

# Going Concern

The group's business activities, financial performance, capital levels, liquidity and funding position, and risk management framework, along with the principal and emerging risks likely to affect its future performance, are described in the Strategic Report and the Risk Report.

The group continues to have a strong, proven and conservative business model supported by a diverse portfolio of businesses, maintaining its consistent track record of delivering profits. The group remains well positioned in each of its core businesses, is strongly capitalised and soundly funded, and has good levels of liquidity. In making their going concern assessment, the directors have also considered the operational agility and resilience of the company and the group. The directors continually expect to maintain a high level of operational and system performance.

The directors acknowledge that the risk landscape is constantly evolving and as such continually review the group's principal and emerging risks. As part of this review, risks are assessed with robust oversight exercised at both a local business unit and group level through risk and compliance committees and the board.

In order to satisfy the statutory requirement that the company and the group have adequate resources to continue to operate for the foreseeable future, the directors have reviewed the group's operating plan to 31 July 2026 ("3YSP"). This covers a period of at least 12 months from the date of approval of the financial statements together with its funding and capital position, the impact of further stress scenarios and a number of key risks which are set out in the Risk Report under the heading Principal risks and uncertainties: funding and liquidity on pages 119 to 121 and capital position on page 97 to 100.

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparing the Annual Report, a range of forward-looking scenario analyses have been considered. This included the central and downside scenarios and the Close Brothers high inflation and severe recession scenarios. For each of the divisions, the directors have also considered the impact of the central and downside scenarios on financial performance over the next 12 months. For Banking, these include expected customer demand, which underpins loan book growth, as well as the impact of rising interest rates and inflationary pressures on the group's customers and the effect this will have on the bad debt ratio and net interest margin. For Asset Management, the strength of financial markets in the UK and volume of net flows as a percentage of opening managed assets was considered. For Winterflood, the volume of trading activity within its markets and expected trading revenue was assessed. Across all the divisions, the limited impact of the selected downside scenario demonstrated the resilience of the group business model.

In addition, two stress testing scenarios are modelled for the group's Internal Capital Adequacy Assessment Process ("ICAAP") and used for the going concern assessment. One scenario tested the impact of high inflation combined with a high Bank of England base rate whilst the other tested the impact of a sharp UK recession. In all modelled scenarios it was concluded that no significant structural changes to the company or group will be required. Further details of these scenarios are set out in the Viability Statement.

Under all scenarios the company and group continue to operate with sufficient levels of liquidity and capital for the next 12 months from the reporting date, with the group's capital ratios and liquidity comfortably in excess of regulatory requirements.

In conclusion, the directors have determined that they have a reasonable expectation that the company and the group, as a whole, have adequate resources to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report.

