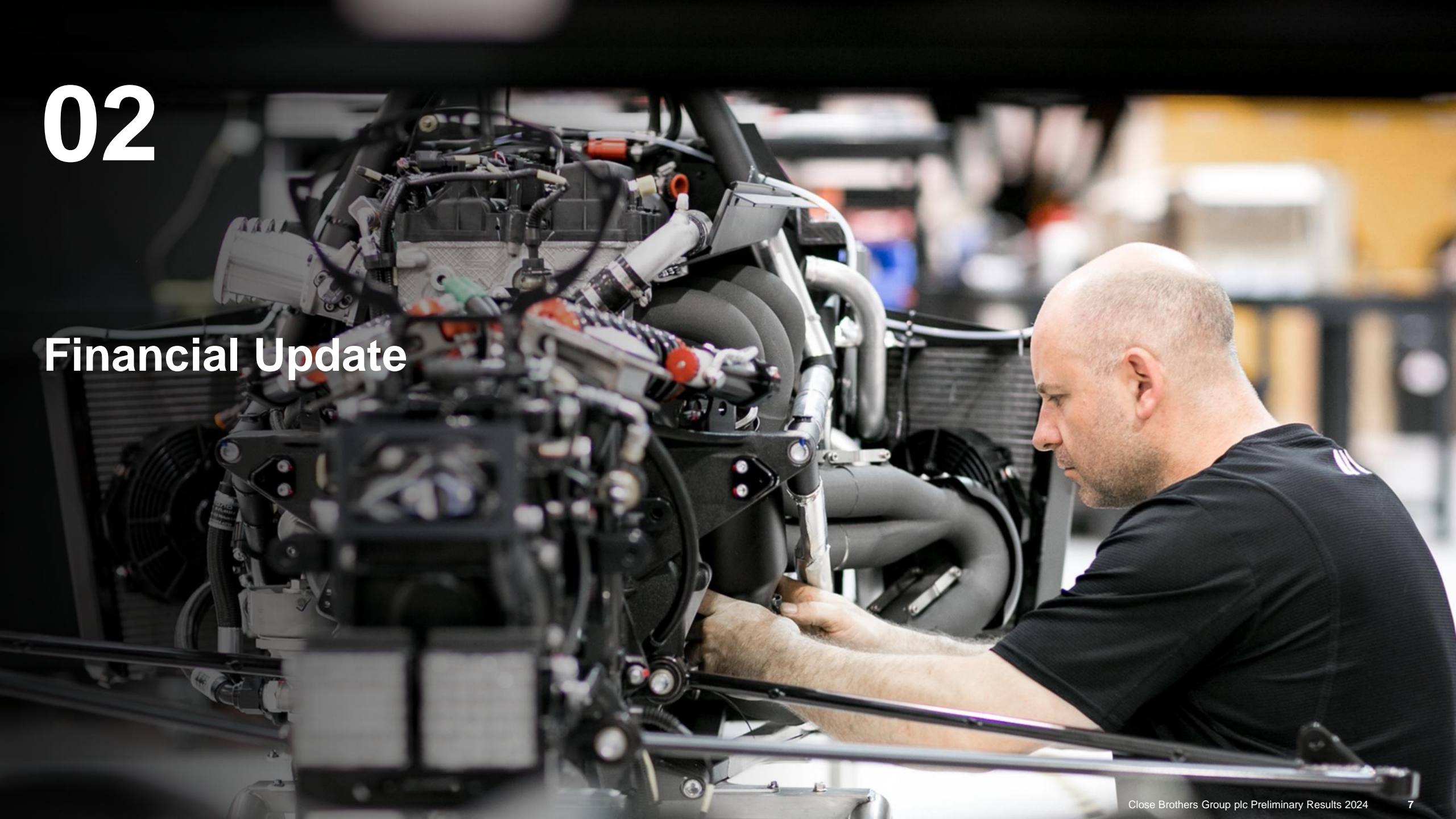
Asset Management net ease³

Notes:

1. Customer satisfaction score. 2. Net promoter score. 3. Net ease measures how easy a customer's interactions with us are.

02

Financial Update



Overview of financial performance



Adjusted operating profit (“AOP”) increased 50% to **£171 million**; **RoTE of 8.3%**



Robust profit performance in Banking, reflecting **income growth** and focus on **costs** and **pricing discipline**



6% loan book growth, **strong net interest margin of 7.4%** and **stable underlying credit quality**



Strong capital, funding and liquidity positions, with **CET1 capital ratio of 12.8%**



Strong net inflows of 8% in Asset Management; **AuM increased to £19.3 billion**



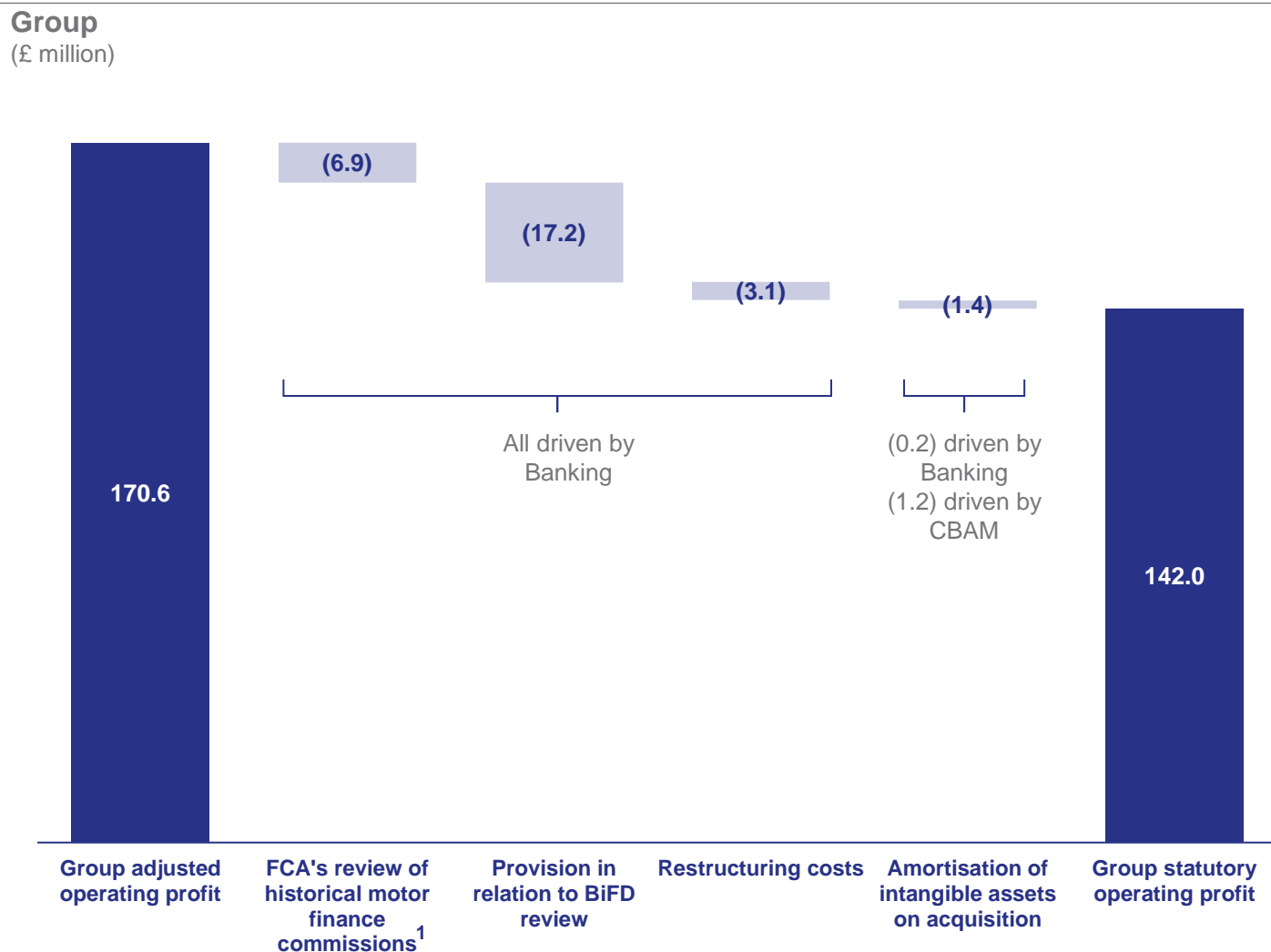
Market conditions remained unfavourable in **Winterflood**; **WBS AuA increased to £15.6 billion**

Income statement

- **Robust income performance, up 1%**, with growth in Asset Management and Banking partly offset by a reduction in Winterflood
- **Adjusted operating expenses rose 10%** due to increased staff costs and continued investment in Banking
- **Impairment charges decreased significantly**, with the prior year including a charge of £117 million related to **Novitas**
- **AOP of £171 million** driven by:
 - **Increase in Banking profit** reflecting prior year impairment charges and robust performance
 - **Asset Management** profit declined as growth in income was offset by higher costs
 - **Winterflood's** performance reflected lower trading income and one-off dual property costs
 - **Increase in Group (central functions) net expenses** driven by higher professional fees and interest charges on group bond
- **Statutory operating profit up 27%** after £28.6 million of adjusting items
- **Adjusted EPS increased to 76.1p**

£ million	2024	2023	Change %
Operating income	944.2	932.6	1
Adjusted operating expenses	(674.8)	(615.0)	10
Impairment losses	(98.8)	(204.1)	(52)
Adjusted operating profit	170.6	113.5	50
<i>Banking</i>	205.4	120.1	71
<i>Asset Management</i>	12.2	15.9	(23)
<i>Winterflood</i>	(1.7)	3.5	(148)
<i>Group (central functions)</i>	(45.3)	(26.0)	74
Adjusting items	(28.6)	(1.5)	n/a
Statutory operating profit before tax	142.0	112.0	27
Effective tax rate ("ETR")	29.3%	27.6%	
Adjusted EPS	76.1p	55.1p	
Dividend per share	-	67.5p	

Adjusted to statutory profit reconciliation



£6.9 million for complaints handling and other operational costs associated with the FCA's review of motor commissions

- Included increased resourcing in our complaints and legal teams, along with associated investments in data, systems and business processes
- Currently estimate associated costs to be between £10-15 million in FY25

£17.2 million provision in relation to Borrowers in Financial Difficulty ("BiFD") review

- Concluded a voluntary Past Business Review of customer forbearance related to motor finance lending
- Provision recognised in respect of this review and expected customer compensation

£3.1 million restructuring costs

- Primarily relate to redundancy and associated costs
- Expect to incur £5-10 million of restructuring costs in FY25

Notes:

1. Complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements

Banking – Financial performance





- Income in the prior year benefited from Novitas (+£8m) and movements through profit and loss from derivatives¹ (+£7m)
- Excluding the impact of these items, **income increased 4%** reflecting loan book growth
- **Net interest margin declined to 7.4%** reflecting the impact of these derivatives¹ and Novitas, as well as margin pressures and lower fee income in Commercial
- **Increase in expenses** driven by higher staff costs, higher regulatory and assurance expenses and continued investment in our strategic programmes
- **Impairment charges decreased significantly**, corresponding to a **bad debt ratio of 1.0%**
- **Statutory operating profit up 48%** after £27.4 million of adjusting items

£ million	2024	2023	Change %
Operating income	724.9	713.8	2
Adjusted operating expenses	(420.6)	(389.7)	8
Impairment losses	(98.9)	(204.0)	(52)
Adjusted operating profit	205.4	120.1	71
Excl. Novitas adjusted operating profit	205.6	226.7	(9)
Adjusting items:			
<i>Complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements</i>	(6.9)	-	-
<i>Provision in relation to the BiFD review</i>	(17.2)	-	-
<i>Restructuring costs</i>	(3.1)	-	-
<i>Amortisation of intangibles</i>	(0.2)	(0.1)	100
Statutory operating profit before tax	178.0	120.0	48
Loan book growth	6.0%	4.7%	
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%	

Note:

1. Derivatives outside of a hedge accounting relationship.

Our Banking businesses

	 Banking excl. Novitas	 Commercial excl. Novitas	 Retail	 Property
Income growth	3%	(3)%	6%	13%
Loan book	£10.0bn (+6%)	£5.0bn (+6%)	£3.0bn (+1%)	£2.0bn (+15%)
Net interest margin	7.3% (2023: 7.6%)	6.5% (2023: 7.2%)	8.7% (2023: 8.2%)	7.3% (2023: 7.4%)
Growth in adjusted operating expenses	9%	10%	8%	13%
Bad debt ratio	0.9% (2023: 0.9%)	0.5% (2023: 0.5%)	1.6% (2023: 1.6%)	1.1% (2023: 1.1%)
Adjusted operating profit	£206m (2023: £227m)	£90m (2023: £123m)	£38m (2023: £35m)	£78m (2023: £70m)

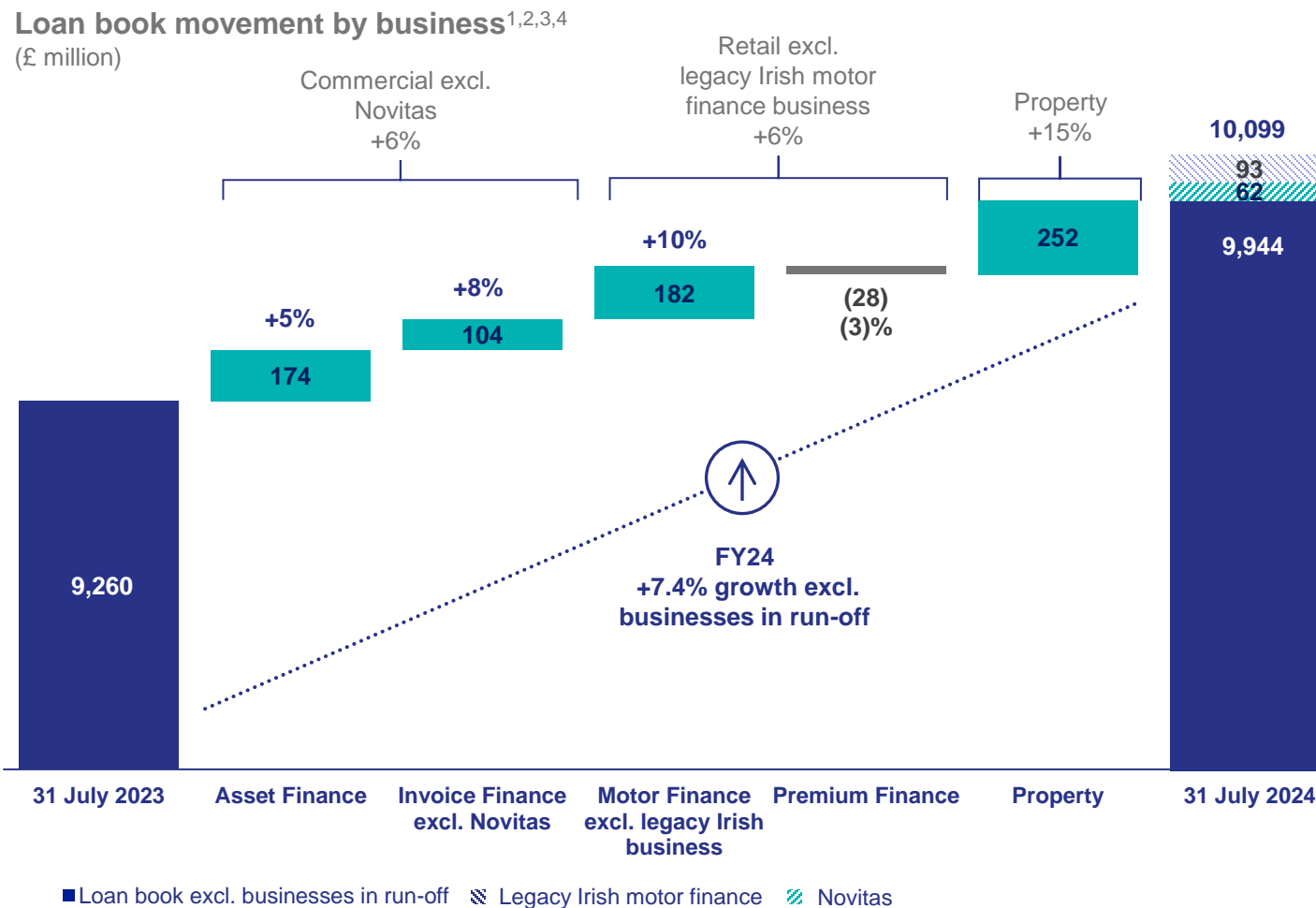
Good loan book growth from continued customer demand

Underlying loan book growth of 7%

- Loan book **increased 6%**, or **7%** when excluding the businesses in run-off, reflecting **continued demand** over the year
- Driven by healthy drawdowns in **Property**, strong new business in **Invoice Finance** and good demand in **Asset** and **Motor Finance**
- Partly offset by **Premium Finance** reflecting the competitive market environment
- **Growth slowed to 2% in the second half**, in part reflecting the selective loan book actions

Outlook

- Currently plan for **low single-digit percentage growth** in FY25 as we selectively grow the loan book



Notes:

1. The Asset Finance and Invoice & Speciality Finance loan books have been re-presented for 31 July 2023 to reflect the recategorisation of Close Brothers Brewery Rentals ("CBBR") from Invoice & Speciality Finance to Asset Finance.
2. Includes operating lease assets of £267.9 million (31 July 2023: £271.2 million).
3. 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.
4. Numbers may not cast due to rounding.

Strong net interest margin as we remain focused on pricing discipline

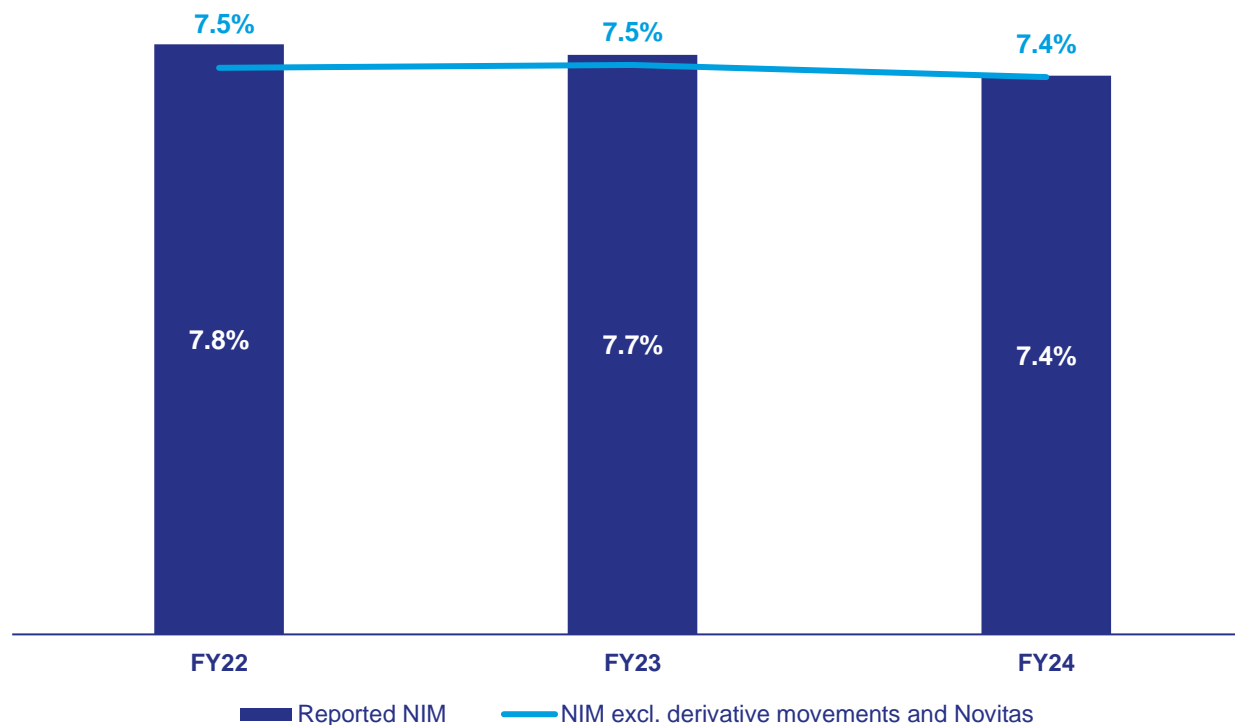
Strong net interest margin at 7.4%

- c.12bps of decline driven by movements through profit and loss from **derivatives**¹ and **Novitas income** benefiting prior year
- c.16bps of decrease reflecting **margin pressures** and **lower fee income** in **Commercial**
- Focused on **pricing discipline** on new lending and **optimising funding costs** in higher rate environment

Well positioned to maintain a strong NIM

- Specialist, relationship driven model supports net interest margin
- Consistently strong NIM compared to sector average
- Well positioned to **sustain the NIM** delivered in **H2 24** of 7.2%

Net interest margin

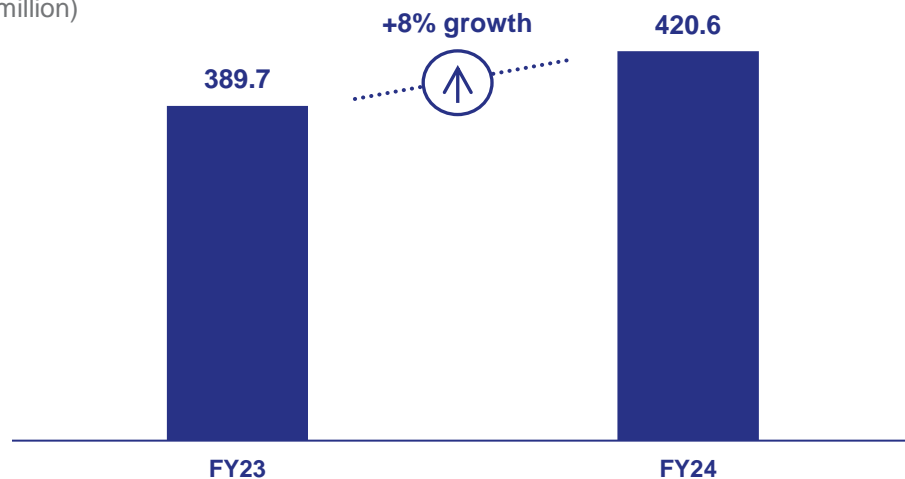


Note:

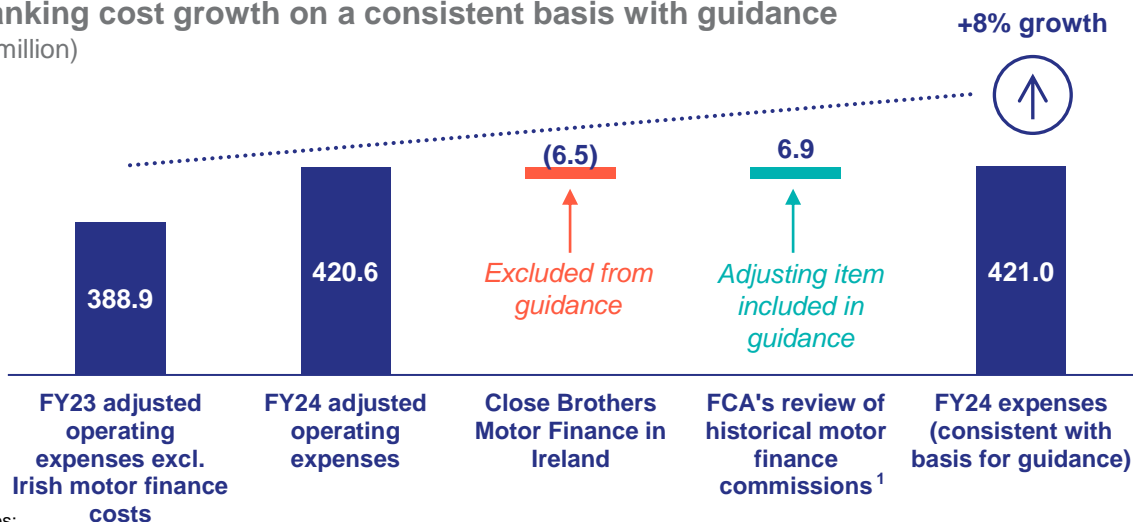
1. Derivatives outside of a hedge accounting relationship.

Banking cost growth at lower end of 8-10% guidance range

Banking adjusted operating expenses
(£ million)



Banking cost growth on a consistent basis with guidance
(£ million)



Notes:

1. Complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements
2. Excluding the impact of adjusting items which do not reflect the underlying performance of our business

2024 cost growth driven by:

- ↑ Inflationary-related increases in staff costs
- ↑ Higher regulatory compliance and assurance expenses
- ↑ Investment spend
- ↑ Acquisition, integration and running of Close Brothers Motor Finance in Ireland
- ↓ Partly offset by progress made on strategic and tactical cost management initiatives

Outlook

- Expect **income and adjusted operating expenses² growth** to be **aligned** for the **2025** financial year

Progressing cost actions to improve future cost efficiency in Banking

1 Technology

Initiated in 2023, ongoing

Areas of focus

- Simplification and modernisation of application estate
- Consolidation and increased use of outsourcing partners

Achievements

Cost management initiatives implemented through our technology transformation programme

- Partnered with a leading technology services and consulting company
- Reduction in headcount of c.100, as we made increased use of outsourcing
- Over 115 IT applications removed from our technology estate

2 Suppliers & Property

Initiated in 2024, ongoing

Areas of focus

- Rationalisation of supply chain
- Reduction in suppliers and consumption of services
- Reduction of property footprint

Progress in 2024

- Served notice to vacate one of our London offices, with the removal of c.800 desks

3 People

Initiated in 2024, ongoing

Areas of focus

- Adjusting our workforce to support efficiency and effectiveness

Progress in 2024

- Good progress on streamlining the workforce, through consolidation of roles across our businesses and functions and management of vacancies

Cost initiatives across Suppliers, Property & People to partly offset the adverse impact on the group's income as we further strengthen our capital position

- Initiatives announced in March 2024 expected to deliver annualised savings of c.£20 million, reaching the full run rate by the end of the 2025 financial year¹
- Expect to deliver positive operating leverage in FY26

Notes:

1. Excludes restructuring 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.

Stable underlying credit performance

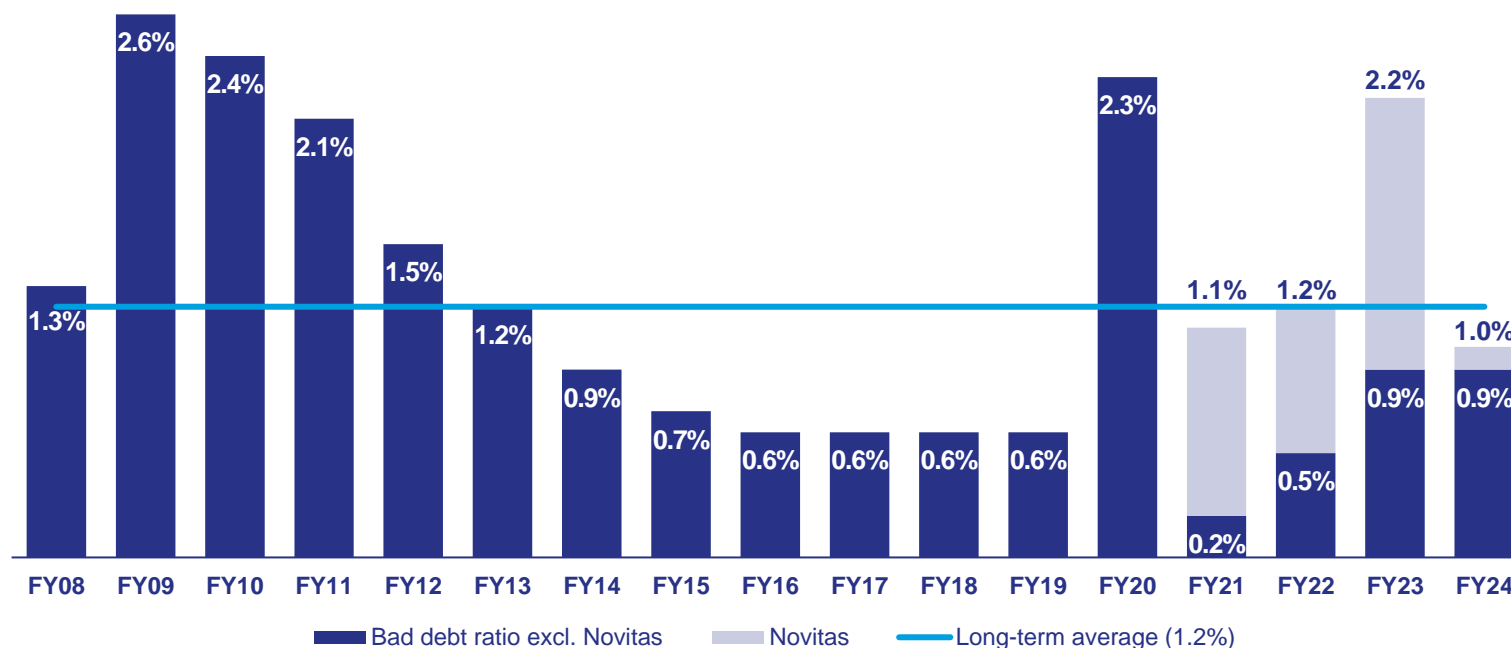
Bad debt ratio of 1.0%

- £99 million of impairment charges driven by:
 - Loan book growth
 - Ongoing review of provisions and coverage across loan portfolios
 - Improved macroeconomic outlook¹
- No significant impact of external environment on credit performance at this stage
- £6 million of Novitas impairment charges due to increased time to recovery assumptions and legal costs

Outlook for bad debt ratio

- Continue to monitor closely the evolving impacts of inflation and cost of living on our customers
- Confident in the quality of our loan book, which is predominantly secured or structurally protected, prudently underwritten and diverse
- Expected to remain below long-term average² of 1.2% in FY25

Long-term average bad debt ratio excluding Novitas²



Notes:

1. Macroeconomic scenarios have been updated to reflect the latest available information regarding the macroeconomic environment and outlook, although the weightings assigned to them remain unchanged since the 2023 financial year end. Resulting position at 31 July 2024 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.
2. Bad debt ratio calculated using IAS 39 until the change to IFRS 9 in FY19. Bad debt ratio excluding Novitas only disclosed from FY21 onwards. Long-term average bad debt ratio of 1.2% based on the average bad debt ratio for FY08-FY24, excluding Novitas.

Strong net inflows in Asset Management

- **Growth in managed assets** driven by **strong net inflows** and **positive market performance**
- **Income up 9%**, as **higher investment management income** reflected growth in AuM
- **Increase in expenses** mainly due to wage inflation and new hires to support future growth
- £10 million of costs in FY24 related to the **hiring of bespoke investment managers** and associated assets under management (“AuM”). **Excluding** these costs, **operating margin** would be **14%**
- **AOP reduced to £12 million** as income growth was more than offset by higher costs
- **Revenue margin** marginally down to 82bps

Outlook

- Continue to target **net inflows of 6-10%**

Sale agreement with Oaktree⁴

- **Agreed sale of CBAM** for an equity value of up to **£200 million**
- **Expected to complete in early 2025 calendar year**

£ billion	31 July 2024	31 July 2023	Change %
Total managed assets	19,331	16,419	18
Total client assets ¹	20,422	17,326	18
£ million	2024	2023	
Operating income	157.8	144.8	9
Investment management	126.9	113.3	12
Advice and other services	28.4	29.9	(5)
Other income ²	2.5	1.6	56
Adjusted operating expenses	(145.6)	(128.8)	13
Impairment losses on financial assets	-	(0.1)	n/a
Adjusted operating profit	12.2	15.9	(23)
Operating margin	8%	11%	
Revenue margin (bps)	82	84	
Return on opening equity ³	7.3%	12.0%	
Net inflows	8%	9%	

Notes:

1. Total client assets include £5.3 billion of assets (31 July 2023: £4.9 billion) that are both advised and managed.
2. Other income includes net interest income and expense, income on principal investments and other income.
3. Prior year comparative has been restated following a misstatement. The figure reported in the prior year was 15.5%.
4. Funds managed by Oaktree Capital Management, L.P. (“Oaktree”)

Winterflood's performance impacted by unfavourable market conditions

- **Operating income down 3%**, with decline in trading income more than offsetting growth in Winterflood Business Services (“WBS”)
- **Operating expenses up 4%**, driven by **one-off dual-running property costs** of c.£3 million incurred by relocating premises
- **Cost review** undertaken, expect to **benefit** from **annualised fixed cost savings** of £4 million from FY25 onwards, with an impact in FY24 of c.£1m, offsetting inflationary pressures
- **Operating loss** of £1.7 million
- **Average daily bargains declined** to 55k
- **WBS income increased 17%**, with **AuA up 21%** to **£15.6 billion**

Outlook

- Remain focused on **diversifying revenue streams**
- Expect to **grow assets under administration (“AuA”) in WBS to over £20 billion by FY26**

£ million	2024	2023	Change %
Operating income	73.0	75.3	(3)
Operating expenses	(74.8)	(71.8)	4
Impairment gain on financial assets	0.1	-	n/a
Operating (loss)/profit	(1.7)	3.5	(148)
Average bargains per day	55k	60k	
Operating margin	(2%)	5%	
Return on opening equity	(2.5%)	2.6%	
Loss days ¹	3	1	
WBS AuA (£ billion)	15.6	12.9	21

Note:

1. A loss day occurs where aggregate gross trading book revenues are negative at the end of a trading day.

Strong balance sheet and diversified funding approach

Prudent approach

- Diverse funding sources and prudent maturity profile
- Conservative approach based on the principle of “borrow long, lend short”
- Strong level of liquidity, with Liquidity Coverage Ratio over 1,000%

Diverse funding base

- Increase in total funding as we actively grew our customer deposit base
 - 13% increase in customer deposits to £8.7 billion
 - 36% growth in retail deposits to £5.7 billion
- Predominantly term deposits, with only 8% available on demand
- Repaid £490 million TFSME ahead of maturity
- Average cost of funds in Banking increased to 5.5% (2023: 3.2%) in the higher rate environment
- Close Brothers Ltd rated A1 by Moody’s⁵

Total funding
£13.0 billion

Average maturity of funding allocated to loan book at **20 months**¹

Loan book²
£10.1 billion

Average maturity of the loan book at **16 months**

Treasury assets
£2.3 billion

Includes £1.6 billion in cash with central banks



■ Equity	14%	■ Unsecured funding	9%
■ TFSME funding ³	1%	■ Secured funding	9%
■ Retail deposits	44%	■ Non-retail deposits	23%

c.£540m
Easy Access
account balances

86%
Retail deposits
protected
by FSCS⁴

Notes:

1. Average maturity of total available funding, excluding equity and funding held for liquidity purposes.
2. Loan book including operating lease assets.
3. Term Funding Scheme with Additional Incentives for SMEs and includes an immaterial Indexed Long Term Repo facility.
4. Financial Services Compensation Scheme.
5. Moody’s rates Close Brothers Group (“CBG”) A3/P2 and Close Brothers Limited (“CBL”) A1/P1, both with a “negative” outlook. Fitch rates both CBG and CBL BBB+/F2 with a “negative” outlook.

Strong capital position

- Reduction in **CET1 capital ratio** mainly driven by loan book growth, partly offset by profits
- Increase in **RWAs** driven by growth in the Commercial and Property loan books and the acquisition of the Irish motor finance business
- Issuance of **AT1 securities** in November 2023 optimised the capital structure
- **Leverage ratio** increased to 12.7%

Basel 3.1

- Implementation date of **1 January 2026**, six months later than previously expected
- Expect the implementation to have a **less significant impact** on the group's **capital headroom** position than initially anticipated
 - Majority of rules applicable to the group remain **unchanged**. As a result, we continue to expect implementation to result in an **increase of up to c.10% in RWAs**
 - PRA has proposed to apply an **SME lending adjustment** as part of Pillar 2A to ensure overall capital requirements for SME lending do not increase

Engagement with regulator on IRB continues

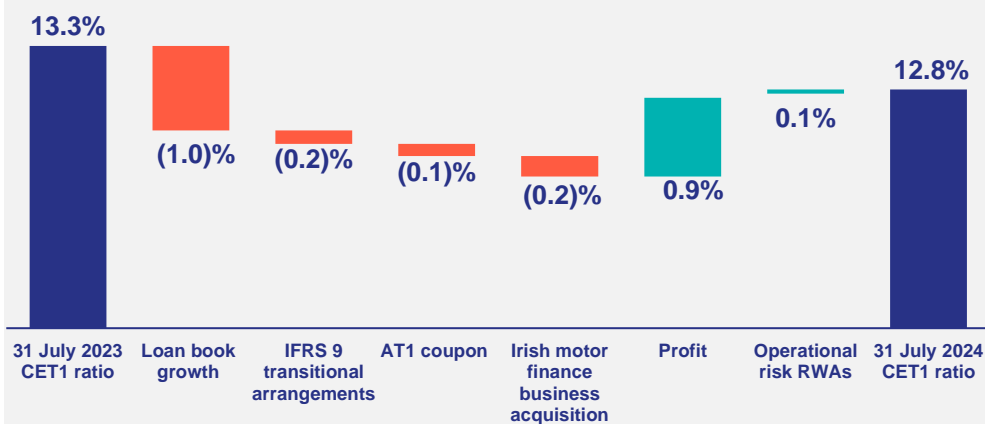
Outlook

- Remain committed to our previous CET1 capital ratio range of 12% to 13% over the medium term
- Potential to increase the CET1 capital ratio to between 14% and 15% at the end of the 2025 financial year⁵

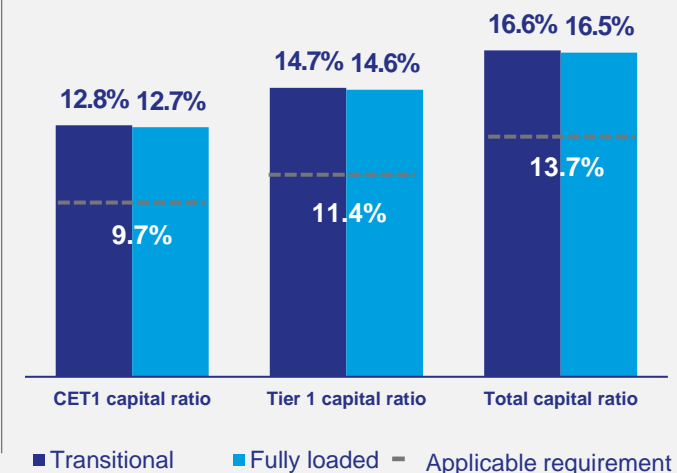
Capital overview

	31 July 2024	31 July 2023
CET1 capital ratio (transitional) ¹	12.8%	13.3%
Tier 1 capital ratio (transitional)	14.7%	13.3%
Total capital ratio (transitional)	16.6%	15.3%
Leverage ratio ²	12.7%	11.4%
CET1 capital (£m)	1,374.8	1,310.8
RWAs (£m)	10,701.2	9,847.6

Movement in CET1 capital ratio over the year^{1,3}



Regulatory capital vs. requirements⁴



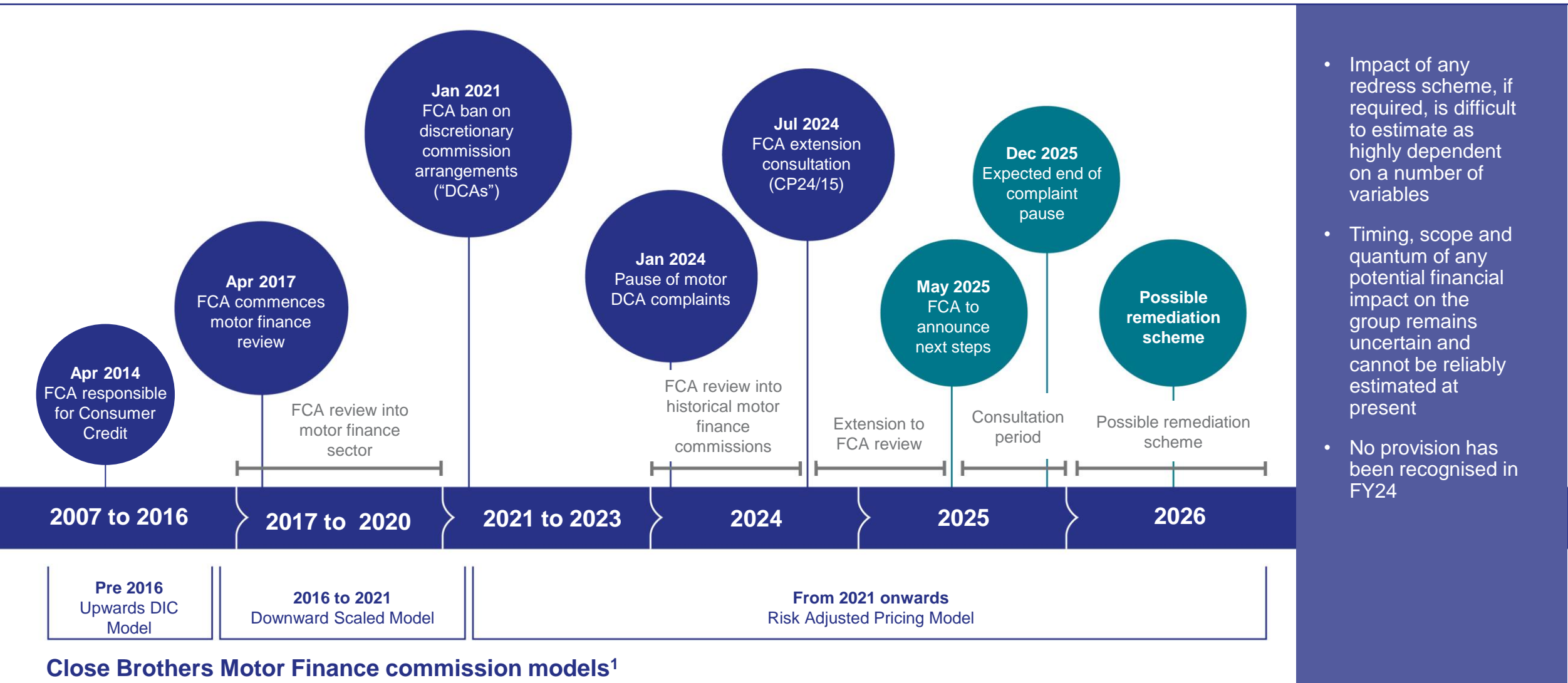
Notes:

1. The fully loaded CET1 capital ratio, excluding the application of IFRS 9 transitional arrangements, was 12.7% at 31 July 2024 (31 July 2023: 13.0%).
2. 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 CRR.
3. Numbers may not cast due to rounding.
4. The requirements are presented excluding any applicable PRA buffer, as at 31 July 2024.
5. Subject to the execution of management actions and capital generation. Does not include any potential redress or provision related to the FCA's review of historical motor finance commission arrangements. The CET1 capital ratio estimated trajectory can be found in Appendix 2 (slide 33).

03

Business and Strategy Update

FCA's review of historical motor finance commission arrangements



- Impact of any redress scheme, if required, is difficult to estimate as highly dependent on a number of variables
- Timing, scope and quantum of any potential financial impact on the group remains uncertain and cannot be reliably estimated at present
- No provision has been recognised in FY24

Close Brothers Motor Finance commission models¹

Note:

1. For simplicity, dates shown above assume transition when substantially complete. Future timeline assumes the proposal as outlined in the FCA's Consultation Paper CP24/15.

Significant progress on management actions to further strengthen our capital position

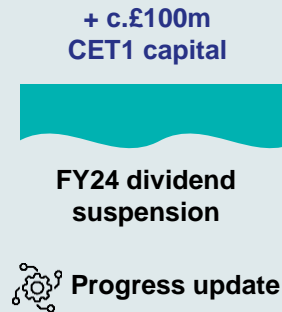
- Significant uncertainty arising from the FCA's review remains
- Significant progress on management actions announced at H1 2024
- Subject to the execution of these management actions and capital generation, have the potential to increase the CET1 capital ratio to between 14% and 15% at the end of the 2025 financial year¹
- These actions leave us well placed to navigate the current uncertainty

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 2025²

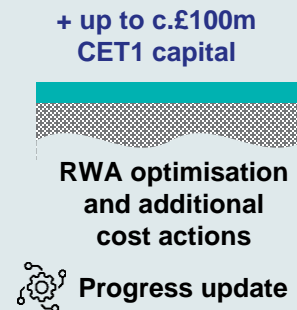
■ Management actions executed

▨ Management actions in progress

▨ Potential retention from FY25 earnings



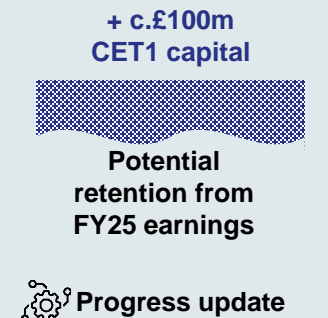
- In line with our previous announcement, no dividend will be paid in respect of the **2024 financial year**



- **Selectively grew** the loan book in H2 24
- **Ready to launch a significant risk transfer** transaction at the optimal time to maximise the peak capital benefit
- Progressed the delivery of the additional **cost management initiatives**
- Exploring use of **partnerships**



- Agreed **sale of CBAM**
- Continue to **review portfolio** of businesses and restructuring
- Potential **significant risk transfer of other portfolios** through securitisation
- **Sale of portfolios**
- **Tactical actions** and other levers



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

Notes:

1. See Appendix 2 on slide 33.

2. 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.

Business update – Banking



Commercial

Lends to SMEs through our direct sales force and third-party distribution channels

Asset Finance

- Starting to benefit from investment in our Asset Finance transformation programme
- Strong new business volumes in Leasing
- New specialist lending teams proving successful

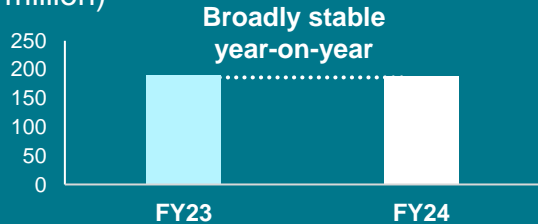
Invoice & Speciality Finance

- Strong new business volumes, supporting 8% loan book growth
- Slight uptick in utilisation
- Completed second syndication deal

Both Commercial businesses approved to lend under UK government's Growth Guarantee Scheme

Commercial average monthly new business volumes

(£ million)



Business update – Banking



Retail

Provides finance to individuals and businesses through a network of intermediaries

Motor Finance

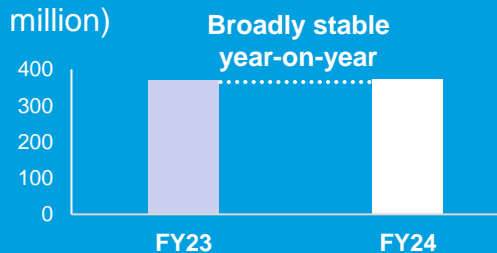
- Growth supported by **expanded routes to market** and **partnering with finance technology providers**
- Acquired business, **Bluestone Motor Finance in Ireland**, rebranded to **Close Brothers Motor Finance** and seeing **healthy demand**

Premium Finance

- **Strong performance** despite loan book decline reflecting the competitive market environment
- Continued to **deepen our proposition** to best meet the needs of our customers and support broker partners

Retail average monthly new business volumes

(£ million)



Business update – Banking

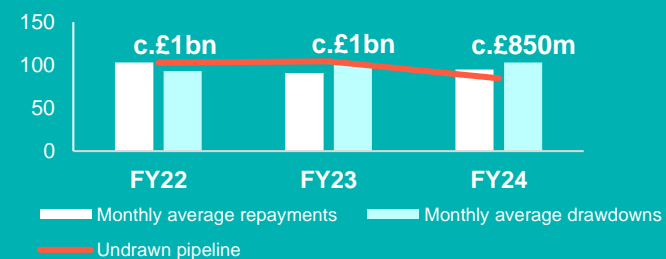


Property

Provides short-term residential development finance for experienced professionals and offers refurbishment and bridging loans

- Seen **optimism** returning to property market, supported by a **stabilisation of interest rates**
- **Strong performance** supported by our **relationship-led proposition** and **excellent customer service**
- Continued to see **healthy drawdowns** from our undrawn **pipeline** at **c.£850 million**
- Continued focus on **supporting SME developers**, with **particular growth in regional geographies**
- **Benefit** through initiatives including **Tomorrow's Developer**

Repayments, drawdowns and undrawn pipeline (£ million)



Business update – Asset Management

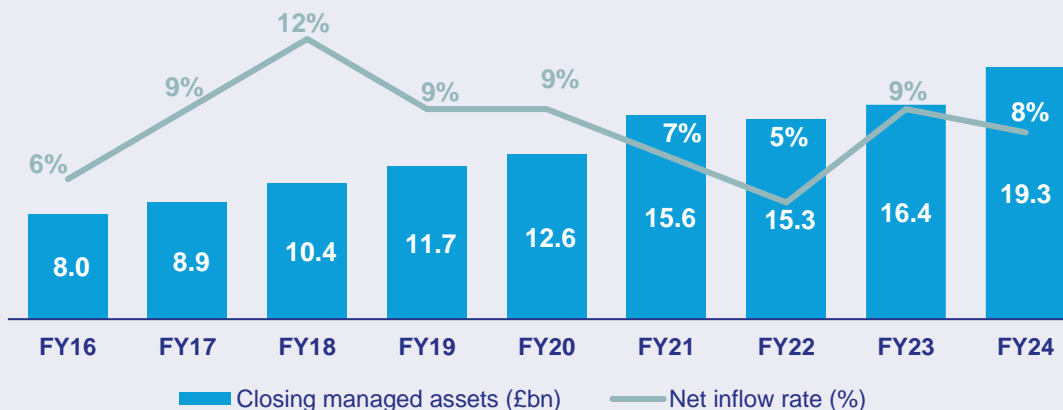


Strong track record of growth

- Consistent healthy net inflow rate through new and existing clients
- Completed the acquisition of IFA business based in Dorset, **Bottrill Adams**, expanding our regional presence in the South West
- Hired 12 bespoke investment managers in FY24
- Shifting our focus to only selective hiring of investment managers
- Continue to target net inflows of 6-10%

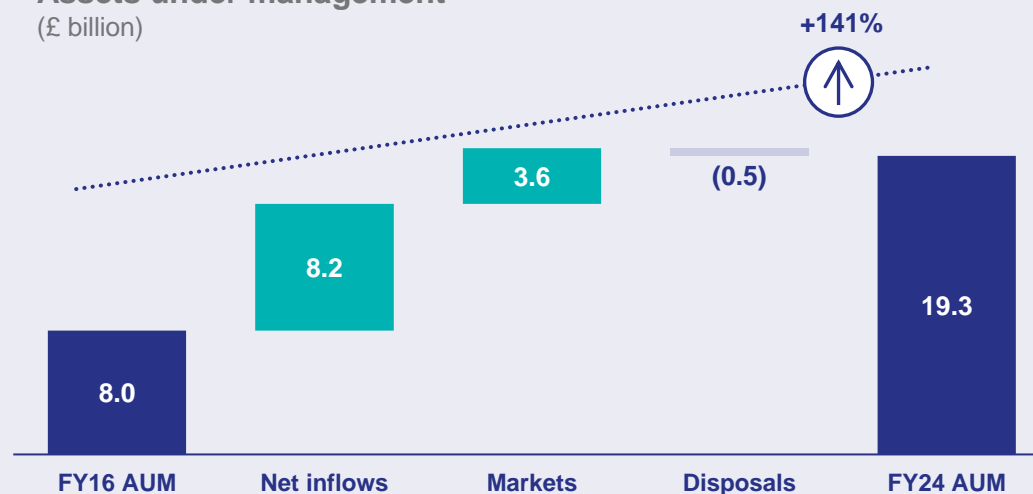
Net inflow rates and closing managed assets

(% and £ billion)



Assets under management

(£ billion)



Sale agreement with Oaktree

- Agreed sale of CBAM for an **equity value** of up to **£200 million**, following a comprehensive **strategic review**
- Aligned with the group's focus on strengthening our capital base
- Expected to **increase** the group's **CET1 capital ratio** by c.100bps on a pro forma basis
- **Competitive value for shareholders** and allows us to **simplify** the group, focusing on our **core lending business**
- The transaction will enable CBAM to **accelerate** its **growth** strategy under the new ownership
- Expected to **complete** in early 2025 calendar year

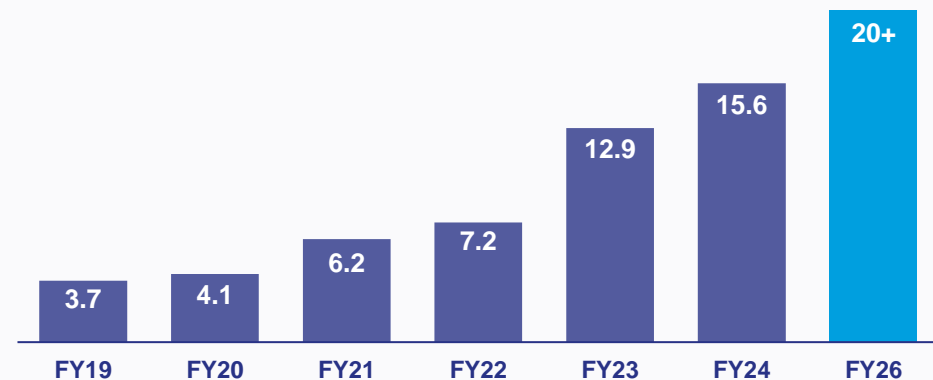
Business update – Winterflood



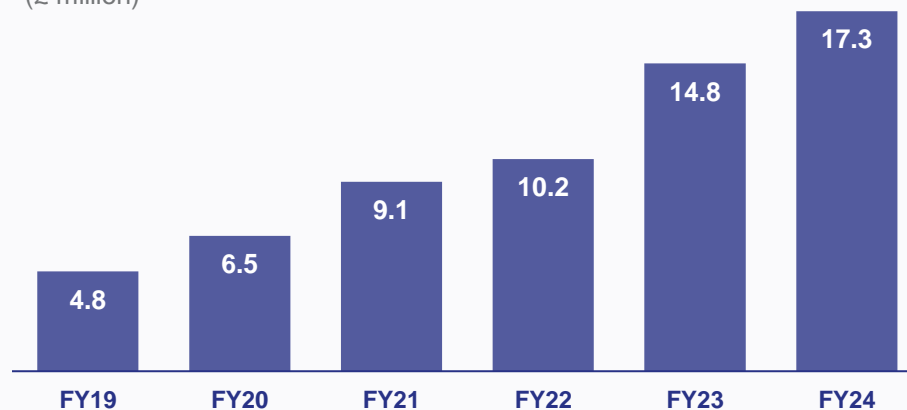
Winterflood Business Services

- Focus on **developing client relationships** and investing in our **award-winning proprietary technology** to **build scale** and **further enhance proposition**
- WBS continued to see **good momentum**, with **AuA increasing to £15.6 billion**
- **Healthy pipeline of clients** to support further growth
- **Expect to grow to over £20 billion of AuA by FY26**

WBS AuA
(£ billion)



WBS income
(£ million)



Further diversified Winterflood's revenue streams and growth initiatives

- **Diversification** within **market-making** business
- **Investment Trusts** corporate business income **grew 60%** despite low issuance and transaction volumes in the year
- **Winterflood Retail Access Platform** ("WRAP") enables **retail investors** to participate in **capital market transactions**
- Well positioned to **retain market position** and **benefit** when investor appetite returns

Focused on protecting our valuable franchise



Resilient performance delivered in FY24

Continued **strength of demand** in our Banking business

Against an uncertain backdrop, our top priority has been to **strengthen our capital position** and **protect our valuable franchise**, while continuing to **support our customers**

We are making **significant progress** against the previously announced **management actions** which have the potential to **strengthen** the group's capital position by up to **£400 million by the end of FY25**

The **distinctive strengths** of our through-the-cycle **model**, our **long-term relationships**, the **deep expertise** of our people and our **customer-centric approach**, **endure**

04

Appendices



Appendix 1: Summary of guidance

	FY24 performance	Guidance ¹
Banking	<ul style="list-style-type: none"> Loan book growth of 6% Net interest margin of 7.4% Banking cost growth of 8% Bad debt ratio of 1.0% 	<ul style="list-style-type: none"> Currently plan for low single-digit percentage growth in the loan book for FY25 Well positioned to sustain the net interest margin delivered in H2 24 of 7.2% Expect to generate annualised cost savings of c.£20 million, reaching the full run rate by the end of FY25, with the total benefit in FY26 Expect income and adjusted operating expenses growth (excluding the impact of adjusting items which do not reflect the underlying performance of the business) to be aligned in FY25 Expect to deliver positive operating leverage in FY26 Expect the bad debt ratio to remain below long-term average of 1.2% in FY25
Asset Management	<ul style="list-style-type: none"> Net inflow rate of 8% Operating margin of 14% excluding the costs related to hiring bespoke investment managers 	<ul style="list-style-type: none"> Continue to target net inflows of 6-10%
Winterflood	<ul style="list-style-type: none"> WBS AuA of £15.6 billion 	<ul style="list-style-type: none"> Expect to grow AuA in WBS to over £20 billion by FY26
Group (central functions)	<ul style="list-style-type: none"> Higher net expenses, increased to £45.3 million 	<ul style="list-style-type: none"> Expect net expenses to be between £55 million and £60 million in FY25
Adjusting items	<ul style="list-style-type: none"> £6.9 million of costs relating to complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements £3.1 million of restructuring costs 	<ul style="list-style-type: none"> Currently estimate costs associated with complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements to be between £10-15 million in FY25 Expect to incur £5-10 million of restructuring costs in FY25 as we continue to implement cost management actions to improve future efficiency
Capital	<ul style="list-style-type: none"> CET1 capital ratio of 12.8% 	<ul style="list-style-type: none"> Potential to increase the group's CET1 capital ratio to between 14% and 15% at the end of FY25, subject to the execution of management actions and capital generation² Over the medium term, remain committed to our previous CET1 capital target range of 12% to 13%

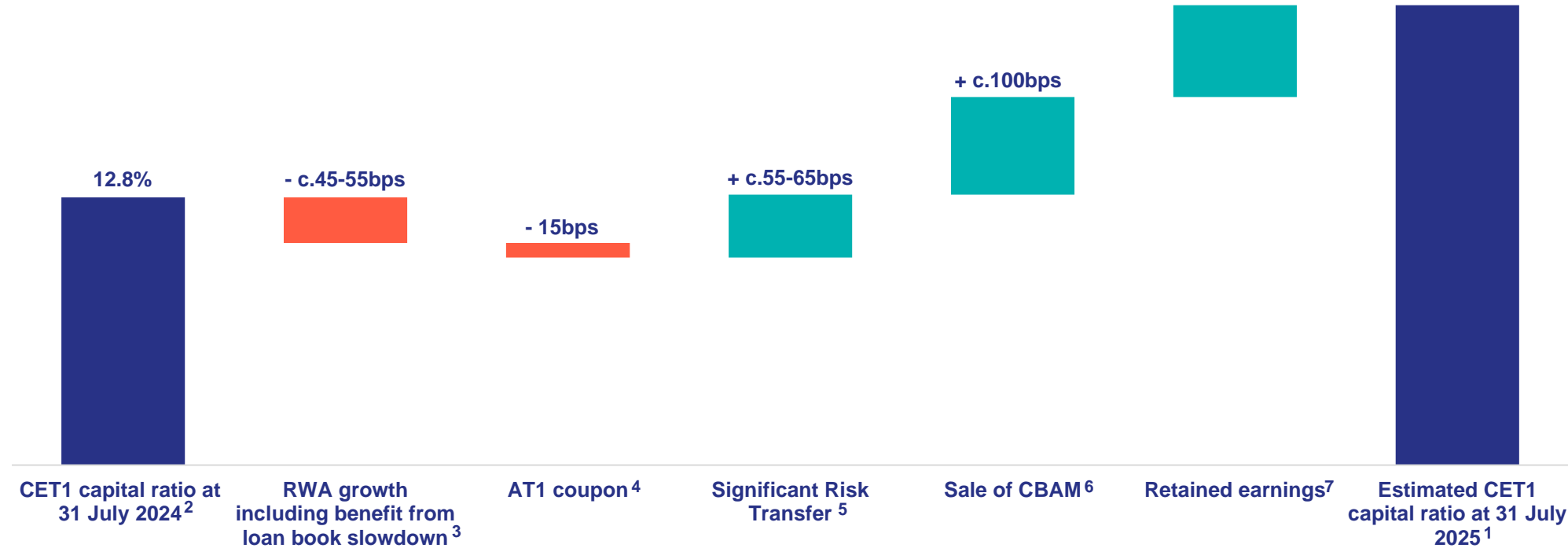
Notes:

1. Guidance relating to income statement items excludes any financial impact of a significant risk transfer of assets in Motor Finance. The final impact will be dependent on the transactions' final terms and timing of execution.

2. Excluding any potential redress or provision related to the FCA's review of historical motor finance commission arrangements.

Appendix 2: CET1 capital ratio estimated trajectory

Estimated CET1 capital ratio trajectory in FY25¹



Notes:

- Numbers are highly indicative and subject to execution of management actions and capital generation in the year. Does not include any potential redress or provision related to the FCA's review of historical motor finance commission arrangements. Does not include any impact from the implementation of the Basel 3.1 standards, which is expected on 1 January 2026, and therefore is expected to impact the position in the 2026 financial year.
- Includes c.20bps benefit from RWA optimisation as a result of selective loan book growth initiatives and c.100bps from dividends in respect of the 2024 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.
- RWA growth range includes c.40bps benefit from RWA optimisation as a result of selective loan book growth initiatives in 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. The impact of such initiatives on retained earnings is shown separately.
- Payment of two semi-annual coupons of £8.0 million each, net of tax relief, related to the Fixed Rate Resetting AT1 Perpetual Subordinated Contingent Convertible Securities, at an annual rate of 11.125%, 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.
- Includes an estimated adverse impact to retained earnings as a result of a significant risk transfer of assets in Motor Finance. The final impact will be dependent on the transactions' final terms and timing of execution.
- Following a comprehensive strategic review, on 19 September 2024 the group announced it entered into an agreement to sell CBAM to Oaktree. The overall impact of the transaction reflects expected profit on sale and associated capital impacts, including reduced RWAs. 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.
- Retained earnings excluding AT1 coupons and associated tax relief, and assuming no dividend accrual for the 2025 financial year. Will reflect benefit of additional cost initiatives outlined in March 2024, lower income as a result of selective loan book growth initiatives and loss of CBAM earnings post completion.

Appendix 3: Lending model

Prudent and disciplined approach to lending

A proven and resilient lending model

		Core products and security ¹	Average loan size ^{2,3}	Typical loan maturity ^{2,3}
Long track record of disciplined and consistent lending through the cycle	Asset Finance	<ul style="list-style-type: none"> Commercial asset financing, hire purchase and leasing solutions Diverse range of assets and sectors 	c.£53k	3 – 4 years
Predominantly secured loan book, with short tenors and low average loan sizes	Invoice & Speciality Finance	<ul style="list-style-type: none"> Debt factoring, invoice discounting and asset-based lending 	c.£635k	3 months
Experience in underwriting, collections and credit risk management	Motor Finance	<ul style="list-style-type: none"> Point of sale finance for predominantly used vehicles PCP c.10% of the loan book 	c.£7k	4 years
Scenario planning to leverage internal expertise and experience	Premium Finance	<ul style="list-style-type: none"> Personal and commercial insurance policies Policy refundability and/or broker recourse 	c.£0.6k	11 months
Well positioned to protect the business and maximise opportunity in the event of a downturn	Property Finance	<ul style="list-style-type: none"> Residential development finance, refurbishment and bridging loans Typical LTVs below standard market levels 	c.£1,860k	12 – 24 months⁴

Notes:

1. Lending statistic figures are for illustrative purposes only and may not be representative of all loan types. The profile of individual loans may vary significantly.

2. Approximations at 31 July 2024.

3. Typical loan maturities for new business on a contractual basis, except core Invoice Finance which is on a behavioural basis. Average loan size and typical loan maturity include the Invoice Finance business only.

4. Typical development loan maturity.

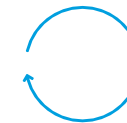
Appendix 4: Model Fit Assessment Framework

Protecting the key attributes of our model



Appendix 5: Sustain – Our responsibility¹

Our responsibility remains fundamental to our purpose, strategy and culture



E

Our car fleet

Now

53.6%

battery electric with average emissions now down to 19.1gCO₂/km

E

Our emissions

41.6%

reduction in Scope 1 and 2 emissions since 2019 (market based)

51.1%

renewable energy as a proportion of our energy use across our offices and Brewery Rentals business

S

Our inclusivity

90%

of our colleagues feel included

G

Our alliances

As a signatory to the NZBA², we commit to transition our lending and investment portfolios to align with net zero emissions by 2050

We work closely with the Partnership for Carbon Accounting Financials and its local members in developing accounting principles for financial carbon emissions

E

Our green lending

£1 billion

lending ambition for zero emissions battery electric vehicles over five years to 2027

2024: £152m

achieved in this financial year and a total of £316m in the first two years of the five-year period

E

Our investments

67.8%

of companies within our equities and corporate bonds investment portfolio align with the goal of limiting temperature increases to below 2.0°C

41.5%

of companies within our equities and corporate bonds investment portfolio align with the goal of limiting temperature increases to below 1.5°C

S

Our communities

386

employees used their volunteering day

S

Our inclusivity

35 students completed six-week internships:

28 as part of the 10,000 Interns Foundation

Seven university students from lower socioeconomic backgrounds through our partnership with upReach

E Environmental

S Social

G Governance

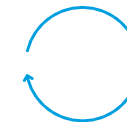
Notes:




1. All information as at 31 July 2024.

2. Net Zero Banking Alliance.

Appendix 6: Sustain – Our Responsibility

Our responsibility remains fundamental to our purpose, strategy and culture



Sustainable objectives	Our progress At 31 July 2024	Our ambitions
 <p>Environmental Reducing our impact on the environment and tackling climate change.</p>	<ul style="list-style-type: none"> 42% reduction in Scope 1 and 2 emissions since 2019¹ CBG car fleet now 54% battery electric Lent £152 million for battery electric vehicles in 2024 Developed our first sector-based intermediate 2030 emissions reduction pathways for cars and vans as part of our NZBA² commitments CBAM has recently set out its sustainability strategy in its inaugural TCFD-aligned entity report CDP³ Score of 'B' 	<ul style="list-style-type: none"> Operationally net zero by 2030 through our Scope 1 and 2 emissions To reach net zero emissions by 2050 across attributable GHG emissions from our lending and investment portfolios Provide over £1.0 billion of lending for zero emission battery electric vehicles over the five-year period 2023 to 2027
 <p>Social Ensuring we are a diverse and inclusive employer. Serving the needs of our customers.</p>	<ul style="list-style-type: none"> Set out our Group Diversity and Inclusion Strategy 31% female senior managers at 31 July 2024 10% of managers from an ethnic minority background at 31 July 2024 Strong customer scores⁴: <ul style="list-style-type: none"> Asset Finance CSAT 92% Motor Finance dealer NPS +67 Property Finance NPS +98 Savings online CSAT 75% 	<ul style="list-style-type: none"> 36% female senior managers by 2025 14% of our managers to be from an ethnic minority background by 2025 Maintain or improve customer satisfaction scores across our businesses
 <p>Governance Setting high standards of corporate governance to ethically and transparently achieve long-term success for our stakeholders.</p>	<ul style="list-style-type: none"> 44% of board members were female at 31 July 2024 Met the recommendations of the FTSE Women Leaders and Parker Reviews CBAM is a signatory of the UK Stewardship Code Current ESG ratings of AA from MSCI and 22.8 from Sustainalytics 	<ul style="list-style-type: none"> Maintain high standards of governance, with appropriate board-level oversight Continue to build on our external ESG ratings

Notes:

1. Market-based Scope 1 and 2 emissions.
2. Net Zero Banking Alliance.
3. Score as at July 2023, published in February 2024
4. Customer satisfaction score ("CSAT"). Net promoter score ("NPS"). Property Finance NPS excludes Commercial Acceptances.

Some of our partners and commitments

