



Close Brothers Group plc

Half Year Results 2026

Edited transcript *

Tuesday 17th March 2026

Mike Morgan, Group Chief Executive

Good morning and welcome to the presentation of our 2026 first half results and Business update. It's great to see a number of you here in person today and thank you to all who have dialled in to the webcast to. I will start by giving a brief update and we'll then hand over to Fiona, who will cover the results in detail.

We will then hold a short Q&A session on the results, followed by a break. At 1015, we will reconvene together with our three divisional chief executives for a more detailed update on the business strategy and market opportunity for each of our divisions and also share some further detail with you on our current transformation and cost programme. There will be plenty of time for additional questions at the end of the business update.

Before we get into the details of the half year results, I'd like to address the publication of a research report yesterday by Viceroy Research. Close Brothers strongly disagrees with the report, which relates to the company's approach to provisioning in respect of motor finance commissions and resulting impact on its capital position. Provisioning approach in relation to this matter is in accordance with UK adopted international accounting standards and follows a robust governance process.

It is now been a year since I took on the role as Group Chief Executive. While this year has not been easy, I look back on it with immense pride in the progress made by the organisation. We have delivered on our capital actions and some strength substantially strengthened our capital position through the Supreme Court. We successfully overturned the Court of Appeals judgement in respect of the Hopcraft case, we have addressed legacy issues, simplified the group and repositioned the business for growth.

We delivered an initial £25 million of annualised cost savings in 2025, launched our transformation programme and are now accelerating our cost targets for the next two years. In the first half of this year, the performance of the group has been resilient and we have continued to make progress on our strategic agenda to simplify, to optimise and to grow.

The simplification of the business is largely complete with the disposal of Winterflood, having concluded in December, we have repositioned the business to focus on our three core lending divisions, where we see a strong and sustainable market opportunity, and although our performance in the first half has been impacted by both market conditions and the actions taken to reposition, these actions have strengthened the business and laid the foundations for recovery in growth and returns.

Going forward, we have further strengthened our capital position and now have a CET1 ratio of 14.3%. While we are still waiting for the details of the FCA's proposed redress scheme, we are confident that

* This transcript has been edited to correct minor factual inaccuracies

this will leave us well-placed to absorb a range of potential outcomes without impacting on our ability to grow and to invest.

In the summer, we launched our transformation programme focussed on significant cost reduction and streamlining of our historically federated organisational model. We now expect to deliver £25 million of annualised savings in 2026 financial year ahead of our £20 million target, and we will deliver a total of £60 million of annualised cost savings by the end of 2027, one year earlier than we had previously guided. This sets us firmly on the path to double digit returns by 2028 and rising thereafter. And in today's business update, you will hear directly from each of our CEOs about the market opportunities in each of their areas underpinning our confidence that we continue to grow at a rate of 5 to 10% through the cycle.

Before I hand over to Fiona, it is important to acknowledge the broader environment in which we are operating. The macroeconomic outlook remains uncertain both in the UK, reflecting interest rate and inflation dynamics and globally, amid heightened geopolitical tensions. We continue to monitor developments closely while maintaining a disciplined focus on execution, risk management and supporting our people. Against this backdrop, the Group remains well positioned, underpinned by a resilient balance sheet and clear strategic priorities.

I will now hand over to Fiona, who will take you through the first half results.

Fiona McCarthy, Group Chief Finance Officer

Thank you, Mike, and good morning, everyone. I'll be taking you through the financials this morning.

We reported adjusted operating profit of £65.2 million in the first half of the 2026 financial year and a return on average tangible equity of 6.3%. We've maintained strong capital funding and liquidity positions, and our Common Equity Tier 1 capital ratio increased 50 basis points to 14.3%, even after taking into account the £135 million additional provision in respect of motor finance commissions.

Across Commercial, Retail and Property we delivered £88 million of adjusted operating profit, reflecting a resilient business performance and our continued focus on cost. The adjusted operating loss in group central functions reduced to £22.8 million with lower legal and professional fees.

The loan book reduced 2%, reflecting both current market conditions and the repositioning of our business to focus on core markets. Excluding the repositioning of Premium Finance, personal lines, and the legacy Republic of Ireland Motor Finance business in run-off, the loan book decreased 1%.

Both Motor Finance and Asset Finance grew in the period. The net interest margin was strong at 7.1% and credit quality remained resilient, with a bad debt ratio of 80 basis points. Costs remained broadly flat, demonstrating cost discipline with savings, offsetting inflation and continued reinvestment in our business and growth.

Turning now to the income statement. Adjusted operating income reduced 6% to £327 million, reflecting a lower average loan book.

Current market conditions and the repositioning of our business, including the wind down of Novitas and the planned reduction of Premium Finance, personal loans as noted. Adjusted operating expenses were broadly flat at £222 million, and impairment charges reduced 16% to £40 million. This benefited from the implementation of an updated IFRS9 model in Motor Finance, which was partly offset by an increase in individually assessed provisions in the property division.

Overall adjusted operating profit was down 19% to £65.2 million. The statutory loss after tax, including discontinued operations, was £64.4 million, largely driven by the motor finance commissions provision.

The group will not pay an interim dividend for the 2026 financial year. As previously stated, the decision to reinstate dividends will be reviewed once there is further clarity on the financial impact of the FCA review of motor finance commission arrangements.

On a statutory basis for continuing operations, we reported an operating loss before tax of £65.5 million. This was driven by a negative £131 million of adjusting items.

This predominately reflects the additional provision in relation to motor finance commissions of £135 million following the publication of the FCA consultation paper on the 7th of October 2025, bringing our total provision to £300 million. We are confident that we are well-placed to absorb a range of potential outcomes from the FCA's proposed motor finance commission redress scheme.

This provision is based on a range of probability weighted scenarios which were updated following the consultation paper. The ultimate cost to the group could be materially higher or lower depending on the outcome of the consultation and final scheme rules, as well as any further legal, regulatory or industry developments. We submitted our response to the consultation in December 2025 and the FCA expects to publish the final policy statement in late March.

The first half also reflects a £7 million profit from Close Brewery Rentals Limited, principally reflecting the gain on disposal in August 2025 and a small operating loss of £1.1 million from Close Brothers Vehicle Hire, which is in wind down. We incurred £1.6 million of restructuring costs, primarily relating to redundancy and associated costs. We now expect to incur around £10 to £15 million of restructuring costs in the 2026 financial year and £30 to £40 million in the 2027 financial year as we accelerate our cost reduction activities.

Now, highlighting the key metrics from across our operating divisions.

Firstly, Commercial adjusted operating income decreased to £151.2 million, reflecting reductions in loan balances through the wind down of the Novitas book and lower behavioural income in Asset Finance. NIM remained broadly stable at 6.5%.

Adjusted operating expenses were broadly flat as increased technology costs and annual staff costs were largely offset by cost savings and non-recurrence of Novitas expenses.

Adjusted impairment charges increased to £16.5 million, with the bad debt ratio relatively stable at 70 basis points.

Adjusted operating profit for Commercial decreased to £40.7 million.

Moving on to Retail, we've seen good growth in Motor Finance, particularly in Ireland, where we are building out our proposition. We continue to evolve the business mix with the planned reduction in personal loan brokers and this combined with premium deflation across the market in Premium Finance, led to a decrease in operating income of 8% to £118.4 million. The NIM decreased to 8.3%, reflecting the change in business mix over the period.

Adjusted operating expenses increased 4% to £92.7 million, driven by the scaling of our Motor Finance business in Ireland, as well as additional investment spend to support future cost reduction.

Impairment charges decreased to £8.2 million and the bad debt ratio reduced to 60 basis points, driven by the implementation of an updated IFRS9 model, which recognises the evolving composition and behaviour of the Motor Finance book, as well as an improved credit performance in Premium Finance.

Overall adjusted operating profit for Retail increased to £17.5 million.

In Property, operating income declined 10% to £61.6 million, driven by reduced loan balances alongside lower fees and interest yields. The net interest margin reduced to 6.8%.

Adjusted operating expenses decreased 4% to £17 million, reflecting a reduction in staff costs and impairment charges increased to £14.8 million, corresponding to a bad debt ratio of 1.6%. This reflects higher provisions on a small number of individual developments driven by build cost inflation and a subdued sales market. As a reminder, the Property loan book is secured with conservative loan to value ratios.

Adjusted operating profit in Property declined to £29.8 million.

The operating loss from Group (central functions) reduced by 20% to £22.8 million, reflecting higher interest on group cash balances as well as the non-recurrence of legal and professional fees associated with the impact of the FCA's ongoing review. We expect the operating loss from Group (central functions) to be between £45 and £50 million for the 2026 financial year.

The reduction in income reflects both the conscious repositioning of our business and the impact of recent market conditions on underlying loan growth and net interest margin. Specifically the closure of Novitas and our planned reduction of certain Premium Finance personal lines brokers accounted for around a third of the overall £22 million reduction in income. Despite this, net interest margin across the lending divisions remains robust at 7.1%.

We continue to expect NIM to be slightly lower than 7% for the 2026 financial year as a whole, reflecting loan book mix impacts, including the reduction in Premium Finance personal lines and a continued shift towards larger, higher quality customers across our Commercial and Property businesses.

Moving to the loan book, the core divisions across our businesses are progressing well and we have seen good growth in both Motor Finance and Asset Finance. However, the loan book has decreased 2%, reflecting both the repositioning of our business to focus on core markets and current market conditions. Excluding businesses in runoff, the underlying loan book decreased 1%.

Within Commercial, Asset Finance grew 2%, with increases across a number of business lines in the UK and Ireland. However, this was more than offset by a contraction in Invoice Finance due to amplified seasonality with elevated customer cash balances at the end of January. This led to an overall decrease of 2% in the Commercial loan book.

On an underlying basis, the Retail loan book grew 3%. The underlying Motor Finance loan book grew 5%, helped by record volumes in Ireland, more than offsetting the underlying reduction in the Premium Finance book.

The Property loan book decreased 5% to £1.8 billion as repayments more than offset drawdowns. This reflects current market conditions as housing delivery remains constrained by planning delays, build cost pressures and labour shortages across the portfolio. We remain focussed on maximising growth opportunity fees through a combination of core business growth and new initiatives targeting 5 to 10% per annum loan book growth through the cycle.

We continue to make good progress on costs and we are accelerating our cost saving targets, reflecting our ongoing transformation activity. In the first half, adjusted operating expenses were broadly flat at £222 million, reflecting cost discipline, offsetting inflationary impacts and continued investment in technology and capabilities across the business.

In 2025 we delivered £25 million of annualised cost savings and guided to at least £20 million of savings per annum in each of the following three years for a total of £60 million.

We now expect to deliver circa £25 million of annualised savings in the 2026 financial year ahead of our initial £20 million target. And we expect to deliver the full £60 million of annualised savings by the end of the 2027 financial year, one year ahead of our earlier guidance. This is in addition to the £25 million already delivered in 2025.

We expect the group's adjusted operating expenses to be circa £450 million in the 2026 financial year and in the £410 to £430 million range in the 2028 financial year. We look forward to providing further detail on our transformation and cost savings initiatives in the business update session later this morning.

Turning now to our resilient credit performance. The bad debt ratio reduced to 80 basis points in the first half with an overall impairment charge of £40 million. As I mentioned earlier, the reduced impairment charge benefited from the implementation of an updated IFRS9 model in Motor Finance, partly offset by an increase in individually assessed provisions in Property. Overall provision coverage remained unchanged at 2.6%.

We remain confident in the quality of our loan book, which is predominately secured or structurally protected, prudently underwritten, diverse and supported by the deep expertise of our people. Looking forward, we expect the bad debt ratio for the 2026 financial year to remain below our long term average of 1.2%.

The group maintained a strong balance sheet and continues to take a prudent approach to managing its financial resources, while also looking to optimise balance sheet efficiency. During the recent uncertainty regarding the outcome of the FCA review of historical motor finance commission arrangements, we have consistently maintained an elevated level of liquidity which we have now begun to normalise. Accordingly, Treasury assets reduced 20% to £2.2 billion in the first half.

Our conservative stance on liquidity ensures it remains comfortably ahead of both internal risk appetite and regulatory requirements. Our funding base is diverse across wholesale markets and both retail and non-retail deposits. We have reduced total funding in the first half, reflecting lower liquidity balances and further optimisation of the level and pricing of retail deposits. The cost of funding reduced to 4.9%, primarily reflecting lower base rate in the period.

We have maintained a prudent maturity profile with the average maturity of funding allocated to the loan book at 18 months, ahead of the average loan maturity at 15 months. In line with our prudent and conservative approach, our deposits are predominately term with only 19% of deposits available on demand and 47% having at least three months to maturity. And our credit ratings remain robust reflecting our inherent financial strength and consistent risk appetite.

Finally, before I hand back to Mike, turning to our strong capital position.

The CET1 capital ratio increased from 13.8% to 14.3% as the additional £135 million provision in relation to motor finance commissions was more than offset by reduction in loan book RWAs, the recognition of other profits attributable to shareholders, and the sale of Winterflood.

This provides significant headroom to our minimum requirement of 9.7%, leaving us well placed to absorb a range of potential outcomes from the motor finance commissions redress scheme without impacting our ability to grow and invest in the business.

Based on the current assessment of our motor finance commissions provision, we expect to maintain our strong capital ratio above our medium term target range of 12 to 13% in the near term.

The leverage ratio, which is a transparent measure of capital strength not affected by risk weightings, also increased to 13.5%.

The implementation of Basel 3.1 takes effect from the 1st of January 2027. We now expect this to result in an increase in the group's RWA of less than 10%, and we expect to receive a full offset in to requirements for the removal of the SME supporting factor. Therefore, Basel 3.1 is not expected to have a significant impact on the group's overall capital headroom position.

As reported in our Full Year 2025 results, engagement with the regulator continues following our application in December 2020 to transition to the IRB, and we continue to make progress towards phase three of the application process.

Finally, to highlight after the period end, we issued £250 million of Tier 2 Notes, accompanied by related tender, demonstrating our ability to access the market.

In conclusion, I want to reiterate that our underlying performance was resilient, our financial position remains strong and we have a clear focus and commitment on reducing cost, growing the business and returning to a double digit RoTE, which we will cover in more detail in our business update shortly.

Thank you, and I will now hand back over to Mike.

Mike Morgan, Group Chief Executive

Thank you, Fiona.

In summary, notwithstanding current market conditions, performance in the first half has been resilient and our core business remains strong. We have strengthened our capital position and are well-placed to absorb a range of outcomes from the FCA's final redress scheme. We have initiated our transformation programme and accelerated our cost savings targets for this year and next, and have a clear strategy to rebuild returns over the next three years: Simplify, Optimise and Grow.

The team and I look forward to sharing more detail on our business and strategic priorities after the break. But before that I'd like to open the floor to any questions related to the first half results. We'll obviously have a Q&A session on the business update following that. But if you'd like to ask a question, please raise your hand and we will provide you with a microphone.

Please, can you state your name and company when asking a question? And we're also happy to take questions via the webcast. Thank you.

Q&A session

Question 1

Ben Toms, RBC

Thanks for taking my questions and for the presentation. The first is more of an observation, which maybe I invite you to comment on if you're able to, and that's in relation to the Viceroy report that was published yesterday. It seems riddled with modelling inaccuracies, including assuming all your loan book is originated in the UK, assuming that all your loan book is Retail rather than Commercial, assuming an average loan balance that is outstanding rather than origination and assuming no tax shield. Can you comment on any of those observations?

And then secondly, on costs, you've accelerated your cost plan with today's results. Is there any upside to the £410 to £430 million FY28 guidance for costs, given that you've accelerated the plan?

Mike Morgan, Group Chief Executive

Thank you for the questions. In terms of Viceroy, clearly the report came out yesterday afternoon. We put out a very strong statement last night that we would disagree with the report. Our provision is put together in accordance with international accounting standards. There is a strong governance that sits around that. What I won't do is get drawn into individual numbers within there. But we disagree with the report, and so I'll leave it at that, Ben.

In terms of costs, in terms of upside. We'll be going through a lot more of this in the business update, but I think what I would say is that we've accelerated the targets forward. You've seen the £20 million going to £25 this year. And then we've said over the three year period we'll bring the £60 million forward from three years to two years. So that's encouraging.

But, you know, I wouldn't want anyone to take away that that's it, that we're going to stop. We're going to continue to look at that. But importantly, will also look at growth as well. This strategy is multifaceted, and growth is just as important as well. But obviously, cost is within our gift. So we will continue to push on cost. I think it presents opportunities and we can talk a little bit more about that in the next session. But our ambition is to push further forward. Yes.

Question 2

Rob Noble, Deutsche Bank Numis

You generated an enormous amount of capital in Q2. How much do you think you can generate in in H2? And within that, so what's the risk density of the stuff that's rolling off versus the new stuff that you're putting on? So what we think of capital generation in the second half.

And then hypothetically, if you did need to raise more capital, what options are there available to you? How much could you raise through things like SRT, securitisations and things like that if it ever was needed?

Mike Morgan, Group Chief Executive

Thank you for the question. Just in terms of capital generation, I'll talk more generally and then Fiona may want to comment on that. You're absolutely right. Capital has grown quite significantly. I mean, remember that we've had the sale of Winterflood come through. So we've had the benefit of that, which I think is 55 basis points coming through as well.

But with the loan book just pushing back a little bit, that's obviously been beneficial for capital build. I think my point would be that at 14.3% we've got ample above the 9.7%.

I think when you're looking at the sort of the run off and the way we want to grow the business, it'd be pretty balanced across the piece.

And if you are loosely looking at that, RWA Retail is sort of 75%, Commercial 100%. But obviously there might be an SME discount factor for the time being. But property obviously is 150% risk weighting. So if we saw that push down significantly, then that would have a of a greater effect there.

Fiona McCarthy, Group Chief Finance Officer

Thank you, Mike. So a couple of call outs there. One is that - as you'd expect - we will continue to generate profits in the second half and towards accreting capital. But actually, and to Mike's point, what we really want to see is capital deployed into loan book growth. So we're not we're not guiding from 14.3% at H1 to the full year. But actually, if our loan book growth was there consuming capital over and above the profits generated, that would actually be a positive, positive outcome for us and a positive message.

To Mike's point on, risk densities, they are quite different across the different businesses. But if we look at the shape of the businesses and the growth, I would actually say that the risk density of the roll-off, and the new business are not dissimilar in aggregate. So it's a similar picture.

Mike Morgan, Group Chief Executive

On the second part of the question, Rob, around raising more capital. Yes, SRT is a good example. We talked about that at the time as an opportunity - we didn't have to use that because we've built that up. So that would be one factor. We've also engaged with the British Business Bank around the Enable

programmes - there's an opportunity there to get a relative capital benefit coming through there. You could also have the situation where you just dial a loan book growth back, which is where we would start to be a little bit more concerned. But you can see that if you slow the loan book down because of the risk weighting density, it throws off capital pretty quickly.

So that last one would be something we wouldn't particularly want to do, but if it was required, as we have done over the last 2 to 3 years, it does make quite a meaningful difference. But it's really, you know, the SRT would help, but I don't envisage a situation where we will have to do that.

Question 3

Sanjena Dadawalla, UBS

Two questions, please. First, if you could talk about the loan book reduction that we are seeing? Is that an element of capital conservation still in there because the final motor address number could be higher? Or a decline in market share since system level growth is much higher? And how we can get to the 5 to 10% that you're targeting, that will be key to the income and RoTE recovery.

And then second, if you could give more detail around the £60 million annualised savings number. How much of that is staff cost? What are the other major elements, and any proportions? And the resultant cost income ratio, 60% is pretty much where we were pre 2020. So how are you thinking about that?

Mike Morgan, Group Chief Executive

Okay. Let me pick that up and I'll draw Fiona in as well. In terms of the loan book. In the first half, obviously the headline figure was a 2% reduction there, 1% on an underlying basis as we reposition personal lines. I think if you look within that, we saw very good growth in our motor business, which was very encouraging. That's a 5% growth there. Asset Finance grew at 2%.

If you look at the other businesses, if you take Property - I think it's recognised that there are some challenges in that sector in the UK at the moment. But we know there is a structural need for the products that we are financing through our developers or through developers. So I'm very confident that can come back. But also we've moved into - we've brought a team across from another organisation - that's allowed us to go in to build-to-rent, student accommodation. And this seems to be - to me - a big demand there and you'll hear more about that from Phil (Hooper, CEO Property), so I won't go into to that in more detail.

Invoice Finance is a very seasonable book. It builds up to Christmas period and we always see a lot of repayments in January. It was particularly pronounced this year, but you know, I'm pleased to say that that has started to come back since the mid-year position. So I have no concerns about the Invoice book. Over the last few years it has grown dramatically and again, Matt (Roper, CEO Commercial), will talk about that in the in the business update. And then of course we're in the commercial lines in Premium. I think there's opportunities for us to grow that and that's when we really need to sort of push on with. But we'll talk about all of those in in business update session.

But I think if we if we stand back and just look at where we are from a from a loan book perspective. If you look at the banking sector at one end, you've got that there's large scale high street banks, and at the other end you've got lots of fintechs which are much more digital in nature, more standardised. I mean that's yet to be proved in the case, whether they're resilient. But we have deliberately positioned ourselves where we can bring our specialisms, our expertise, our knowledge and our relationships. And we believe that that that there is still a huge demand for that.

We believe it's underserved, we're pretty dominant in the markets were in, but we believe we can grow in there as well. And if you actually look back over any extended period, that loan book has grown at a compound annual growth rate of 9%. So I don't think setting a sort of target through the cycle of 5 to 10% is overly challenging. We're not talking double digit or anything like that. So, you know, I think that that that is very achievable. So but that's that's what I would say on the loan book.

The £60 million annualised savings. We're going to go on and talk quite a lot about that in the business update. So maybe we could pick that up there, if that's okay for you.

And then, you know, clearly a combination of this round cost income, you know, we would want to see that come down. I mean, it's multifaceted. It's about the growth that's important, but it's also about cost as well. And we want to see that drive down - that obviously is going to help with the returns. I don't know if there's anything you want to add to that at all.

Fiona McCarthy, Group Chief Finance Officer

Maybe just one build to join those two elements together. Mike's talked about that loan book growth and the cost reduction. But importantly, this is more than just about cost reduction. It is actually about a fundamental change to our operating model to drive and support scalability and to drive that loan book growth. So we're very much seeing that as a sort of spectrum of the change that we're doing and a very different platform for us as we move forward.

As you say, in terms of the split at £60 million, we would be talking more about that later.

Mike Morgan, Group Chief Executive

Okay. Thank you. I think we have a webcast question.

Question 4

Webcast Question

We've got time for one webcast question before we go to the break. So with cost savings targeting the acceleration of the total £60 million in to 2027, and significant headcount reductions announced, how are you ensuring that customer service quality, risk management and regulatory controls are not compromised during execution?

Mike Morgan, Group Chief Executive

That's a, that's a great question. I mean, what is fundamental for us is that as we look at the cost base in the organisation and as we make changes, we protect that front end proposition and we keep this organisation safe. It is fundamental to our thinking in doing this. We have a net interest margin in the first half, as Fiona has just explained, of 7.1% and it is important we can maintain that and we only maintain that product through providing excellent service, expertise, and that is what underpins that.

But equally we have to keep the organisation safe as well. So there's a blend of those two things that we work towards that is fundamental in our thinking. You know, I'd leave it there, but there will be more on that as we move into the business update.

Okay. Well, I think that's all the questions. So thank you very much. We'll take a short break now and we'll be back at 10:15am to get into the business update. Thank you very much indeed.