

A photograph showing three workers from behind, sitting on a grey metal floor in an industrial setting. They are leaning against a yellow safety railing. The worker on the left wears a green cap and a dark jacket. The middle worker wears a white hard hat and a green and black jacket. The worker on the right wears a white hard hat and a green and black jacket. The background is a large blue wall with some white markings. A white circular graphic element is visible on the right side of the image.

# Close Brothers Group plc Half Year Results 2026

17 March 2026

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# Agenda

**Introduction**

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**Financial update**

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**Conclusion**

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# Introduction

Mike Morgan  
Group Chief Executive Officer



# A clear strategy: Simplify, Optimise, Grow

## Core business strength

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- Performance reflects resilient trading
- Simplified group
- Strong and sustainable market opportunity

## Strong capital

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- 14.3% CET1 - well placed to absorb a range of potential outcomes from FCA's proposed motor finance commission redress scheme
- Continue to access the market, issuing £250 million of Tier 2 notes

## Accelerating cost savings

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- Now expect to deliver c.£25 million of annualised cost savings in FY 2026 and a total of c.£60 million annualised savings by the end of FY 2027

## Simplification largely complete

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- Winterflood and Close Brewery Rentals Limited disposals completed
- Three core lending divisions: Commercial, Retail, Property

## Optimisation underway

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- Transformation programme launched with clear plan for execution
- Streamlining of historically federated model

## Capacity for meaningful growth

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- Growth through combination of organic expansion and broadening our product offering
- Clear path to delivering double-digit returns by FY 2028, rising thereafter



# Financial update

Fiona McCarthy  
Group Chief Finance Officer

# Overview of financial performance

**Adjusted<sup>1</sup> operating profit (“AOP”) of £65.2 million; RoTE<sup>2</sup> of 6.3%**

**Strong capital, funding and liquidity, with CET1 capital ratio at 14.3%**

**Lending divisions AOP of £88.0 million with Group (central functions) adjusted operating loss (“AOL”) of £22.8 million**

**Loan book down 2%<sup>3</sup>, driven by current market conditions and repositioning of our business**

**Robust net interest margin at 7.1% and bad debt ratio at 0.8%<sup>4</sup>**

**Costs broadly flat at £221.9 million demonstrating cost discipline**

## Notes:

1. Adjusted measures are presented on a basis consistent with prior periods and exclude any exceptional and adjusting items which do not reflect underlying trading performance. Current adjusting items include: customer remediation provisions, operational or legal costs incurred in relation to an event that is deemed to be adjusting, Close Brewery Rentals Limited that was sold in the period, Close Brothers Vehicle Hire which is in wind-down, restructuring costs and amortisation of intangible assets on acquisition. There are no exceptional items presented in these financial results.
2. Return on average tangible equity, defined as annualised adjusted operating profit less tax and AT1 coupons divided by average total shareholders' equity, excluding intangible assets and AT1, for continuing operations.
3. Loan book of £9.2 billion (31 July 2025: £9.5 billion).
4. Bad debt ratio reflects the implementation of an updated IFRS 9 model which recognises the evolving composition and behaviour of the Motor Finance book.

# Income statement: resilient trading performance

## Continuing operations

Adjusted operating income reduction driven by a lower average loan book, reflecting current market conditions, and the repositioning of our business

Adjusted operating expenses broadly flat

Adjusted impairment losses reflect implementation of an updated IFRS 9 model in Motor Finance, partly offset by an increase in individually assessed provisions in Property

## Dividend

The group will not pay an interim dividend for the first half of the 2026 financial year

The reinstatement of dividends will be reviewed once there is further clarity on the financial impact of the FCA review of motor finance commission arrangements

	H1 26 £ million	H1 25 £ million	Change %
<b>Continuing operations</b>			
Adjusted operating income	326.6	348.6	(6)
Adjusted operating expenses	(221.9)	(221.0)	-
Adjusted impairment losses	(39.5)	(47.1)	(16)
<b>Adjusted operating profit</b>	<b>65.2</b>	<b>80.5</b>	<b>(19)</b>
<i>Commercial</i>	40.7	50.0	(19)
<i>Retail</i>	17.5	16.8	4
<i>Property</i>	29.8	42.1	(29)
<i>Group (central functions)</i>	(22.8)	(28.4)	(20)
<b>Adjusting items</b>	<b>(130.7)</b>	<b>(182.7)</b>	<b>(28)</b>
<b>Operating loss before tax</b>	<b>(65.5)</b>	<b>(102.2)</b>	<b>(36)</b>
Tax	0.3	(9.2)	(103)
<b>Loss after tax from continuing operations</b>	<b>(65.2)</b>	<b>(111.4)</b>	<b>(41)</b>
<b>Discontinued operations<sup>1</sup></b>			
Close Brothers Asset Management	0.1	0.3	(67)
Winterflood	0.7	(0.7)	(200)
<b>Loss after tax (continuing and discontinued operations)</b>	<b>(64.4)</b>	<b>(111.8)</b>	<b>(42)</b>
Net interest margin (NIM)	7.1%	7.3%	
Adjusted EPS (continuing operations)	27.1p	33.8p	
Return on average tangible equity <sup>2</sup>	6.3%	8.7%	
Dividend per share	-	-	

Notes:

1. Close Brothers Asset Management and Winterflood have been classified as "Discontinued operations" in the group's income statement for the 2025 and 2026 financial years in line with the requirements of IFRS 5.
2. Return on average tangible equity excludes discontinued operations.

# Operating loss reflects adjusting items

## Material adjusting items

### £135.0 million motor finance provision in H1 26

- Total provision now at £300 million
- The ultimate cost to the group could be materially higher or lower and remains subject to further clarity from the FCA on the scope and design of any redress scheme and any further legal, regulatory or industry developments

- **£6.8 million** profit from CBRL primarily reflecting profit on disposal and **£1.1 million** operating loss from CBVH – business to be wound down over 3-5 years

### £1.6 million restructuring costs

- Primarily relating to redundancy and associated costs
- Expect to incur c.£10-15 million (previously c.£5-10 million) of restructuring costs in the 2026 financial year and c.£30-40 million in the 2027 financial year reflecting the acceleration of our cost reduction activities

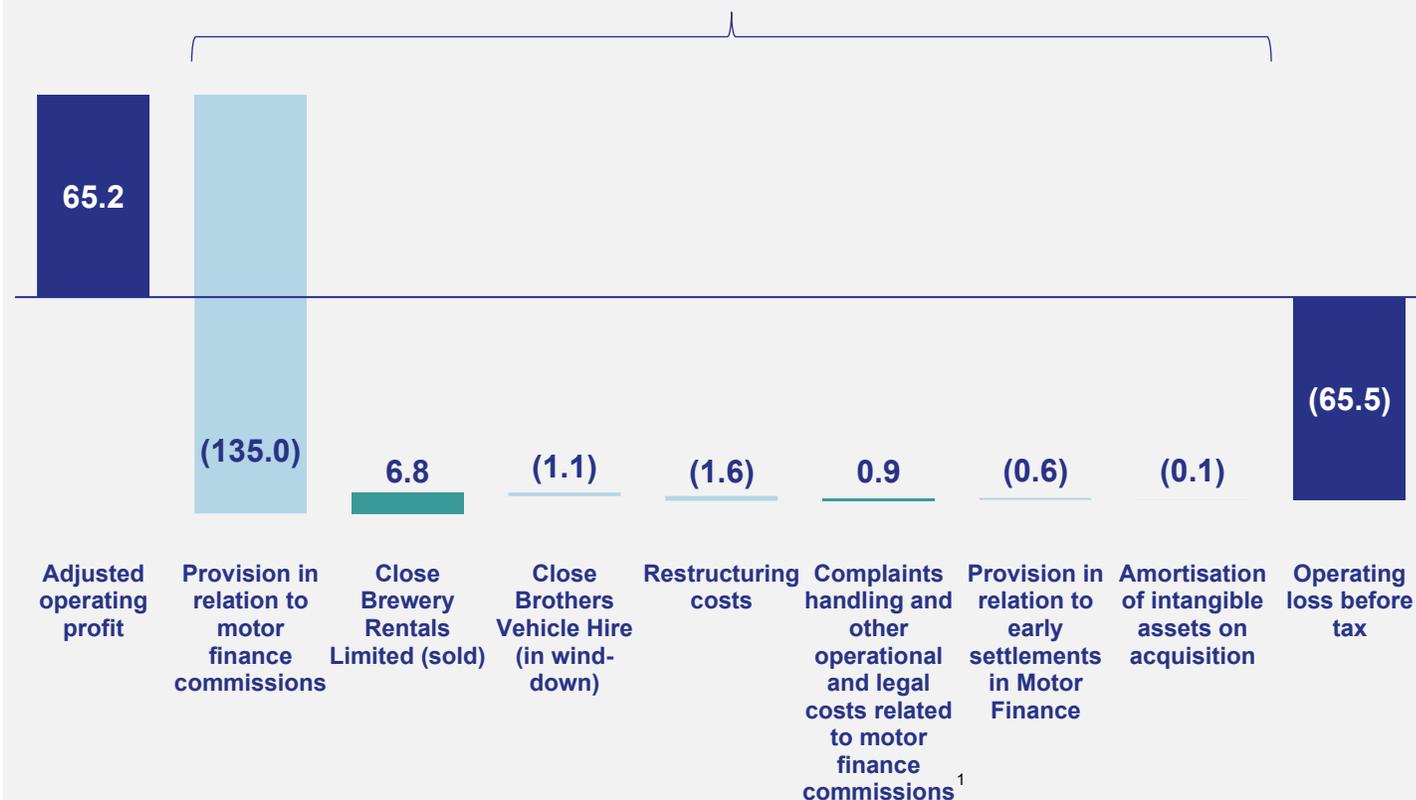
### £0.9 million credit for complaints handling costs<sup>1</sup>

- We continue to expect single-digit millions charge in the 2026 financial year, including unwinding of the time value discount in relation to the motor finance commissions provision

## Adjusting items

(£ million)

£(130.7) million of adjusting items



Note:

1. At 31 January 2026, £0.9m credit comprises insurance recoveries largely offset by certain legal costs and unwind of the time value discount in relation to the motor finance commissions provision.

# Our businesses

	 <b>Commercial</b>	 <b>Retail</b>	 <b>Property</b>
<b>Adjusted operating income</b>	<b>£151.2m (5)%</b>	<b>£118.4m (8)%</b>	<b>£61.6m (10)%</b>
<b>Loan book (year-on-year)</b>	<b>£4.6bn (3)%</b>	<b>£2.9bn (1)%</b>	<b>£1.8bn (9)%</b>
<b>Net interest margin</b>	<b>6.5% (HY 25: 6.6%)</b>	<b>8.3% (HY 25: 8.7%)</b>	<b>6.8% (HY 25: 7.1%)</b>
<b>Change in adjusted operating expenses</b>	<b>1%</b>	<b>4%</b>	<b>(4)%</b>
<b>Bad debt ratio</b>	<b>0.7% (HY 25: 0.6%)</b>	<b>0.6%<sup>1</sup> (HY 25: 1.6%)</b>	<b>1.6% (HY 25: 0.9%)</b>
<b>Adjusted operating profit</b>	<b>£40.7m (HY 25: £50.0m)</b>	<b>£17.5m (HY 25: £16.8m)</b>	<b>£29.8m (HY 25: £42.1m)</b>
<b>Statutory operating profit/(loss)</b>	<b>£45.8m (HY 25: £41.1m)</b>	<b>£(118.1)m (HY 25: £(156.9)m)</b>	<b>£29.6m (HY 25: £42.0m)</b>
	 <b>Group (central functions)</b>		
<b>Operating loss</b>	<b>£(22.8)m, down 20% year-on-year</b>		

Note:

1. Bad debt ratio for Retail driven by the implementation of an updated IFRS 9 model which recognises the evolving composition and behaviour of the Motor Finance book, and an improved credit performance in Premium Finance.

# Robust net interest margin while income reflects repositioned business

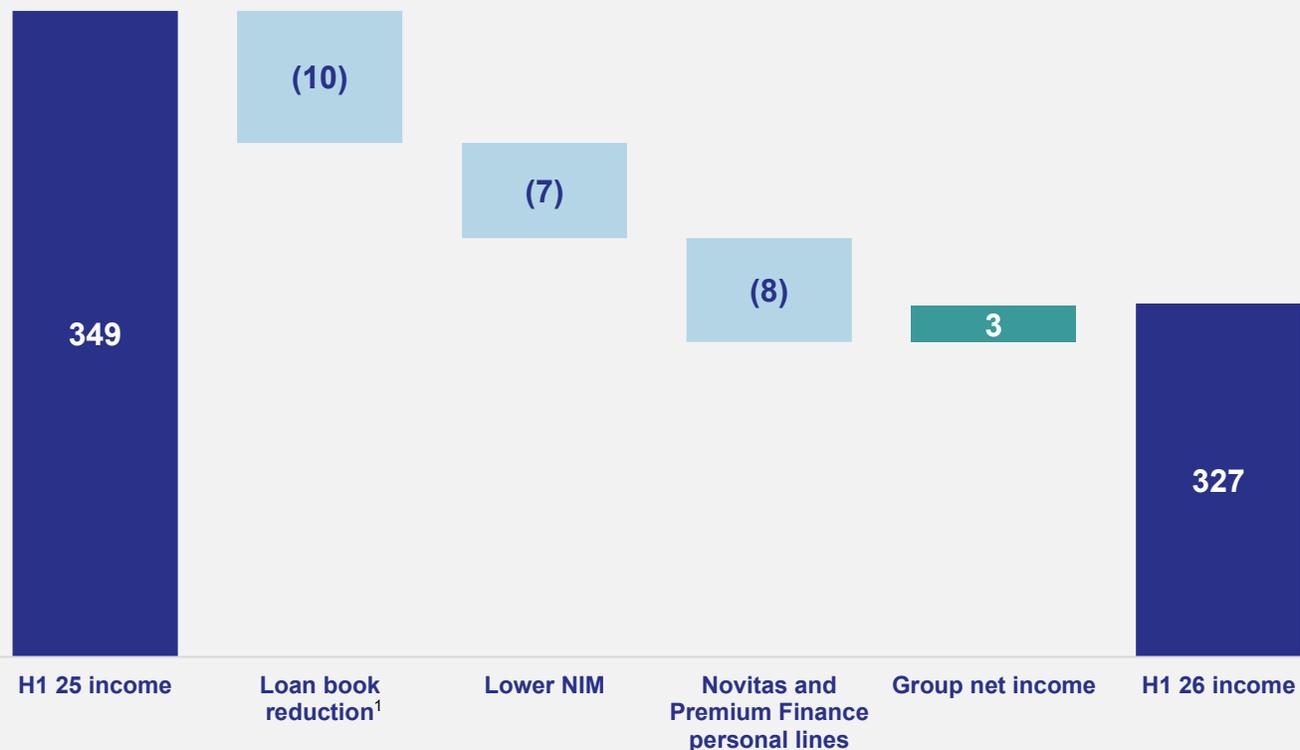
## Income drivers

- 6% reduction in income driven by a lower average loan book, reflecting current market conditions, and the repositioning of our business including the wind-down of Novitas and the reduction of Premium Finance personal lines

## Robust net interest margin

- NIM across the lending divisions remains robust at 7.1% (H1 2025: 7.3%)
- Reduction reflects changes in business mix, including the wind-down of Novitas, reduction in Premium Finance personal lines, and lower behavioural fee income
- We continue to expect NIM to be slightly lower than 7% for the 2026 financial year, reflecting loan book mix impacts

## Income (£m)



Note:

1. Loan book reduction excluding the wind-down of Novitas and the reduction in Premium Finance personal lines.

# Loan book performance

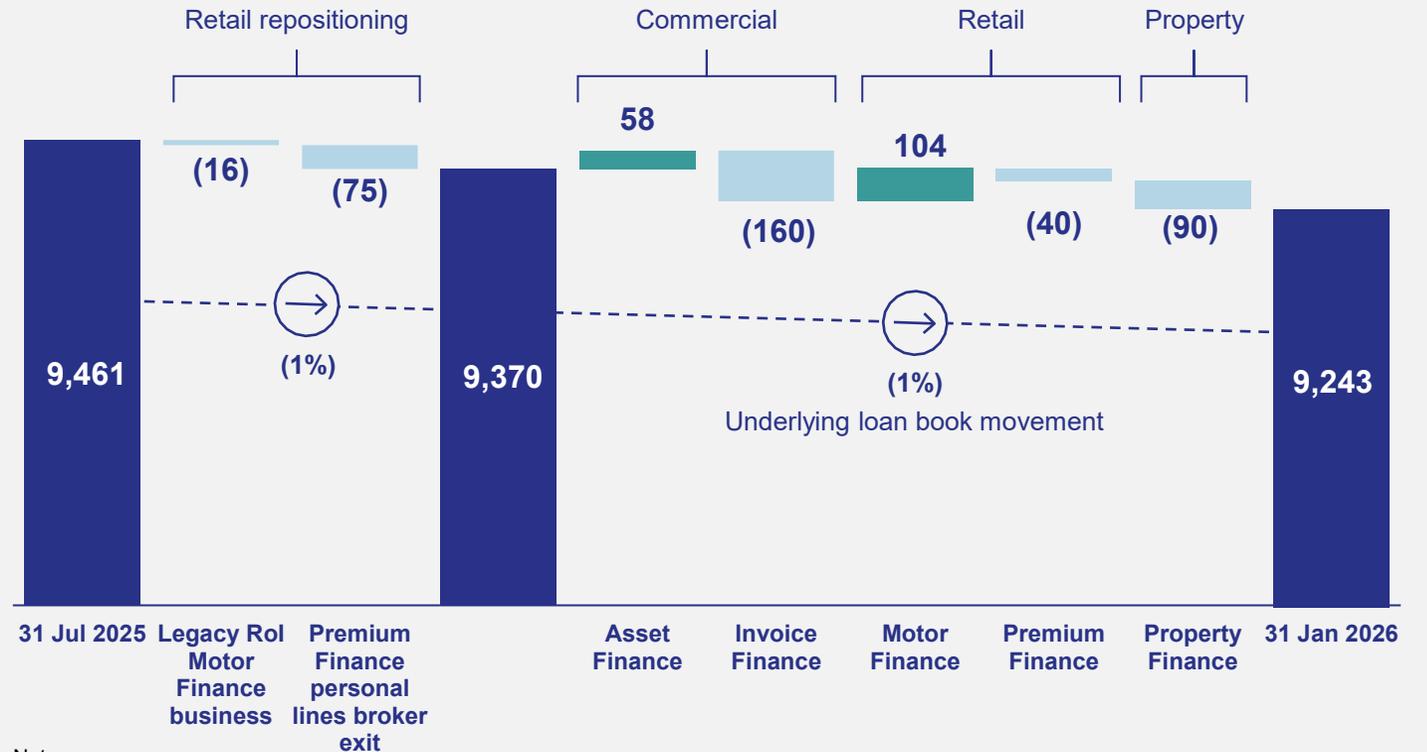
## Loan book growth impacted by repositioning and current market conditions

- Loan book decreased 2% to £9.2 billion
- Underlying loan book decrease of 1%, excluding planned exit of Premium Finance personal lines and Legacy Motor Finance business
- Commercial reduced 2%, as growth in Asset Finance offset by amplified seasonality and low utilisation in Invoice Finance
- Underlying Retail growth of 3% reflecting growth in Motor Finance more than offsetting the reduction in Premium Finance
- Property reduced 5% reflecting softer current demand environment with repayments more than offsetting drawdowns

## Outlook

- Repositioned business to focus on core markets where we see sustainable market opportunities
- Targeting 5-10% p.a. loan book growth through the cycle through a combination of core business growth and new initiatives

## Loan book movement by business<sup>1,2,3,4</sup> (£ million)

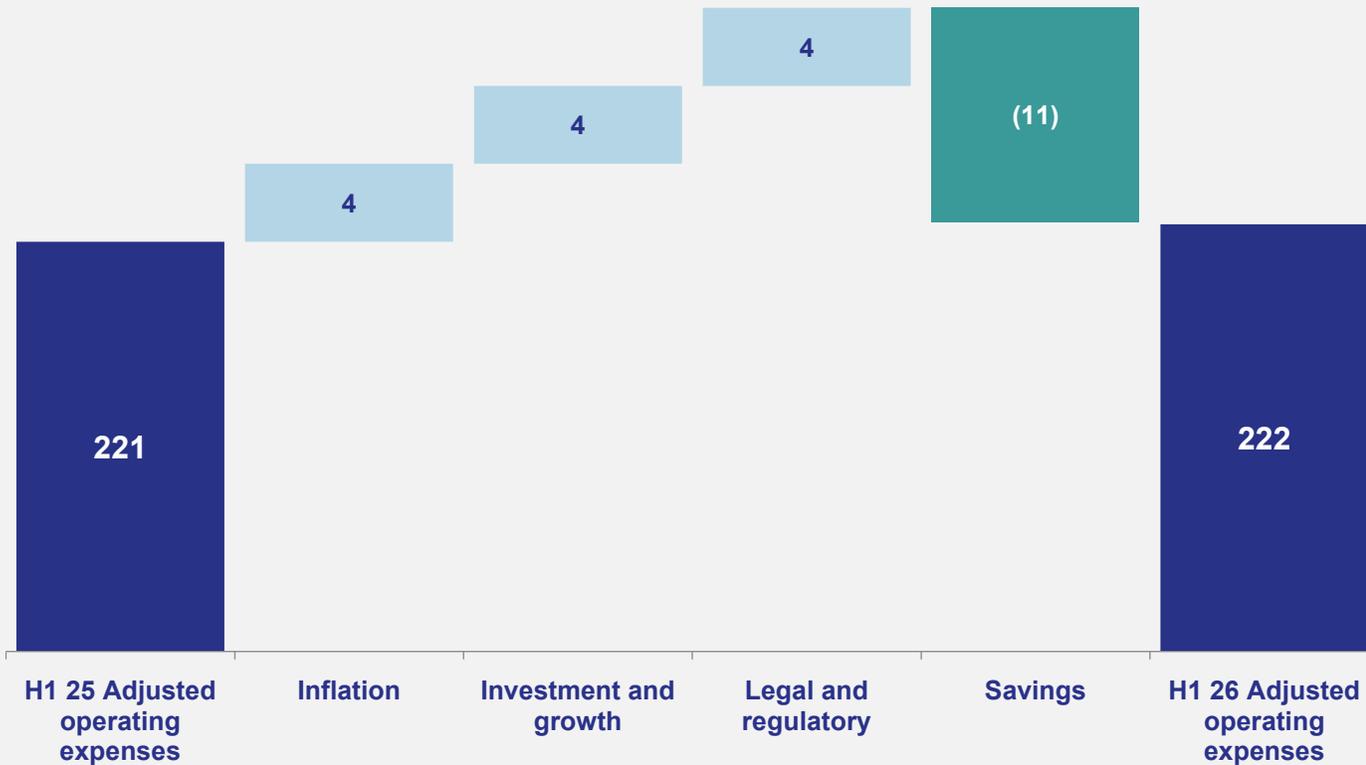


### Notes:

1. Asset Finance totals exclude £157.0 million (31 July 2025: £165.0 million) of operating lease assets related to Close Brothers Vehicle Hire, which is in wind-down, and £nil (31 July 2025: £41.0 million) of operating lease assets related to CBRL sold on 31 August 2025. Asset Finance includes £299.8 million (31 July 2025: £289.4 million) of loans in relation to Asset Ireland which were previously reported through Invoice Finance.
2. The Motor Finance loan book includes £16.0 million (31 July 2025: £32.1 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.
3. Includes operating lease assets of £1.3 million (31 July 2025: £1.3 million).
4. Numbers may not cast due to rounding.

# Cost discipline helping to keep costs broadly flat

Group adjusted operating expenses  
(£ million)



Adjusted operating expenses broadly flat



We now expect to deliver:

- c.£25 million (previously c.£20 million) of annualised savings in the 2026 financial year
- a total of c.£60 million of annualised savings by the end of the 2027 financial year (previously 2028)



We expect group adjusted operating expenses to be:

- c.£450 million in the 2026 financial year (previously in the £440-460 million range)
- in the £410-430 million range in the 2028 financial year

# Solid credit performance

## Bad debt ratio at 0.8%

Impairment charges decreased to £39.5 million from prior year reflecting:

- The implementation of an updated IFRS 9 model for the Motor Finance book
- Increase in individually assessed provisions in Property

Provision coverage was flat at 2.6% (FY 2025: 2.6%)

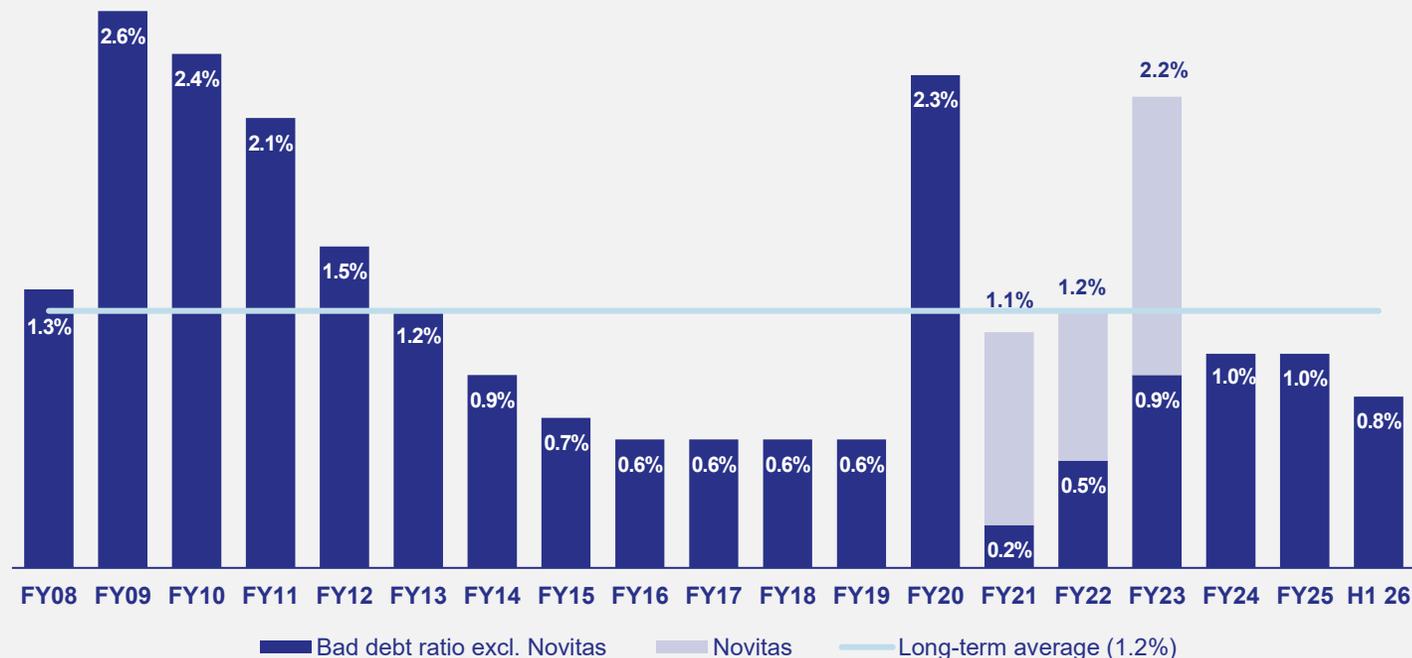
Closely monitoring evolving impacts of inflation and cost of living pressures on customers

Confident in the quality of our loan book: predominantly secured or structurally protected, prudently underwritten and diverse

## Outlook

Bad debt ratio for FY 2026 expected to remain below our long-term average of 1.2%<sup>1</sup>

## Long-term average bad debt ratio<sup>1</sup>



Notes:

1. Long-term bad debt ratio calculated using IAS 39 until the change to IFRS 9 in FY19. Long-term average bad debt ratio of 1.2% based on the average bad debt ratio for FY08-FY25, excluding Novitas from FY21 onwards and Rentals businesses from FY24.

# Strong balance sheet

## Prudent approach

Conservative funding strategy

Reduction in total funding and treasury assets reflects ongoing balance sheet optimisation and normalisation of elevated liquidity

## Diverse funding base

Deposits predominately term with only 19% of deposits available on demand and 47% with 3 months to maturity

Average cost of funds<sup>1</sup> reduced to 4.9% (FY 2025: 5.4%) reflecting lower rates and balance sheet optimisation

Credit ratings remain robust, and we retain strong access to funding markets<sup>2</sup>

Total funding  
**£11.7 billion**

Average maturity of funding allocated to loan book at 18 months<sup>3</sup>

Loan book<sup>4</sup>  
**£9.2 billion**

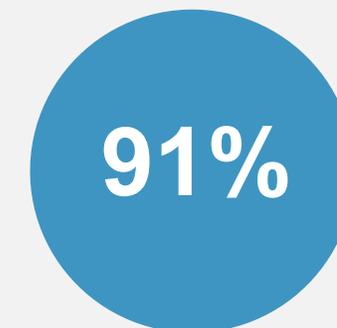
Average maturity of the loan book at 15 months

Treasury assets  
**£2.2 billion**

Includes £1.4 billion in cash with central banks



Equity	14%
Unsecured funding	9%
Secured funding	9%
Retail deposits	54%
Non-retail deposits	14%



**Retail deposits protected by FSCS<sup>5</sup>**

### Notes:

1. The cost of funding across our lending divisions interest expense (excluding relevant allocations to CBRL and CBVH) for the first half of the 2026 financial year was £232.3 million (31 July 2025: £520.8 million).
2. Moody's ratings for the group and CBL (Bank deposit rating) are Baa2/P2 and A3/P2 respectively (at 17 October 2025), with a negative outlook. Fitch Ratings ("Fitch") for both the group and CBL are BBB/F3, affirmed on 15 December 2025 with a negative outlook.
3. Simple weighted average of the applicable funding allocated to the loan book. The applicable funding excludes equity (except AT1 instruments) and deducts funding held for liquidity purposes.
4. Loan book includes operating lease assets of £1.3 million (31 July 2025: £1.3 million) and excludes £157.0 million (31 July 2025: £165.0 million) of operating lease assets related to Close Brothers Vehicle Hire, which is in wind-down, and £nil of operating lease assets related to Close Brewery Rentals Limited (31 July 2025: £41.0 million), sold on 31 August 2025.
5. Financial Services Compensation Scheme.

# Capital able to absorb a range of outcomes from FCA motor finance commissions

CET1 capital ratio increased even after taking additional motor finance commissions provision

Lower RWAs through loan book reduction and non-core businesses now exited

Basel 3.1 expected to result in an increase of less than 10% in RWAs, with SME support factor removal fully offset in Pillar 2a requirements at total capital level

Continue to make progress in IRB application process

## Outlook

In the near-term, we expect to maintain our CET1 capital ratio above the top end of our medium-term target range of 12% to 13%, based on our current assessment of the provision in respect of motor finance commissions

	31 Jan 2026	31 Jul 2025
<b>CET1 capital ratio<sup>1</sup></b>	<b>14.3%</b>	13.8%
<b>Tier 1 capital ratio<sup>1</sup></b>	<b>16.5%</b>	15.8%
<b>Total capital ratio<sup>1</sup></b>	<b>18.8%</b>	17.8%
<b>Leverage ratio<sup>2</sup></b>	<b>13.5%</b>	12.9%
<b>CET1 capital (£m)</b>	<b>1,266.3</b>	1,348.1
<b>RWAs (£m)</b>	<b>8,882.5</b>	9,798.5

### Movement in CET1 capital ratio to 31 January 2026<sup>1,3</sup>



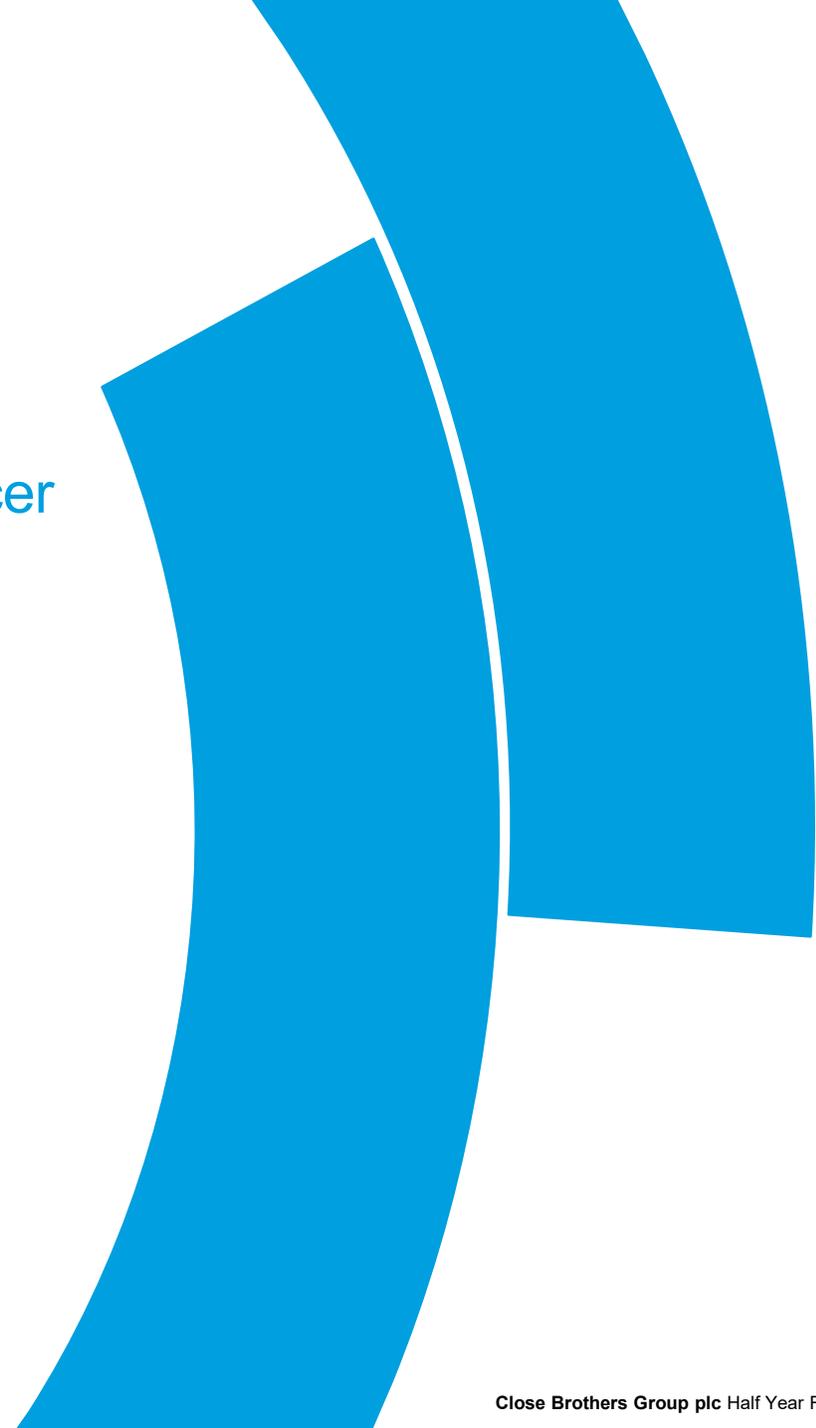
#### Notes:

- Capital ratios at 31 July 2025 shown after applying IFRS 9 transitional arrangements and the CRR transitional and qualifying own funds arrangements in force at the time. Without their application, at 31 July 2025 the CET1 capital ratio would be 13.7%, tier 1 capital ratio 15.7% and total capital ratio 17.8%.
- 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.
- Numbers may not cast due to rounding.



# Conclusion

Mike Morgan  
Group Chief Executive Officer



# Conclusion



Our core business remains strong

Strong capital position, even after the impact of motor finance commissions provision

Accelerating cost savings in FY 2026 and FY 2027

Clear strategy in Simplify, Optimise, Grow, with a clear path to deliver double-digit returns by FY 2028, rising thereafter

Q&A

