

## Business Model

Close Brothers has an established reputation as a responsible bank with a distinctive, prudent business model and a long-term approach. We focus on providing straightforward products and services in sectors we know and understand, and delivering quality and reliability for our clients.



We remain committed to our traditional values of service, expertise and relationships alongside teamwork, integrity and prudence, to help the people and businesses of Britain thrive over the long term.

### Long-established proven business model →

#### Strong customer-led proposition

Our specialist expertise and personal approach give us a deep understanding of our customers' needs and values, which allows us to offer high service levels and fast, flexible solutions for our customers, clients and partners.

#### Disciplined approach through the cycle

We consistently apply our disciplined underwriting criteria at all stages of the financial cycle. Our lending is predominantly secured, with conservative loan to value ratios, small loan sizes and short maturities. Our strong margins and service-led customer relationships position us well to respond to changing market conditions.

#### Prudent capital and funding

We take a prudent approach to managing our financial resources. A fundamental part of our business model is ensuring we have a strong capital position which allows us to grow, invest and meet all regulatory requirements. We also take a conservative approach to funding, focused on diversity of sources and a prudent maturity profile.

#### Continuous investment within the model

Our focus on quality of returns and prudent funding and capital management enables us to reinvest through the cycle to protect, improve and extend our business. We continue to invest in our businesses to enhance our customer proposition and identify new products and opportunities within the boundaries of our model. Keeping our organisation safe with ongoing investment in operational resilience, compliance and technology remains a strategic priority for the group.

#### Diversified portfolio of businesses

In addition to our diversified portfolio of lending businesses, we also provide wealth management services and securities trading, which contribute to further diversification of income streams in the long term. We are constantly looking to maximise market opportunities for our businesses, both in existing and new markets, and tend to target segments of the market where clients value our personal service and expertise.

## Creating value for our stakeholders

### Engaged employees

We continue to recruit, develop and retain high calibre employees by recognising their values and supporting and motivating them to realising their fullest potential. Our staff underpin our culture of service, expertise and relationships alongside teamwork, integrity and prudence, and are proud of the positive impact we have on our clients and the communities we operate in.

 [Read more: See pages 25 to 28](#)

### Consistent customer service

Across our businesses we have a deep knowledge of the industry sectors and asset classes we serve, leading to firmer lending decisions and faster access to funds when customers need them most. Our prudent approach to managing our financial position and capital base enables us to lend consistently to our clients under responsible terms in all market conditions. We are there for our clients even when others may withdraw, and this has contributed to high levels of repeat business and strong net promoter scores across our businesses.

 [Read more: See pages 28 and 29](#)

### Strong shareholder returns

We have achieved strong returns for shareholders in a range of market conditions, and continue to deliver over the long term. This is reflected in our long run total shareholder return of 148% over the last 10 years.

 [Read more: See pages 34 to 37](#)

### Supporting communities and the environment

We are committed to contributing lasting value and making a positive impact on the wider community in which we operate. We are pleased to promote a wide range of programmes that help support the causes that are beneficial to all those around us and are focused on reducing our environmental impact through our sustainability initiatives.

 [Read more: See pages 24 to 33](#)

### Strong supplier relationships

Our businesses are supported by a large number of suppliers, who enable us to consistently deliver high service levels to our customers, clients and partners. We are committed to developing and maintaining transparent and sustainable working relationships with our suppliers over the long term.

 [Read more: See page 29](#)

### Constructive engagement with regulators

We are committed to sustaining high standards of business conduct across our businesses. We maintain an open and active dialogue with our key regulators to ensure we adhere to the relevant regulatory frameworks where we operate.

 [Read more: See pages 18 to 21](#)

## Driving sustainable outcomes and business performance

### High net interest margin and a quality loan book

We do not manage our businesses to a growth target, but instead prioritise the consistency of our lending criteria and maintaining strong returns. The strength of our client proposition has supported a net interest margin between 7.5% and 9.8% over the last 10 years and a predominantly secured, diverse loan book.

### Resilience in all market conditions

Our consistent application of underwriting discipline and responsible lending criteria has resulted in a low bad debt ratio ranging from 0.6% to 2.3% over the last 10 years.

### Consistent returns through the cycle

Our customer-focused approach and disciplined lending have supported consistently strong returns at all stages of the financial cycle. Return on net loan book ranged from 1.3% to 3.7% and group return on opening equity averaged 16% over the last 10 years.

### Sustainable dividend

While dividend decisions in the 2020 financial year have reflected the unprecedented uncertainty caused by Covid-19, our aim remains to return to a long-term policy of progressive and sustainable dividend growth in future. Dividend decisions will continue to balance returns to shareholders with maintaining a strong financial position, flexibility to grow and invest, and the ability to meet our responsibilities to all stakeholders.

### Strong net inflows and consistent trading profitability in market-facing divisions

We have seen strong growth in our Asset Management business with net inflows as a percentage of opening managed assets ranging from 6% to 12% over the past five years. We continue to increase the scale and profitability of the Asset Management division through strong net inflows from a range of channels. Winterflood has a long track record of profitable trading in a wide range of market conditions, with only seven loss days in the last financial year despite volatile trading conditions.