Close Brothers

Annual Report 2025

Close Brothers Group plc

At Close Brothers, we are here to help people and businesses thrive over the long term.

Through our deep sector knowledge and expertise, focus on delivering excellent and specialist service, and strength of established relationships, we support our customers through the cycle. Our values of deep expertise, consistent service and long-term relationships embody our distinctive culture and customer-centric approach. Today, we are a trusted partner to SMEs, our customers and colleagues.

Highlights

Adjusted[1] operating profit
£144.3 million
2024: £167.6 million

Operating profit/(loss)
£(122.4) million
2024: £132.7 million

Adjusted[1] basic earnings per share (continuing operations)
59.3p
2024: 75.8p

Basic(loss)/earnings per share (continuing operations)
(99.8)p
2024: 56.2p

Return on average tangible equity[2, 3]
7.1%
2024: 9.3%[3]

Customer sentiment scores

Asset Finance CSAT[4]
92%
2024: 92%

Motor Finance customer Net Ease
+65
2024: +72

Invoice Finance CSAT[4]
87%
2024: 86%

Savings online CSAT[4]
82%
2024: 75%

Total Scope 1 and 2 emissions (market-based)
1,882 tCO_2e
2024: 2,351 tCO_2e

Employee engagement
78%
2024: 83%

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 exceptional and adjusting items include customer remediation provisions, operational or legal costs incurred in relation to an event that is deemed to be adjusting, businesses that are held for sale, the Vehicle Hire business which is in wind-down, restructuring costs and amortisation of intangible assets on acquisition. Please refer to tables on page 52 for further details on the reconciliation between operating and adjusted measures.
2. Adjusted operating profit less tax and AT1 coupons divided by average total shareholders' equity, excluding intangible assets and AT1, for continuing operations. See note 5 on page 13 for further details.
3. Return on average tangible equity has been restated for 2024 to exclude discontinued operations.
4. Customer satisfaction score ("CSAT").

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Deep expertise

Our deep industry knowledge and specialist expertise help people and businesses unlock their potential and plan for the future with confidence.

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Consistent service

We pride ourselves on delivering the highest levels of service in specialist sectors we know and understand.

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Long-term relationships

We take the time to understand and build strong long-term relationships with our customers.

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At a glance

Close Brothers is a UK specialist banking group providing lending, deposit taking and securities trading.

Banking

Banking provides specialist lending and deposits across three businesses:

Commercial

Commercial offers specialist and predominantly secured lending principally to the SME market. *Find out more on page 61.*

Retail

Retail provides intermediated finance through motor dealers, motor finance brokers and insurance brokers, and savings products for individuals and corporates. *Find out more on page 64.*

Property

Property offers residential development finance to established UK property developers, funding for commercial properties, and bridging and refurbishment loans. *Find out more on page 66.*

£198.3 million

of adjusted operating profit

Securities

Winterflood Securities ("Winterflood") is a leading liquidity provider, also offering corporate advisory services to investment trusts and institutional sales trading. Winterflood Business Services ("WBS") provides outsourced dealing and custody solutions to c.60 corporate clients. On 25 July 2025, the group announced an agreement to sell Winterflood to Marex[1].

£0.3 million

of operating profit

£144.3 million

Total adjusted operating profit[2]

Serving approximately

two million customers

c.3,000 employees

Constituent of the

FTSE 250

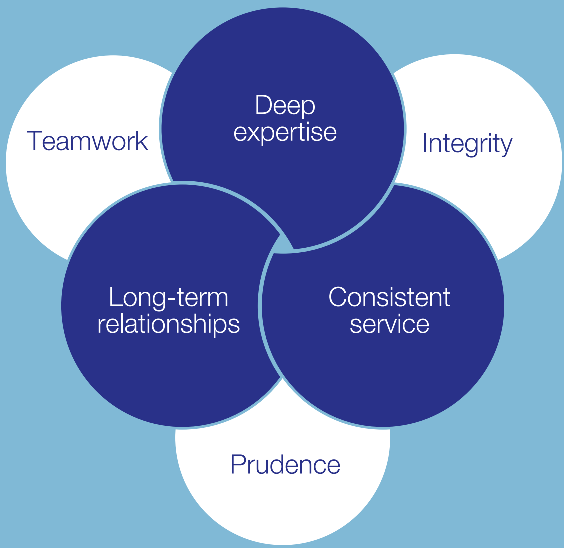
35 offices

predominantly in the UK and Ireland

1. The sale of Winterflood to Marex is expected to complete in early 2026, subject to regulatory approval.
2. Total adjusting operating profit includes the operating loss from Group (central functions) of £54.0 million.

Our purpose is to help people and businesses thrive over the long term

Our values embody our distinctive culture and customer-centric approach



Our strategy: Building on our proven business model and strong customer relationships to deliver attractive returns over the long term

Simplify
See page 10

Optimise
See page 11

Grow
See page 11

Underpinned by our responsibility

To help address the social, economic and environmental challenges facing our business, employees and clients, now and into the future

Enabling us to create value and deliver positive outcomes for our stakeholders

- **Colleagues**
- **Regulators and government**
- **Customers and partners**
- **Communities and environment**
- **Suppliers**
- **Investors**

Chairman's statement

"I am grateful to our team and fellow Board members for their dedication and resilience during a challenging year. With their support, and with the actions now taken, the group is well placed to deliver on its potential and achieve stronger returns."

Mike Biggs
Chairman

The 2025 financial year was again dominated by the uncertainty created by the FCA's review of motor finance commission arrangements, intensified by the Court of Appeal's October 2024 judgment in respect of the Hopcraft case. It was a year in which we had to deliver on our decisive actions to preserve capital, while preparing for a future beyond this period of regulatory uncertainty. While the range of possible outcomes of the FCA review is still uncertain, we welcomed the outcome of the Supreme Court's judgment in respect of Hopcraft in August 2025, which provided much-needed clarity to the industry. This environment demanded resilience, focus and intent, qualities that I am pleased to say were shown in abundance by both the Board and management team. I would also like to acknowledge the constructive engagement of our long-standing shareholders, who have been supportive throughout this period and whose feedback continues to be invaluable.

Performance in the year inevitably reflected the actions we took to safeguard the group's position. The loan book was impacted by the prudent pause in new motor finance lending following the Court of Appeal's decision, and by the deliberate moderation of growth across all of our banking businesses to preserve capital in the earlier part of the year. Despite these constraints, we maintained a strong net interest margin and a resilient credit quality, reflecting the disciplined approach that underpins our business model.

The Board is acutely aware of the importance of the group's dividend to our shareholders. Given the continued uncertainty regarding the outcome of the FCA's review of motor finance commission arrangements, the group will not pay a final dividend on its ordinary shares for the 2025 financial year. The decision to reinstate dividends will be reviewed by the Board once there is further clarity on the financial impact of the FCA review of motor finance commissions.

Board and management alignment

The Board has worked closely with management to agree and oversee the actions necessary to strengthen capital, address legacy issues, and focus the group on its core specialist banking businesses. The strategy announced in March 2024, focused on simplification, optimisation and growth, have since guided the group's decisions. Progress has been tangible: over £400 million of Common Equity Tier 1 ("CET1") capital was generated or preserved; the disposals of Close Brothers Asset Management, Winterflood and Close Brewery Rentals Limited ("CBRL") leave us leaner and more focused; certain legacy matters have been addressed, such as the settlement of long-standing litigation in Novitas. The foundations are now set for the next stage of the journey.

The Board has also taken important and necessary decisions. A proactive remediation programme is being implemented in Motor Finance following the identification of historical deficiencies in certain operational processes related to early settlement of loans. Both the Board and management team have acted quickly to address the issue and strengthen controls, putting customers at the centre of our response, and ensuring that those affected are properly compensated. In addition, we have taken the decision to place Close Brothers Vehicle Hire into wind-down, which weighs on the group's near term performance but ensures the group's resources are concentrated on businesses aligned with our core lending expertise.

Alongside this, cost discipline is a clear priority and, in addition to the savings delivered in the 2025 financial year, we have a clear plan to deliver additional savings. Combined with the attractive growth opportunities we see across our businesses, these steps provide the foundations for the group to return to double-digit returns by the 2028 financial year, rising thereafter. I have every confidence in the leadership team and the depth of experience across the organisation. Close Brothers remains a strong franchise with well-established positions in our chosen markets and the capability to deliver more attractive returns.

Our people and culture

The group's culture and the engagement of our people remain central to its long-term success. Our most recent employee opinion survey, completed in February 2025, showed engagement at 78%, which remains strong and positive when benchmarked against external data and other UK financial services firms, although slightly lower than the 83% recorded last year. We were encouraged by the results, which reflect our continued commitment to customers and colleagues: 96% (2024: 94%) of colleagues believe our culture encourages them to treat customers fairly, and a high proportion also reported a strong sense of belonging, with 91% (2024: 90%) of colleagues stating that they feel included. The Board takes these results seriously and continues to prioritise culture, inclusion and employee wellbeing. Despite the pressures of the past year, we have seen remarkable teamwork, professionalism and resilience from colleagues across the group, which underpins confidence in our ability to navigate this period successfully.

Repositioning our climate strategy

We remain committed to supporting our customers in their climate ambitions and to achieving net zero emissions by 2050 or sooner. Good progress has been made during the financial year, including a 20% reduction in our Scope 1 and 2 emissions and the refining of our product offering to capture customer demand for alternatively fuelled vehicles in Motor Finance, with £154.4 million of lending for battery electric vehicles achieved. In Asset Finance and Leasing, we also launched a £20 million green asset fund. After careful consideration, the Board decided to move away from intermediate emissions targets. This reflects a deliberate shift to align our positioning with a business-led strategy: supporting customers in their own sustainability journeys in ways that are practical, tailored and aligned to their objectives. Further detail on our climate strategy and broader sustainability progress can be found on pages 27 to 48 of this report.

Board and management changes

Following a period of medical leave, Adrian Sainsbury stepped down as Group Chief Executive and Executive Director of the Group with effect from 6 January 2025 to focus on his health. The Board would like to thank Adrian for his material contribution during his 11 years with the group, the last four of which were as Chief Executive. We were pleased to appoint Mike Morgan as Group Chief Executive in January 2025. Having served as Group Finance Director for five years and leading the group on an interim basis during Adrian's medical leave, he has provided strong and steady leadership at a critical time for the group.

During the year, Fiona McCarthy was appointed Group Chief Finance Officer and joined the Board as an Executive Director with effect from 29 August 2025. She joined the group in 2019 as the Financial Planning and Analysis Director and brings over 30 years' experience in financial services.

The Board is committed to ensuring that it possesses the right balance of skills and diversity to ensure the success of the group, and I am pleased to report that our Board is composed of 56% female Directors and includes one Director from a minority ethnic background. Furthermore, the Board now meets the FCA Listing Rule requirement to have one of the most senior Board positions occupied by a female Director, following Fiona's appointment as an Executive Director in August. Further information on the composition of the Board and its diversity can be found on pages 120 to 123 of this report.

Thanks

Finally, I would like to thank colleagues, management and fellow Board members for their resilience, professionalism and commitment during another challenging year. With their support, and with the actions now taken, I am confident the group will emerge stronger and be well placed to deliver on its potential and achieve higher returns.

Michael N. Biggs
Chairman

30 September 2025

Chief Executive's statement

"This year has been about proving that change is possible and that we can move at speed. We have tackled legacy issues head-on, reshaped the portfolio, and shown that we can take decisive actions quickly, even while navigating the uncertainty around motor commissions."

Mike Morgan
Chief Executive

When I took on the role of Chief Executive at the start of 2025, I set out my commitment to address the issues holding back performance and to drive the group to deliver the returns we know it can generate. Our purpose and business model remain strong: we operate in markets with long-term demand, where our specialist focus, deep customer relationships and trusted brand allow us to differentiate and win. However, in recent times, our returns have fallen short of where they should be. The combination of historical complexity, elevated costs, and recent events has highlighted the need for change. I am approaching this with urgency and a focus on execution, with a leadership team that brings the right experience to deliver.

This year, we have taken a series of decisive steps to address legacy issues and reset the business. We have strengthened our capital position in response to the motor commissions uncertainty, delivered cost actions resulting in annualised savings of around £25 million since March 2024, and simplified the group through the sale of Close Brothers Asset Management and Winterflood, the repositioning of our Premium Finance business and the disposal of our Brewery Rentals business. We have now also successfully settled the long-standing litigation issued by Novitas, allowing us to move forward and exit from this business. In addition, as part of our simplification agenda, we are announcing today our decision to exit our Vehicle Hire business, which has been loss-making in a challenging market environment and is not strategically aligned with our core specialist lending expertise. Together with the impact of declining asset values, this has resulted in an impairment charge of £30.0 million in relation to the assets of this business.

On 1 August 2025, the Supreme Court published its judgment with respect to the "Hopcraft", "Johnson" and "Wrench" cases in relation to motor commissions. We welcome the positive outcome of this judgment, which provided much-needed clarity to the industry, and now await the outcome of the FCA consultation on the design and scope of an industry-wide redress scheme. The provision charge in respect of motor finance commissions recognised in the income statement at the half year of £165.0 million has been reassessed in light of all available information and recent developments and remains unchanged.

Our wide-ranging review of the business has also required us to take other challenging, but necessary, actions. We are implementing a proactive customer remediation programme in Motor Finance, where we have identified historical deficiencies in certain operational processes in relation to the early settlement of loans. This has resulted in a separate provision of £33.0 million in the 2025 financial year.

Notwithstanding the significant impact of these actions on our near-term financial performance, I am confident that they leave the group better positioned for growth going forward, with a sharper, more focused portfolio of specialist banking businesses.

Financial performance

We reported a statutory operating loss before tax of £122.4 million (2024: statutory operating profit before tax of £132.7 million) from continuing operations, primarily driven by adjusting items relating to motor finance commissions, including the £165.0 million provision charge and £18.7 million associated with complaints handling and other operational and legal costs. We also recognised a £33.0 million provision for the proactive customer remediation programme in Motor Finance in relation to early settlement of loans and an operating loss before tax of £47.5 million for our rentals businesses, including the £30.0 million write-down of assets in the Vehicle Hire business.

On an adjusted basis, excluding the impact of these items which do not reflect the underlying performance of our business and discontinued operations, the group's operating profit decreased 14% to £144.3 million (2024: £167.6 million), driven by a 2% decline in income and 3% increase in costs, partly offset by a 6% reduction in impairment charges.

In Banking, adjusted operating profit reduced 7% to £198.3 million (2024: £212.9 million), as a 2% reduction in income and 1% increase in costs were partly offset by lower impairment charges. The loan book declined by 4% to £9.5 billion (31 July 2024: £9.8 billion) as a result of loan book moderation measures and the temporary pause in UK motor lending following the Court of Appeal's judgment in October 2024. The net interest margin remained strong at 7.2% (2024: 7.4%) and credit performance remained resilient, with a bad debt ratio of 1.0% (2024: 1.0%), below the long-term average of 1.2%.

We maintained a strong capital, funding and liquidity position. The group's CET1 capital ratio was 13.8% at 31 July 2025, reflecting significant progress on our capital actions, and significantly above our applicable requirement of 9.7%. This includes the impact of a £165.0 million charge for the provision in relation to motor finance commissions and other adjusting items. The recently announced sale of Winterflood is expected to increase the group's CET1 capital ratio by c.55 basis points on a pro-forma basis, of which c.30 basis points will be recognised upon completion, and a further c.25 basis points is expected in due course from the reduction in operational risk weighted assets. We have raised over £1 billion of retail deposits as well as £300 million through a Motor Finance funding securitisation, supporting a continued strong funding base at £12.7 billion (31 July 2024: £13.0 billion) at 31 July 2025. We have also consciously maintained a higher level of liquidity, with a 12-month average liquidity coverage ratio ("LCR") to 31 July 2025 of 1,012% (31 July 2024: 1,034%), substantially above regulatory requirements.

Executing the next stage of our journey

With our simplification agenda now largely complete, these actions provide the foundation for the next stage of our journey: driving efficiency and capturing growth.

We have already delivered £25 million of annualised cost savings by the end of the 2025 financial year through the streamlining of our technology, suppliers, property, and workforce, and are committed to maintaining this momentum to deliver a step change in operating profitability. We will deliver at least c.£20 million of additional annualised savings per annum in each of the next three years, through further consolidation of centrally provided functions, outsourcing and offshoring, and the simplification and rationalisation of technology, including automation and the use of artificial intelligence. I will personally oversee the planning and execution of these cost initiatives, and we have mobilised senior leaders across the group to ensure execution at pace and alignment at every level.

In parallel, we are evaluating opportunities to optimise capital, funding and liquidity once the uncertainty around motor commissions is resolved.

We are confident in the enduring growth opportunity across our core markets, focusing on areas that offer attractive risk-adjusted returns. In the earlier part of the year, to preserve capital, we had to turn away attractive new business that met our credit and pricing requirements, as reflected in our loan book growth performance. This, however, demonstrates the continuing demand we believe exists in our markets.

Accordingly, we are taking steps to capture this growth opportunity. We are broadening our product offering in Property Finance, moving into larger build-to-sell loans and additional asset classes such as build-to-rent and purpose-built student accommodation; expanding distribution in Motor Finance through growth in the Irish market, and with larger partners and brokers; and have a renewed focus on growing our commercial lines business in Premium Finance. Our Commercial business is expanding into adjacent products, such as commercial mortgages, and is focused on scaling new, specialist teams such as agriculture. We intend to use our strong market positions, reputation and specialist expertise to win in the segments where we can truly differentiate and become the specialist lender of choice for SMEs in the UK and Ireland.

Together these actions set a clear path back to double-digit RoTE by the 2028 financial year, rising thereafter. We plan to provide a full update on our pathway to rising RoTE once there is clarity on the outcome of the FCA's consultation and its impact on the group, potentially early next year, or sooner depending on when clarity is achieved.

> "Our purpose and business model remain strong: we operate in markets with long-term demand, where our specialist focus, deep customer relationships and trusted brand allow us to differentiate and win."

Confident in our future

This year has been about proving that change is possible and that we can move at speed. We have tackled legacy issues head-on, reshaped the portfolio, and shown that we can take decisive actions quickly, even while navigating the uncertainty around motor commissions. While a number of these actions carry an upfront financial impact, we are confident that they will leave us well positioned for the long term. The task now is to accelerate from here. With a simpler, more focused portfolio and a leadership team focused on delivery, we are positioned to reduce costs, drive growth in our core markets and improve returns. I am confident we are on the right path and that we will return this business to double-digit returns.

I want to thank all of our colleagues for their professionalism, energy and commitment throughout this period of change. Their dedication and focus have been critical in delivering these early actions and in positioning the group for the future.

Mike Morgan
Chief Executive

Historical motor finance commission arrangements

Overview of developments in relation to motor finance commissions

On 11 January 2024, the Financial Conduct Authority ("FCA") announced that it would use its powers under section 166 of the Financial Services and Markets Act 2000 to review historical motor finance commission arrangements and sales at several firms, following high numbers of complaints from customers. The review followed the Financial Ombudsman Service's ("FOS") publication of its first two decisions upholding customer complaints relating to discretionary commission arrangements ("DCAs") against two other lenders in the market.

On 25 October 2024, the Court of Appeal published its judgment in respect of Hopcraft v Close Brothers Limited ("CBL") ("Hopcraft") upholding the appeal brought against CBL. This case, which had initially been determined in CBL's favour, was heard in early July 2024 alongside two other claims against FirstRand Bank Limited ("FirstRand").

CBL obtained permission from the Supreme Court of England and Wales (the "Supreme Court") to appeal the Court of Appeal's judgment against CBL in respect of the Hopcraft motor finance commissions case (the "Appeal"). The Appeal was heard by the Supreme Court between 1 April 2025 and 3 April 2025.

On 1 August 2025, the Supreme Court gave its judgment, in which CBL successfully overturned the Court of Appeal's judgment in respect of the Hopcraft case. The Supreme Court determined that motor dealers (acting as a credit broker) do not owe fiduciary duties to their customers. As a result, the Supreme Court dismissed the Hopcrafts' claims against CBL entirely. The Supreme Court reached the same conclusion on these issues in relation to the two FirstRand cases ("Wrench" and "Johnson").

On the issue in Johnson relating to unfairness under s.140A of the Consumer Credit Act 1974, the Supreme Court made clear that the test for unfairness is highly fact sensitive and takes into account a broad range of factors. On the facts of Johnson, the Supreme Court upheld the Court of Appeal's decision that the relationship between Mr Johnson and FirstRand was unfair and required FirstRand to pay Mr Johnson the value of the commission paid to the dealer plus compensatory interest at an appropriate commercial rate.

Close Brothers welcomed the outcome of the Appeal, which provided clarity on important legal and commercial principles. Following the publication of the Supreme Court's judgment, the FCA announced on 3 August 2025 its intention to launch a public consultation by early October 2025 on an industry-wide redress scheme to compensate motor finance customers who were treated unfairly.

Until the FCA confirms the design and scope of that scheme, there remains uncertainty as to the range of outcomes, and the financial impact to the group.

Provisioning assessment in relation to motor finance commissions

The provision charge in respect of motor finance commissions recognised in the income statement at the half year of £165.0 million has been reassessed in light of all available information and recent developments and remains unchanged. The ultimate cost to the group could be materially higher or lower than the provision taken and remains subject to further clarity from the FCA on the scope and design of a redress scheme. Please refer to Note 16 "Other Assets and Liabilities" for further details on the group's provisioning assessment of this matter.

Strengthened capital position

In response to the motor commissions uncertainty, we have strengthened our capital position and maintained high levels of liquidity, substantially above regulatory requirements. The group's Common Equity Tier 1 ("CET1") capital ratio was 13.8% at 31 July 2025, reflecting significant progress on our capital actions. These measures, which included no payment of the dividend, loan book moderation, cost-saving initiatives, organic capital generation, and the sale of Close Brothers Asset Management ("CBAM") (announced in September 2024 and completed in February 2025) have been successfully implemented. This resulted in over £400 million of CET1 capital generated or preserved as of 31 July 2025.

In addition, the sale of Winterflood, announced on 25 July 2025, is expected to increase the group's CET1 capital ratio by c.55 basis points on a pro-forma basis, from 13.8% to c.14.3%, of which c.30 basis points will be recognised upon completion, and a further c.25 basis points is expected in due course from the reduction in operational risk weighted assets. The transaction is expected to complete in early 2026, subject to regulatory approval.

Impacts of motor finance commissions on the group's financial performance

The group's total operating expenses for this financial year were impacted by £194.0 million in direct and indirect costs associated with the motor finance commissions uncertainty, including the £165.0 million provision charge, which has been recognised as an adjusting item. In addition, the group incurred complaints handling and other operational and legal costs amounting to £18.7 million (also recognised as an adjusting item) and elevated Group (central functions) expenses related to professional and advisory fees of £10.3 million, which are temporary expenses expected to diminish once the uncertainties in relation to motor finance commissions are resolved.

As previously announced, Close Brothers temporarily paused UK motor finance lending on 25 October 2024. Lending resumed on 2 November 2024, with all channels fully operational from January 2025. Underwriting volumes have now returned to pre-pause levels, and used car finance demand remains strong and consistent with levels seen prior to the Court of Appeal judgment.

All relevant new business processes now include updated documentation to ensure customers are informed about broker relationships and commission amounts before signing credit agreements. Additionally, measures are in place to verify that credit brokers comply with these requirements.

Update on claims and complaints

The FCA has extended the time firms have to respond to complaints about motor finance involving both DCAs and non-DCAs until after 4 December 2025. This extension is part of a broader pause introduced to allow the FCA to complete its review into historical commission arrangements and to avoid inconsistent outcomes across the industry. Consumers now have until 29 July 2026 or 15 months from the firm’s final response to escalate complaints to the FOS.

There are a number of complaints against Close Brothers relating to motor finance commission arrangements that have been referred to the FOS for a determination. To date, no final FOS decisions have been made upholding these complaints.

Since the judgment by the Supreme Court on 1 August 2025 and the subsequent announcement by the FCA on 3 August 2025, we have seen a slight reduction in complaints from Claims Management Companies (“CMCs”) and Claims Law Firms (“CLFs”), with other channels unchanged. However, we have also seen an increase in enquiries from CMCs and CLFs, highlighting their continued interest in this matter.

We have also taken steps to enhance our operational capabilities to respond to increased complaints volumes and potential changes, such as the implementation of an industry-wide redress scheme. This included increased resourcing to manage complaints and legal expenses. In the 2025 financial year, we have incurred £18.7 million of costs associated with complaints handling and other operational and legal costs in relation to motor finance commissions. We expect these costs will be in the single-digit millions in the 2026 financial year. We continue to monitor the impact on our current handling of these complaints to ensure we have the appropriate resources to respond effectively.

Our strategy

At Close Brothers, we strive to provide exceptional service to our customers across our banking activities. We are committed to building on our proven business model and strong customer relationships to deliver attractive returns over the long term.

We are focused on supporting our customers and delivering long-term value creation. Our strategy is centred on three clear priorities: Simplify, Optimise and Grow.

In line with these priorities, we have streamlined the portfolio of businesses, and are now focused on executing the next stage of our journey, driving efficiency and capturing growth in our chosen markets.

Decisive action was taken during the last year to reposition the business, implement significant cost reductions and identify future growth markets to deliver the strategy and rebuild returns.

Simplify

An in-depth review and repositioning of our portfolio of businesses has sharpened our focus on specialist banking.

Simplified group structure

- During the last year, we have sold Close Brothers Asset Management, Winterflood and the Brewery Rentals business.
- This simplifies our portfolio and allows us to focus on the core lending businesses, where we can leverage our expertise and deliver growth and sustainable returns.
- We have settled the long-standing litigation issued by Novitas, allowing us to move forward and exit from this business.

Realignment of existing activities with core business model

- During the 2025 financial year, we have repositioned our Premium Finance business to focus on commercial lines.
- We sold our Brewery Rentals business and decided to exit of our Vehicle Hire business.
- These actions have created a portfolio of businesses with a strong strategic fit. We are confident in the enduring growth opportunity across our core markets, focusing on areas that offer attractive risk-adjusted returns.

Optimise

Implementing a step-change in operating profitability.

Group-wide cost reduction actions

- An in-depth review of costs across the group will create a more efficient organisation.
- We delivered £25 million of annualised cost savings by the end of the 2025 financial year through streamlining of our technology, suppliers, property and workforce.
- We are committed to delivering at least c.£20 million of additional annualised savings per annum in each of the next three years, through further consolidation of centrally provided functions, outsourcing and offshoring, and the simplification and rationalisation of technology, including automation and the use of artificial intelligence.

A leaner, more agile organisation well positioned for the future

- We continue to build on the progress from our technology transformation, initiated in 2023, focused on simplifying and modernising our technology estate, as well as consolidating and increasing our use of strategic partners. This has helped create a more digitally enabled and agile IT environment that is secure, resilient and sustainable.
- In parallel, we are actively evaluating opportunities to optimise capital, funding and liquidity.

Grow

Using our strong market positions, reputation and specialist expertise to target growth in the segments where we can truly differentiate.

We are actively pursuing targeted growth opportunities in our chosen markets which offer attractive risk-adjusted returns.

- In Commercial, there are significant opportunities to expand lending in a number of our mature businesses, especially Invoice Finance, Energy, and intermediated Asset Finance.
- We are expanding distribution in Motor Finance through growth in the Irish market, and with larger partners and brokers.
- We have a renewed focus on growing our commercial lines business in Premium Finance.

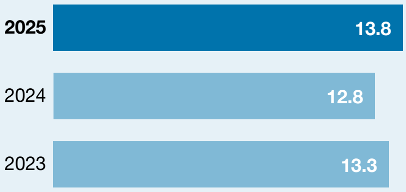
Expanding our product offering to target new areas of growth

- Motor Finance is targeting opportunities through digitisation, and has expanded its offering to Alternative Fuel Vehicles ("AFVs") to access the rapidly growing market of second-hand EVs and hybrid vehicles.
- Commercial is expanding into adjacent products, such as commercial mortgages, and is focused on scaling new, specialist teams such as agriculture.
- Property Finance is broadening its product offering, moving into larger build-to-sell loans and additional asset classes, such as build-to-rent and purpose-built student accommodation.

Key performance indicators

Financial key performance indicators ("KPIs")

Common Equity Tier 1 capital ratio (%)



Our CET1 capital ratio is significantly above the applicable requirements. We have made significant progress in strengthening our capital position through the implementation of a range of management actions. Maintaining a strong capital position is a fundamental component of our model.

Net interest margin[1] (%)

Net interest margin is a key measure of profitability and reflects both our pricing discipline on new lending and our funding costs. Prioritising margin over volumes is a key facet of our lending approach.

Bad debt ratio, excluding Novitas[1,2] (%)

Our bad debt ratio (excluding Novitas) remains below our long-term average of 1.2%[3]. The consistent application of our underwriting and responsible lending criteria at all stages of the economic cycle is fundamental to our long-term approach.

Total funding as a percentage of loan book[4] (%)

We adopt a conservative approach to funding based on the principle of "borrow long, lend short", with a prudent maturity profile. Our funding base is diverse, enabling us to adapt our position through the cycle, based on market conditions and demand.

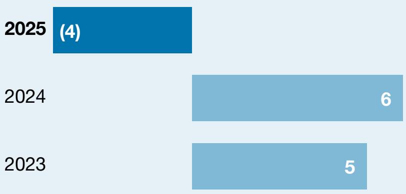
Group expense/income ratio[1] (%)

We delivered £25 million of annualised cost savings by the end of the 2025 financial year. The group is committed to maintaining cost momentum to deliver a step change in operating profitability.

Liquidity coverage ratio, 12-month average (%)

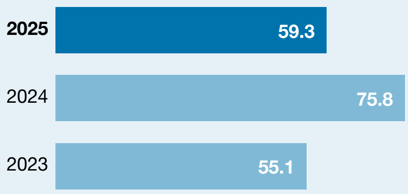
Our liquidity coverage ratio is substantially above the minimum regulatory requirements of 100%, as we continue to adopt a conservative liquidity position and prudently manage our financial resources.

Loan book growth[4] (%)

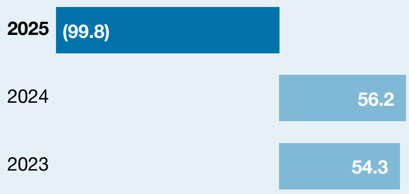


Loan book growth remains an output of our business model, as we prioritise our margins and credit quality. We have repositioned the business to focus on segments where we see mid to high single digit growth potential through the cycle, leaving us well positioned to benefit as the economy and demand recover.

Adjusted basic earnings per share share (continuing operations)[1] (p)



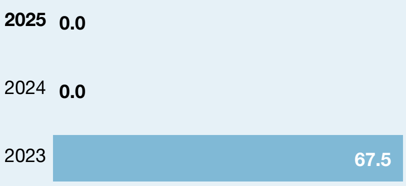
Basic (loss)/earnings per share (continuing operations)[1] (p)



We are focused on ensuring that the group is well positioned to generate strong, sustainable returns and increasing our adjusted earnings per share growth through our focus on greater simplification, improving operational efficiency and driving sustainable growth.

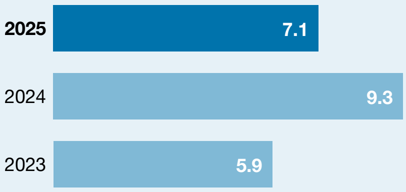
In 2025, we incurred adjusting items which impacted the basic EPS metric. These adjusting items have been excluded from adjusted EPS to present the underlying performance of the group.

Dividend per share (p)



The decision to reinstate dividends will be reviewed by the Board once there is further clarity on the financial impact of the FCA's review of the motor finance commissions.

Return on average tangible equity[5] (%)



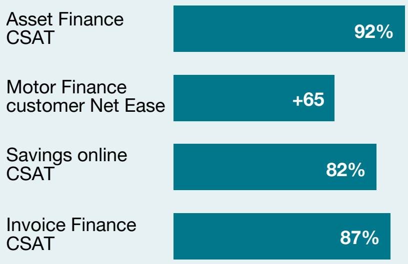
Through our priorities of greater simplification, improving operational efficiency and driving sustainable growth, we are focused on resuming the delivery of a higher level of returns. We are taking proactive steps to ensure that the group is well positioned to generate strong, sustainable returns once the motor finance commissions uncertainty has been resolved.

Non-financial KPIs

Employee engagement (%)

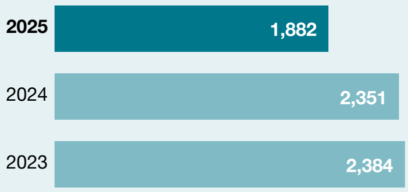
We are committed to fostering a culture that attracts and retains engaged and motivated employees.

Customer sentiment scores



Customers are at the heart of our model, as we focus on delivering high levels of service and sharing our deep industry expertise to meet their needs.

Total Scope 1 and 2 emissions (market-based) (tonnes CO_2e)[6]



We have made significant progress on climate actions and remain committed to achieving net zero across our operations, our supply chain and the activities we finance by 2050 or sooner.

See pages 232 to 234 for the full definitions of these key performance indicators.

1. NIM, bad debt ratio, group E/I ratio and adjusted earnings per share calculations re-presented to exclude rentals businesses in 2024.
2. Bad debt ratio including Novitas and excluding rentals businesses of 1.0% in 2025 and 1.0% in 2024.
3. Long-term average bad debt ratio of 1.2% based on the average bad debt ratio for FY08-FY24 excluding Novitas, and FY25 excluding Novitas and rentals businesses.
4. Total funding as a percentage of loan book includes £207.3 million (31 July 2024: £267.9 million) of operating lease assets in the loan book figure, of which £41.0 million for Close Brewery Rentals Limited are classified as held for sale as at 31 July 2025.
5. Return on average tangible equity uses adjusted operating profit after tax from continuing operations, less AT1 coupons (2025: £88.7 million, 2024: £113.5 million). Average tangible equity excludes discontinued operations. Average tangible equity is calculated based on closing equity per the balance sheet (2025: £1,735.5 million, 2024: £1,842.5 million), less AT1 (2025 and 2024: £197.6 million), less intangibles (2025: £166.3 million, 2024: £266.0 million), less CBAM and Wins tangible equity (2025: £90.6 million, 2024: £155.9 million). 2023 as reported.
6. The total Scope 1 and 2 emissions for 2024 have been restated to exclude CBAM. Please refer to page 38 for more details.

Investment case

1

Strong positions in an attractive market

We operate in markets with long-term demand, offering sustainable growth opportunities.

UK and Irish SMEs

Large addressable market
c.99.8% of UK businesses are SMEs[1]

Strong unmet demand, underserved by traditional banks
c.£22 billion funding gap[2]

Actively supported by Government policy and pro-growth agenda

UK's largest independent provider of Asset and Invoice Finance

1. Source: Department for Business and Trade (2024), Business Population Estimates for the UK and Regions: 2024 Statistical Release, GOV.UK. Available at: https://www.gov.uk/government/statistics/business-population-estimates-2024/business-population-estimates-for-the-uk-and-regions-2024-statistical-release
2. Source: Bank of England (2020), Open Data for SME Finance, available at: https://www.bankofengland.co.uk/-/media/boe/files/fintech/open-data-for-sme-finance.pdf

2

A focused specialist bank and a valuable customer franchise

Our specialist focus, deep customer relationships, and trusted brand allow us to differentiate and win in markets we serve.

Offering deposits and additional borrowing capacity for SMEs and individuals.

High-touch service model drives strong customer satisfaction scores and high levels of repeat business.

Specialist teams with deep sector expertise through both direct and intermediated channels.

Valuable customer franchise supports strong margins and returns.

Consistent approach and support through the cycle.

Customer sentiment scores

Asset Finance CSAT[1]
92%
2024: 92%

Motor Finance customer Net Ease
+65
2024: +72

Invoice Finance CSAT[1]
87%
2024: 86%

Savings online CSAT[1]
82%
2024: 75%

1. Customer satisfaction score ("CSAT").

3

A clear strategy to rebuild returns

In recent times, our returns have fallen short of where they should be. The combination of historical complexity, elevated costs, and recent events has highlighted the need for change.

Our strategic priorities provide a clear path back to stronger returns.

Simplify
Exit or restructure underperforming, low returning businesses

Optimise
Cost reduction and a step-change in profitability

Grow
Drive sustainable growth across our chosen markets

With a simpler, more focused portfolio and a leadership team focused on execution, we are well positioned to reduce costs, drive growth and improve returns.

Double digit RoTE by the 2028 financial year, rising thereafter

Our business model

What we do → How we do it

We are a UK specialist banking group providing lending, deposit taking and securities trading[1]. We focus on delivering excellent service in specialist sectors we know and understand.

Our Banking offering includes specialist and secured lending, and deposits for small businesses and individuals.

Commercial: Hire purchase; leasing and loans for capital assets; debt factoring; invoice discounting; asset-based lending; and other specialist financing for SMEs.

Retail: Used car, motorcycle and light commercial vehicle financing; insurance premium financing; and savings products for individuals and corporates.

Property: Development finance for residential properties; funding for commercial properties; refurbishment and bridging finance.

Read more about Banking on pages 61 to 67

1. On 25 July 2025, the group announced an agreement to sell our securities business, Winterflood, to Marex.

Enabled by the distinctive strengths of our model

Deep expertise
See page 18

Consistent service
See page 26

Long-term relationships
See page 49

1

Disciplined pricing and underwriting

We apply our lending criteria and pricing discipline consistently at all stages of the cycle, with the net interest margin we generate reflecting the specialist expertise of our teams. Our lending is predominantly secured or structurally protected, with conservative loan-to-value ratios, small loan sizes and short maturities.

2

Prudent management of financial resources

A fundamental part of our model is having a strong capital position and taking a conservative approach to liquidity management and funding, as we focus on diversity of funding and a prudent maturity profile.

3

Customer-centric approach

We listen to our customers, putting their needs at the heart of our business. We are there for our customers across all market conditions and seek to build long-lasting relationships with them.

The value we create

4

Conservative approach to risk

Our prudent and conservative appetite to risk remains unchanged throughout the cycle. We are committed to sustaining high standards of business conduct in line with regulatory, governmental and legal expectations and strive, at all times, to operate prudently within the laws and regulations that apply to us.

5

Diversified portfolio of banking businesses

We lend in a variety of sectors and locations across a diverse range of assets including transport, industrial equipment, renewable energy, wholesale finance, broker finance, used cars, light commercial vehicles and residential property.

6

Our distinctive culture

We see our distinctive culture as our most valuable asset. Our culture, combined with our long-term approach, is embodied by our values of service, expertise, relationships, teamwork, integrity and prudence. These values are embedded at all levels across the organisation.

Colleagues

78%

employee engagement

Customers and partners

92%

Asset Finance CSAT

82%

Savings online CSAT

Suppliers

100%

of our suppliers reported being "Very Satisfied" or "Satisfied" with the support from Close Brothers

Regulators and government

13.8%

CET1 capital ratio

Communities

£100,000

donated to charities aligned with our ESG goals

Environment

53%

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

Investors

7.1%

return on average tangible equity

Our deep expertise

"Deep expertise means knowing the right questions to ask and having the confidence to act on the answers. It's what turns challenges into opportunities for our customers."

John Fawcett, Chief Executive Officer,
Close Brothers Asset Finance

John Fawcett, Chief Executive Officer, Close Brothers Asset Finance, provides his insight into our value of deep expertise and how it helps us deliver for our customers every day.

At Close Brothers, our deep expertise means more than knowledge. It means insight that drives action and delivers real value.

Our long-standing presence in specialist sectors we know and understand enables us to offer tailored finance solutions. This allows us to deliver support that is truly aligned with a customer's long-term goals and ambitions.

By empowering our specialists to make these fast, firm lending decisions, we give the businesses we serve the opportunity to take the next step.

Supporting the growth of businesses through our specialist sector knowledge and insight

Close Brothers Asset Finance has been providing funding for the UK and Ireland's SME community for nearly 40 years, funding a broad and diverse range of assets including electric vehicles, CNC machines, hydrogen power units and printing presses.

Our deep knowledge of the industry sectors and asset classes we cover enables informed lending decisions to be made by our specialist teams ranging from Transport and Agriculture to Engineering, Print and Packaging.

Testimony to our success is the number of long-term customers we have on our books, some of which have been with us for decades.

Applying our deep expertise to empower an entrepreneur

Cameron Dalrymple, a young agricultural contractor from Fife, Scotland, transitioned to primary contractor with support from Close Brothers Asset Finance.

Cameron wanted to start his own venture and purchase his first tractor. Using our sector knowledge, we identified a tailored asset finance solution that allowed him to do just that. Through a hire purchase deal Cameron acquired a CASE Puma 240 tractor and as his contract grew and Cameron looked to expand his fleet, we further supported through funding for a second tractor with VAT deferral.

We had the expertise to match the pace of Cameron's growth and ambitions and, more importantly, Cameron felt confident he had a financial partner who took the time to understand him and his business.

"Close Brothers' understanding of my needs and tailored financial solutions have enabled me to expand my fleet and take on more work.
I am delighted with their support and look forward to continuing our partnership."

Cameron Dalrymple
Owner, Dalrymple Agri

Operating environment

Climate agenda

What we are seeing

- The climate agenda remains a key area of focus for organisations. However, we have seen a shift in focus globally this year, with some governments and organisations de-prioritising the issue or moving away from commitments and interventions.
- Our customers and businesses continue to look for opportunities to transition to a lower carbon future through their investments in green assets, including electric vehicles, renewables, grid infrastructure and energy efficiency.
- We need to support our stakeholders in making decisions by providing sufficient information on our climate strategy.
- Investors continue to take Environmental, Social and Governance ("ESG") factors into consideration as part of their investment decisions and reporting standards require us to align our climate reporting to the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD").

How we are responding

- Our group climate strategy is driven by our commitment to support our customers and clients in their transition to a lower carbon future, and continues to develop.
- We have made significant progress on climate actions and remain committed to achieving net zero across our operations, our supply chain and the activities we finance by 2050 or sooner.
- We have achieved a reduction in operational emissions of 53% since our 2019 baseline, with a 20% reduction of Scope 1 and 2 emissions in 2025.
- We are reducing our financed emissions by aligning our financing activities with net zero commitments and helping customers meet their transition targets.
- We are enabling the adoption of cleaner technologies and business model adaptation through our green growth lending strategy.

Read more about our climate commitments in our TCFD report on pages 29 to 39.

Economic environment

What we are seeing

- The market backdrop has been mixed this year, presenting uncertainty for both individuals and SMEs.
- Consumer affordability has continued to be challenged in the higher interest rate environment and the resilience of SMEs has been tested by market volatility and uncertainty from tariffs.
- Nevertheless, the UK economy has proved resilient, with macroeconomic indicators relatively stable over the year and unemployment remaining at relatively low levels.
- Whilst the Bank of England has implemented modest rate cuts during the year, the timing and trajectory of further rate movements remains uncertain in the current market backdrop.

How we are responding

- We recognise the challenges affecting our customers and continue to monitor the potential impact of ongoing uncertainty closely, prudently assessing affordability across lending proposals and offering additional support to customers where needed.
- Our IFRS 9 models are regularly updated to reflect current economic scenarios and forecasts from Moody's, with adjustments overlaid where needed to recognise additional risk not captured in model outputs.
- We pride ourselves on supporting customers through economic cycles, and continue to do so, lending to them on responsible terms and consistently applying our prudent underwriting and pricing discipline.

Regulatory environment

What we are seeing

- The UK regulatory environment continues to see significant change as well as uncertainty arising from the FCA's review in respect of historical motor finance commission arrangements[1].
- In light of this market uncertainty, operational and financial resilience, and robust recovery and resolution planning continue to be priorities for the PRA. Regular prudential monitoring is being conducted through information and data requests, and reviews.
- The group continues to see an increase in engagement with our regulators, for example in respect of the FCA's market-wide reviews into historical motor finance commissions and the premium finance market.
- The PRA has announced that the UK implementation of the Basel 3.1 reforms will be delayed by a year, until 1 January 2027. We expect the implementation of Basel 3.1 to have a less significant impact on the group's capital headroom position than initially anticipated.
- The FCA's Consumer Duty expectations continue to be embedded within the wider market and have driven improvements in controls and arrangements in firms as well as the nature and extent of support available to vulnerable customers and those in financial difficulty.
- The FCA and PRA continue to take steps to promote growth within the UK and reduce the administrative burdens placed on firms. They have committed to consulting on streamlining existing handbook requirements and legislation, including the Consumer Credit Act 1974, as well as reducing regulatory reporting requirements where possible.

How we are responding

- We continually monitor the landscape to stay abreast of regulatory change.
- We maintain an open and cooperative relationship with our regulators, including the FCA and PRA, through regular engagements and meetings.
- We have been engaging constructively with our regulators in respect of historical motor finance commission arrangements.
- We continue to complete Annual Assessments of Customer Outcomes, where the board is required to review and approve the assessment of delivering good customer outcomes.
- We have continued to engage with relevant industry trade bodies and associations on key matters impacting the sectors in which we operate.

1. Read more about historical motor finance commission arrangements on pages 8 to 9.

Technology and digital adaption

What we are seeing

- Increased adoption of public cloud across industries is enabling easier access to, and integration with, external data sets for better decision making, easier integration with partners and intermediaries, and increased cost transparency.
- Increased adoption of automation and Artificial Intelligence capabilities for improved productivity and efficiencies.
- Current cyber threat level in the UK remains significant with ransomware remaining the foremost threat.

How we are responding

- Migrating our services from data centres to Azure cloud, and benefiting from increased service resilience, improved security, pay-as-you-consume commercial models, and better control of software costs. Cloud migration is also enabling the simplification and decommissioning of our legacy infrastructure, leading to annual run-rate savings on infrastructure costs.
- Adopting cloud-based virtual desktops for third-party suppliers and cloud hosted contact centre capabilities for service partners supports flexibility of locations and regions for provision of some services, enabling cost saving opportunities.
- We are taking a deliberate, disciplined, and incremental approach to the adoption of AI technologies. We have adopted an AI usage policy underpinned by security and data privacy controls, and have made careful but meaningful inroads into AI adoption, applying appropriate guardrails. We have launched our first large language model based AI solution to handle unstructured complaints data, partnered with a third party for an AI solution for fraud detection and to enhance our ability to identify suspicious activity, and are rolling out Microsoft Copilot to colleagues for personal productivity.
- We are developing internal capabilities through our AI Centre of Excellence supported by strategic partners, upskilling c.70 colleagues through an intensive training programme, and providing opportunities for colleagues to learn about safe AI use and opportunities through interactive training on Microsoft Copilot.
- We continue to invest in tuning and optimising our defensive and protective capabilities with specific focus on cloud security posture management and evolving counter threats. Over the next 12 months we will be bolstering eyes-on-glass security operations by growing the team and adopting AI capability to improve mean time to detect and resolve events.

Customer behaviour

What we are seeing

- Customer expectations continue to evolve as they adapt to new market dynamics and advancing technologies. Strong sector expertise and long-term relationships remain key to building loyalty.
- Customer service, responsiveness, clarity of communication, price and value of products, as well as ease of doing business are key customer requirements.
- Digital channels, alongside new technology and the use of AI, are expected to provide a differentiated offering and an improved customer experience. However, the human element continues to add value for customers and partners, strengthening long-term relationships and providing additional support.
- Customers continue to need support in financing their transition to net zero, with growing demand for green lending, SMEs are looking to reduce their carbon footprint and motor customers are considering alternative fuel vehicles.

How we are responding

- We have a range of products, routes to market and customer segments across our businesses, which are all underpinned by a focus on good customer outcomes, providing excellent service and building long-term relationships.
- Our Asset Finance business has broadened its exposure in sustainability funding and is among the first lenders to offer asset finance into the hydrogen industry at scale, whilst also increasing its green energy lending across wind farms, solar parks and battery storage.
- Savings has launched key digital self-service features, such as a document library and the ability to amend contact details online, achieving 86% digital adoption across its customer base. The use of behavioural analytics tools further enables real-time optimisation of the customer journey.
- The Premium Finance business is using internal robotics capabilities to automate manual process tasks, freeing up the Customer Service team's time to focus on supporting our customers.
- Motor Finance introduced a new online settlement webform to provide a faster and clearer way for customers to request settlement quotes. Customers can now also understand what options are available for financing a new vehicle and go through a full finance application online. 67% of our customers told us they wanted self-serve channels.
- Property Finance is supporting the All Party Parliamentary Group ("APPG") for SME Housebuilders. We are not only backing our customers with funding, but also standing alongside them in advocating for meaningful change across the industry. By engaging with policymakers and supporting initiatives like the APPG, we are helping to ensure that the voices of SME developers are heard, and that the environment they operate in continues to improve.

Competitive landscape

What we are seeing

- In Banking, borrower confidence remains mixed, with higher funding costs, inflationary pressures and the uncertain economic outlook weighing on market sentiment.
- We have seen further consolidation across the banking sector this year, albeit the specialist lending market remains fragmented.
- The motor finance market continues to be impacted in the short term by the ongoing review of historical motor finance commission arrangements, contributing to an uncertain outlook for lenders.
- The savings market remains highly competitive, with a number of new entrants in recent years and more interest being paid by high street banks, as a result of rising interest rates and the FCA's market activities focusing on fair value.

How we are responding

- In Banking, we remain committed to our model of maintaining margin and underwriting discipline, notwithstanding competitor pricing. We continue to focus on delivering excellent client service and building deep relationships with our customers.
- We are actively evaluating our portfolio of specialist businesses, prioritising capital allocation towards those businesses that offer sustainable growth and attractive risk-adjusted returns.
- We continue to see growth opportunities as we look to extend our capabilities into new areas that fit with our model, either through partnerships or bringing in specialist teams to complement our expertise.
- Our Savings business actively sought to grow our retail deposit base, which increased 20% during the year. The introduction of the Easy Access Account in the 2024 financial year has helped us to access a larger proportion of the potential deposit pool. We carefully monitor pricing and help maximise opportunities, whilst ensuring fair outcomes for customers.

Read more about the opportunities across our businesses on pages 61 to 67.

Stakeholder engagement

Delivering for our stakeholders

At Close Brothers, we have a long-term track record of creating value and delivering positive outcomes for all of our stakeholders.

We work hard to understand and meet the needs of our different stakeholder groups, engaging with them and adapting our service and offering to create value for them. We undertake a comprehensive programme of stakeholder engagement and consider the feedback provided, embedding this in the decision-making process throughout the group.

Section 172 Statement and Statement of Engagement with Employees and Other Stakeholders

Section 172(1) of the Companies Act 2006 requires the directors of a company to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other factors) to various other considerations and stakeholder interests:

- the likely consequences of any decision in the long term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and the environment;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the company.

The Board is responsible for establishing and overseeing the company's values, strategy and purpose, all of which centre around the interests of key stakeholders and other factors set out in section 172(1).

The Directors are conscious that their decisions and actions have an impact on stakeholders, including employees, customers, suppliers, communities and investors, and they have had regard to stakeholder considerations and other factors in section 172(1) during the year.

Regular engagement with stakeholders, both directly and indirectly via management, has continued to be an important focus for the Board and has ensured that the Directors are aware of and have effective regard to the matters set out in section 172(1). Throughout the year, the Board received and discussed stakeholder insight and feedback and it ensured that stakeholder considerations were taken into account in the Board's deliberations and decision-making.

Whilst the Board acknowledges that, sometimes, it may have to take decisions that affect one or more stakeholder groups differently, it seeks to treat impacted groups fairly and with regard to its duty to act in a way that it considers will be most likely to promote the success of the company for the benefit of its members as a whole, having regard to the balance of factors set out in section 172(1).

Considerations relating to the factors in section 172(1) are an important part of governance processes and decision-making at both Board and executive level, and more widely throughout the group. For example, the schedule of matters reserved to the Board and the terms of reference for each of the Board's committees emphasise the importance of decision-making with regard to relevant factors under section 172(1) and broader stakeholder considerations.

Necessarily in a large and regulated group, some decisions are taken by management or the directors of subsidiary companies. These decisions are taken within parameters set by the Board and there is a robust framework that ensures ongoing oversight, monitoring and challenge by the Board and its committees (including certain decisions and activities that are always reserved to the Board or its committees). The Board has regard to relevant factors set out in section 172(1) in its activities in these areas, including considerations relating to the potential impact of delegated decisions on the long-term success of the group as a whole, the group's reputation for high standards of business conduct and the consequences of local decisions on the group's stakeholders.

Detail on the Board's engagement with, and consideration of, the company's stakeholders can be found on pages 132 and 133 of the Corporate Governance Report.

Colleagues

With approximately 3,000 employees around the UK, Ireland, the Channel Islands and Germany, we have a diverse and motivated workforce which delivers the highest levels of service to our customers and partners. We are committed to the development of our colleagues, ensuring they are supported and engaged.

Listening to our colleagues enables us to build an engaged workforce, allowing us to develop and retain high levels of expertise. We are able to ensure we are considering the views of all colleagues and making sure everyone feels included.

Key priorities of our colleagues

- A safe working environment.
- A fair and inclusive culture where employee feedback is valued.
- Being appropriately rewarded for their contributions.
- Opportunities for training and development.

Our engagement during the year

- We conducted our latest employee opinion survey, which closed in February 2025, to gather feedback from our colleagues, anonymously. The results of this survey gave us insight into key topics including our customers and clients, leadership, culture, a sense of belonging, and colleague wellbeing.
- Follow-up focus groups were conducted with different teams to understand more around colleague sentiment, with action plans created to ensure we are focusing on the areas that matter most to our colleagues, as well as ensuring we are meeting the needs of other stakeholders.
- We held regular town halls, providing employees with updates from across the business and the opportunity to ask questions directly to senior management.
- We continued to engage with colleagues at the point of joining, when returning from parental leave and celebrating work anniversaries, through completing surveys to share their personal experiences of working at Close Brothers.
- We have eight employee-led inclusion networks which act as a voice for our colleagues.

Customers and partners

Central to all decision-making is doing the right thing for customers and partners, by helping them access financial solutions to meet their needs across all market conditions. We engage with customers throughout their end-to-end journey and actively seek their feedback in order to continually improve our service and deliver good customer outcomes.

Key priorities of our customers and partners

- Excellent customer service: receiving consistent, responsive and supportive service delivered with clarity and ease.
- Price and value of products and services: implementing customer-led propositions that meet their individual requirements.
- Building and maintaining strong personal relationships based on trust and specialist expertise.
- Fair and equitable conduct of business.
- Meeting and adapting to their needs throughout economic cycles, technological advances and regulatory changes.

Our engagement during the year

- We delivered customer-focused training to further enable a culture of continuous improvement to streamline processes and enhance the customer experience.
- We continued to hold regular customer forums, with feedback proactively reviewed and areas of improvement identified, as well as actions being taken to meet our customers' changing needs and support better outcomes.
- We continue to invest in strengthening our capability to capture, consolidate and act upon customer and partner feedback by extending experience measurement to more interaction points.
- We are evolving as a business to be more agile and offer easier access to our products and services. We have strengthened digital capabilities in response to customer needs and market dynamics.
- We have improved our customer service across several businesses, increasing our responsiveness to customers.

Regulators and government

We are committed to sustaining high standards of business conduct in line with regulatory, governmental and legal expectations and operate prudently within the laws and regulations that apply to us.

We foster an open, transparent and cooperative relationship with regulators, government authorities and trade associations in the jurisdictions in which we operate. Active engagement helps to ensure we are aware of and adapting to the evolving regulatory framework.

Key priorities of our regulators and government

- Customer outcomes
- Operational and financial resilience
- Financial crime prevention
- Corporate social responsibility
- Digitisation, use of Artificial Intelligence and enhanced data analytics
- Supporting growth and innovation in the UK

Our engagement during the year

- We have engaged constructively with our regulators during this period. We have provided information in support of the FCA's vulnerable customer and Retail Banking Business Models ("R2B2") thematic reviews and the Premium Finance Market Study, as well as in connection with the FCA's review of historical motor finance commission arrangements and the wider Supreme Court Appeal.
- We continued to enhance and align our approach with regulatory expectations and actively monitored the FCA's formal and informal guidance on Consumer Duty as well as the results of the annual Financial Lives Survey.
- We continued to engage actively with the PRA on our IRB application and have provided information in support of the PRA's surveys in respect of transforming data and operational resilience.
- We undertook reporting and analysis as requested, and held regular meetings with our regulators, enabling them to better understand our business activities and how we are operating in a controlled and prudent manner.

Suppliers

Our business is supported by a diverse and reliable network of suppliers, which enables us to consistently deliver high standards of service to our customers and partners. We are committed to maintaining transparent, sustainable, and mutually beneficial relationships with our suppliers.

Over the past year, we have placed particular emphasis on strengthening our engagement with key strategic suppliers. This focused approach ensures that we are aligned on strategic priorities and can collaborate effectively to drive continuous improvement across our front and back-office operations.

Our supplier engagement is built on openness and collaboration, with the shared goal of delivering services that support our business objectives while identifying opportunities for innovation and enhancement.

Key priorities for our suppliers

- Building strong, sustainable relationships with Close Brothers.
- Conducting business in a fair, ethical, and equitable manner.
- Ensuring clear and efficient payment processes.
- Understanding and aligning with the group's purpose and strategic direction.
- Maintaining a robust and proactive risk management framework.
- Achieving maximum commercial value for Close Brothers.

Our engagement during the year

We conducted our annual supplier survey to engage with our suppliers on topics such as how they feel about doing business with us, how likely they would be to recommend us as a client, and the transparency of our strategies and priorities. This year's survey has indicated that:

- 100% of our suppliers reported being "Very Satisfied" or "Satisfied" with the support they receive from Close Brothers.
- 83% of our suppliers described feeling "Very Satisfied" or "Satisfied" with our approach to Supplier Management.
- 83% of our suppliers described doing business with us as "Easy" or "Very Easy".
- 100% of our suppliers rated Close Brothers as a "High Quality" or "Very High Quality" client compared to others they work with.

We continue to prioritise supplier engagement and transparency, and we are committed to building strong, collaborative relationships that support mutual success.

Communities and environment

Close Brothers is committed to contributing long-term value and making a positive impact on the communities in which we operate and the environment more broadly. This underpins the growing range of programmes and initiatives we support that benefit society and the environment.

Engaging with local communities helps the Board and our employees develop their understanding of our customers and partners so that we can support them and help them to achieve their ambitions, whilst also building employee engagement. We firmly believe that environmental considerations should form an integral part of our business decisions, and employees across the group are actively engaged on responsible behaviours and environmental issues.

Key priorities of our communities and the environment

- A suitable strategy for approaching sustainability issues.
- Support for community initiatives.
- Take active steps to ensure equity of opportunity, regardless of background or experience.
- A long-term focus on addressing the impacts of climate change.

Our engagement during the year

- Colleagues completed numerous volunteering activities to positively impact local communities, including volunteering at food banks, animal shelters and community gardening projects, and supporting youth groups such as Guides, Scouts and Cadet groups and children's sports teams.
- Several colleagues, including members of our Group Executive Committee, continue to fulfil trustee roles for various charities to support local communities.
- Maintained our partnership with the University of Sheffield AMRC Training Centre. Our apprentices, part funded through the Close Brothers SME Apprentice Programme, have entered their third year of training.
- Continued to support social mobility and ethnic diversity programmes, hosting 32 interns across the group in partnership with upReach and the 10,000 Interns Foundation.

Investors

Close Brothers has a proven and resilient business model and is focused on generating long-term, sustainable value for its investors, while also maintaining a strong balance sheet.

Our investors are the providers of capital to our business, so it is important that we engage actively with them and listen and respond to their feedback through an established and comprehensive programme throughout the year.

Key priorities of our investors

- Strong returns and financial resilience through the cycle.
- Managing the impact on the group following the FCA's review of historical motor finance commission arrangements and the Supreme Court appeals.
- Capital generation and distributions.
- Sustainable business model.
- Appropriate governance practices and regard for environmental and social responsibility.

Our engagement during the year

- Continued our comprehensive programme of communication throughout the year, providing regular market updates and, in total, hosting c. 200 meetings in the year with current and prospective equity and debt investors.
- We held two analyst presentations for the 2024 Preliminary Results and 2025 Half Year Results, and attended multiple sales desk briefings and conferences.
- Undertook investor roadshows covering the UK, Europe and North America, meeting more than 80 existing and prospective shareholders.
- Held our annual corporate governance roadshow, with our Chairman meeting with 12 of our largest shareholders.
- Welcomed retail investors at our AGM where they had the opportunity to engage with board members.
- Regularly engaged with all of our sell-side analyst followers, as well as our credit rating agencies.

Consistent service

“We believe in putting our customers first and placing exceptional service at the heart of everything we do.”

Allen Seldon, Director of Product,
Close Brothers Premium Finance

Allen Seldon, Director of Product, Close Brothers Premium Finance, provides his insight into our value of consistent service and how we are committed to delivering excellent and specialist service to our customers.

At Close Brothers, we pride ourselves on delivering the highest levels of personal service and acting with integrity, while providing straightforward products and services.

We take the time to listen to our customers. Our focus on personal approach gives us a deep understanding of our customers' needs. It allows us to offer informed decision-making through our specialist expertise, and flexible financial solutions to support their ambitions.

Our commitment to customer excellence and our strong culture build trust and collaboration, foster customer loyalty and strengthen our long-term customer relationships.

By supporting our customers through their entire journey, they can focus on what matters most.

Meeting the evolving needs of our customers and brokers

To support our broker partners, Close Brothers Premium Finance created a new commission disclosure and consent solution to improve how customers are told about broker commission, all in just seven weeks.

The new service was built through working closely with our brokers and customers, ensuring the customer experience was at the heart of every decision.

As part of the development, we spoke to personal and SME customers to learn how they felt about commission and to understand what they needed to feel confident.

We also held sessions with brokers to gather feedback on how the new service would integrate with their own systems.

This collaboration helped improve aspects of the service and built knowledge and trust in the solution being provided.

This implementation highlights how we are adaptable to change and can respond quickly to meet the needs of our customers and brokers.

“It was the most gentle, friendly and hand-holding experience online in the digital world that I have ever used. Everything was explained clearly. Information around the broker role and Close Brothers’ role was simple, not too wordy or complicated. The openness of Close Brothers is refreshing, other companies hide details in the jargon.”

Close Brothers Premium Finance customer

Sustainability report

“We are committed to supporting our customers to achieve their climate ambitions and to moving towards net zero emissions by 2050. Our progress during 2025 demonstrates our continued commitment and ability to deliver reductions in operating emissions across our businesses and to play a key role in supporting SMEs in the energy transition.”

Mike Morgan, Chief Executive

Our group purpose is to help people and businesses thrive over the long term. We recognise that as part of this, we have a responsibility as a group to help address the social, economic and environmental challenges facing our business, employees and customers, now and into the future.

In our Sustainability report, we set out our strategy and the progress that has been made across all aspects of sustainability. We continue to place a strong emphasis on supporting our people and customers to achieve the best outcomes, while aiming to make a positive and lasting impact on society and the environment.

Our climate approach is driven, above all, by our desire to support our customers in their transition to a lower carbon future, and we can play an important role in doing this. To align with this focus, we have updated our approach this year.

We remain committed to achieving net zero across our operations, our supply chain and the activities we finance by 2050 or sooner. However, we have decided to move away from intermediate emissions reduction targets. This decision forms part of our efforts to align our climate positioning more closely with our business-led strategy of supporting our customers in their sustainability journeys. It enables us to focus on providing support, finance and expertise to help our customers decarbonise in ways that are practical and aligned to their own pathways.

The energy market and battery electric vehicles remain attractive growth areas with significant opportunities in green financing. Going forward, growth in this area will be led by customer demand rather than by specific group targets, ensuring our ambitions align closely with our customers’ transition journeys.

Our climate strategy is focused on three key pillars. We have made significant progress on climate actions, with substantial strides made towards reducing our operational emissions and achieving our broader climate ambition of reaching net zero by 2050.

Our sustainability objectives

Supporting our customers and partners in the transition towards more sustainable practices.

Promoting an inclusive culture in everything we do.

Reducing our impact on the environment and responding to the threats and opportunities of climate change.

Promoting financial inclusion, helping borrowers that might be overlooked by larger finance providers and enabling savers to access financial markets.

During the 2025 financial year, we have made further progress in line with the pillars.

1. **Achieving zero emissions:** Reduction in operational emissions of 53% since our 2019 baseline, with a 20% reduction of Scope 1 and 2 emissions in 2025.
2. **Reducing our financed emissions:** Refined our product offering to capture customer demand, such as for Alternative Fuel Vehicles (“AFVs”) in Motor Finance.
3. **Financing the transition:** We have expanded our lending for green energy and battery electric vehicles, and our Asset Finance and Leasing business launched a £20 million Green Asset Fund in 2025.

Central to all decision-making is doing the right thing for customers and partners, by helping them access financial solutions to meet their needs across all market conditions. We engage with our customers throughout their end-to-end journey and actively seek their feedback.

Our inclusive culture is a key enabler for our business success, as we create an environment where colleagues can thrive and, in turn, deliver excellent customer outcomes. We continue to promote a range of diversity and inclusion initiatives and are incredibly proud of the dedication and hard work of our eight executive-sponsored group-wide employee inclusion networks.

What sustainability means at Close Brothers

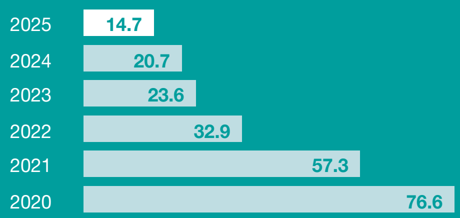
At Close Brothers, we are here to help the people and businesses of Britain thrive over the long term, working together to embrace change and capitalise on the opportunities it presents. This means supporting our colleagues and customers, as well as the communities and environment in which we operate.

Our car fleet E

Our car fleet is now

61.6%

battery electric with average stated emissions now down to 14.7 gCO_2/km (2024: 20.7 gCO_2/km)



Our inclusivity S

91%

of our colleagues feel included (2024: 90%).

Our green landing E

£1 billion+

has been financed by our energy team across multiple renewable energy projects over the last 10 years.

£154.4 million

lending for zero emissions battery electric vehicles achieved in this financial year (2024: £152.4 million).

Our charitable giving S

£100,000

donated to charities aligned with our ESG goals (2024: £100,000).

Our communities S

119

children have been supported by Close Brothers colleagues volunteering for Bookmark Reading Charity since the start of our partnership in 2020.

Our emissions E

53%

Scope 1 and 2 emissions (market-based) reduction since 2019 (2024: 42%).

20%

Scope 1 and 2 emissions (market-based) reduction in 2025.

Our social mobility S

Last summer we welcomed 32 students to complete six-week internships with Close Brothers from the 10,000 Interns Foundation and through our partnership with upReach (2024: 35 students).

Our culture S

90%

of employees believe they are treated with respect (2023: 94%[1]).

E Environmental S Social G Governance

1. 2023 score provided for comparison as this question was not included in the 2024 employee opinion survey.

Task Force on Climate-related Financial Disclosures report

We are pleased to present our fourth Task Force on Climate-related Financial Disclosures ("TCFD") report. Our disclosures comply with FCA Listing Rule 9.8.6R(8) and are consistent with the TCFD's 2017 Recommendations. Where practicable, we have also incorporated the 2021 Annex to the Implementing Guidance.

TCFD recommendations	Our progress	Future focus
Sustainability and climate governance Describe the Board's oversight of climate-related risks and opportunities. Describe management's role in assessing and managing climate-related risks and opportunities. *See pages 30 to 31.*	• Board oversight of climate-related risks and opportunities is supported by defined roles and responsibilities across the Board and its committees. • The Group Chief Risk Officer ("GCRO"), under the Senior Managers and Certification Regime, is accountable for identifying and managing financial risks linked to climate change. • The climate risk governance framework undergoes continuous review to ensure climate risk remains fully embedded within the wider risk management framework and aligned with management decision-making forums. • Members of the climate reporting team completed the new Partnership for Carbon Accounting Financials ("PCAF") Academy learning programme for signatories, enhancing expertise in applying PCAF standards and financed emissions accounting.	• Continue to strengthen climate knowledge at Board and senior management level. • Advance climate skills and competencies across our people and stakeholders, with a focus on rapidly evolving technologies and their deployment in the UK market.
Climate strategy Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term. Describe the impact of climate risks and opportunities on the organisation's business strategy and planning. Describe the resilience of the organisation's strategy taking into consideration different climate-related scenarios, including a 2°C or lower scenario. *See pages 32 to 33.*	• Our new strategy is guided by three principles: Simplify, Optimise and Grow. • We have aligned our climate positioning more closely with our business-led strategy, supporting customers in their transition to a lower-carbon future. • Enhanced data availability within Asset Finance and Leasing, embedding fuel-type information to improve emissions analysis. • Launched a £20 million Green Asset Fund to build expertise in emerging sectors and technologies, with c.£8 million deployed by year end. • Joined the Irish Growth and Sustainability Loan Scheme to enable Irish customers to invest in climate action and environmental sustainability.	• Continue to manage and reduce operational emissions while advancing our financed emissions transition plan. • Continue to advance climate data capabilities to improve measurement, reporting and strategic decision-making. • Respond proactively to evolving regulation and emerging best practice across the industry. • Expand sustainable finance activities, including alternatively fuelled vehicles in Motor Finance, eco-homes and renewable energy projects. • Enhance resilience by tightening lending appetite (e.g. for high-emission vehicles and poorly EPC rated properties).
Risk management Describe the organisation's processes for identifying and assessing climate-related risks. Describe the organisation's processes for managing climate-related risks. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organisation's overall risk management. *See pages 33 to 36.*	• Strengthened existing data, reporting and oversight of climate-related risk exposures. • Integrated climate risk assessment into principal and emerging risk processes. • Continued to report credit exposures relative to climate risk and risk appetite. • Updated policies, standards and the enterprise risk framework to embed climate risk. • Advanced climate risk culture with clear corporate responsibility recognition. • Updated due diligence questionnaires to collect climate and ESG data from Tier 1 and Tier 2 suppliers and procurement processes that incorporate environmental and climate-related criteria alongside sustainability innovation and performance.	• Further enhance data use to support quantitative risk measurement and strategy. • Develop an approach to further integrate climate analysis into group stress testing, including the ICAAP and resilience scenarios. • Increase engagement with customers, partners and suppliers on climate impacts. • Ongoing assessment of climate impacts within resilience and risk frameworks. • Regular horizon scanning to identify regulatory changes and opportunities.

TCFD recommendations	Our progress	Future focus
Metrics and targets Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. Disclose Scope 1 and 2 and, if appropriate, Scope 3 greenhouse gas emissions and the related risks. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. *See pages 37 to 39.*	• Our operational emissions have reduced by more than 53% since our 2019 baseline. • Enhanced measurement of our operational carbon footprint, including expanded coverage across Scope 3 categories. • Consistently applied assessment of Scope 3 financed emissions, primarily within the loan book, using evolving PCAF methodologies. • Achieved strong external recognition, with a CDP "B" rating, MSCI "AA" rating and Sustainalytics ESG risk score of 21.5. • Continued compliance with regulatory, legal and industry-standard emissions reporting, evidencing measurable progress.	• Continue to build on progress towards our ambition of net zero by 2050. • Strengthen customer climate data capabilities to facilitate enhanced financed emissions reporting, risk assessment and portfolio strategy.

Sustainability and climate governance

The integration of climate into our governance structure

As our climate risk framework has continued to mature, the group's governance structure has evolved to ensure clear accountability for climate-related roles and responsibilities, and to support a fully integrated approach to both risks and opportunities.

Oversight is embedded across the Board, executive committees, and the three lines of defence, supported by regular updates to relevant committees and forums. This ensures climate considerations are consistently reflected in strategic planning, the setting of group-level risk appetites, and the monitoring of divisional appetites.

Reporting and management information provide the insights needed for informed decision-making, while alignment between climate strategy and executive remuneration reinforces accountability. Climate and environmental, social and governance ("ESG") objectives are embedded within the Executive Committee's scorecard and Long Term Incentive Plan.

Board oversight

Board

The Board is responsible for the long-term success of the group and for delivering sustainable value to shareholders and wider stakeholders. It fulfils these responsibilities both directly and through its subsidiary committees.

In overseeing the group's long-term sustainability, the Board is accountable for the overall delivery of our climate and ESG strategy. It receives regular updates on implementation and progress from the executive team, and approves the group's risk appetite statements, including those relating to climate risk.

Board Risk Committee

Operating under authority delegated by the Board, the Board Risk Committee ("BRC") oversees risk management across the group, including risks arising from climate change. The BRC monitors the measures in place to manage climate risk and receives regular updates on the embedding of climate risk into the group's wider risk framework. This includes reviewing emerging portfolio information, tracking the evolution of climate-related risk appetite, and considering risks and opportunities.

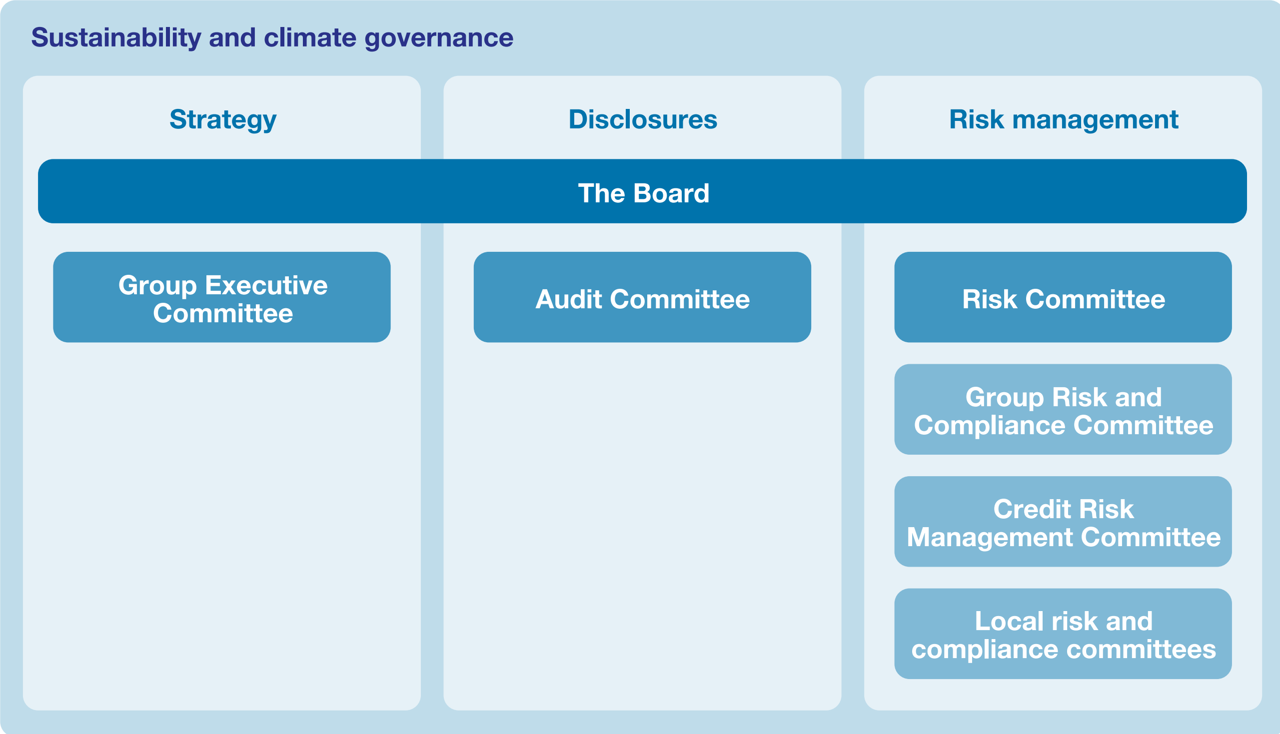
Audit Committee

Operating under authority delegated by the Board, the Audit Committee oversees financial and regulatory reporting across the group, together with the effectiveness of internal financial controls. The committee is also responsible for ensuring the clarity and completeness of environmental, sustainability, and climate-related disclosures within the group's Annual Report.

Executive

Chief Executive

The Chief Executive holds ultimate responsibility for climate-related issues affecting the group and its customers, with overall accountability to the Board and shareholders for ensuring sustainable and responsible practices, including environmental matters. Accountability for the group's climate and ESG strategy also rests with the Chief Executive, with elements delegated to members of the executive team to ensure effective delivery and integration into business practices.



Group Chief Risk Officer

In Banking, and in line with the Senior Managers and Certification Regime, the GCRO has specific responsibility for climate risk management. This includes:

- Embedding climate risks within business planning and risk appetite statements.
- Conducting climate-related scenario analysis across different time horizons.
- Ensuring Board-level visibility with clear roles and responsibilities.
- Considering climate risk materiality within the annual Internal Capital Adequacy Assessment Process ("ICAAP").

The GCRO is supported by the Board and executive team, who collectively oversee delivery of the group's climate risk objectives and provide challenge and approval of the broader climate and ESG strategy.

Group Executive Committee

The Executive Committee evaluates and implements initiatives to ensure a sustainable business model that incorporates all risks and opportunities, including ESG and climate. At group level, it oversees the development of the climate strategy, covering ambitions, operational and financing activities, targets, and metrics. The committee also coordinates divisional strategies and supports the Chief Executive in making recommendations to the Board for approval.

Group Risk and Compliance Committee

At executive level, climate risk management is overseen by the Group Risk and Compliance Committee ("GRCC"), which reviews and challenges the framework used to manage financial risks from climate change. The committee receives regular framework updates, with climate risk management information embedded within established risk reporting processes.

Credit Risk Management Committee

The Credit Risk Management Committee ("CRMC") is responsible for monitoring the group's credit risk profile, including climate-related credit risk considerations. Over the past year, it has received regular updates on Banking's credit risk assessment framework and associated management information, which highlight the potential climate risk sensitivity of different sectors and asset classes. The CRMC has also reviewed and approved the integration of climate considerations into credit risk policies and standards.

Training and competency

Both the Board and executive team are committed to developing and embedding strong climate and ESG competencies. Regular updates to the Board and management committees over the past year have supported this, raising awareness of the risks and opportunities presented by climate change and tracking progress against the group's response.

Capability has been strengthened across the wider organisation through additional training, including accredited climate qualifications where relevant. This year, members of the climate reporting team completed the new PCAF Academy learning programme for signatories, enhancing their expertise in applying PCAF standards and financed emissions accounting.

Climate strategy

As a group supporting many sectors of the UK economy, we recognise our responsibility to enable the transition to a low-carbon future and remain committed to the goals of the Paris Agreement.

We have moved away from intermediate group-level climate targets to focus instead on aligning our climate positioning with our business-led strategy of supporting customers in their transition. Our lending must evolve in step with our customers' transition pathways and as UK businesses adopt clean technologies, greener assets and new business models, we stand ready to provide the financing solutions that facilitate change and drive the wider economic transition.

Opportunities in the energy market and battery electric vehicles remain strong, and future growth in these areas will be led by customer demand rather than by top-down targets, ensuring our ambitions reflect the real transition journeys of our clients.

We recognise the urgency of tackling the environmental, economic and social impacts of climate change, which affect all stakeholder groups. Identifying and managing the risks and opportunities of climate change to our business model remains a key strategic focus for the Board and senior management.

The three pillars of our climate strategy

1. Achieving net zero operations

We have made significant progress on our climate actions, reducing operational emissions by 53% since our 2019 baseline and advancing towards our ambition of achieving net zero by 2050. This significantly exceeds the level of reduction typically required to align with science-based emissions pathways consistent with a 1.5°C global warming scenario. It reflects our dedication to, and progress in, decarbonising our operations and demonstrates the effectiveness of the actions we have taken to date.

To strengthen alignment with our business-led strategy, we have moved away from intermediate group-level targets and instead focused on supporting customers in their transition to a lower-carbon future.

Reducing our own emissions remains a priority and underpins our wider net zero ambition. Beyond meeting mandatory SECR requirements, we provide enhanced disclosure of our full operational footprint, covering Scope 1, Scope 2 and all relevant Scope 3 categories.

Engaging our supply chain on climate action is delivering benefits. We are working closely with major suppliers, while also collaborating with business customers where we represent part of their supply chain emissions, creating a multiplier effect across the value chain.

We are strengthening the monitoring and calculation of our operational impacts, with a focus on improving data quality and availability. In 2025, reported Scope 1 and 2 emissions were obtained for 43% of supplier spend, up from 31% in 2024, enhancing the accuracy of our Scope 3 Category 1 disclosures. Supply chain engagement is delivering measurable benefits, both through collaboration with our largest suppliers and with business customers for whom we represent a share of their supply chain emissions.

Our workplace team continues to work with our facilities management partner to reduce emissions across all properties. Our success here is reflected in a 20.4% reduction in total Scope 1 and 2 location-based operational emissions in 2025 compared to 2024.

We remain committed to achieving a net zero car fleet. While the pace of transition has been influenced by UK EV market dynamics, our recognised leadership in battery electric vehicle adoption has delivered strong progress: as of July 2025, 61.6% of our fleet is fully electric and 37.1% is plug-in hybrid.

This transition has further reduced our fleet's emissions, with average CO_2 output now at 14.7 gCO_2/km (2024: 20.7 gCO_2/km).

2. Reducing our financed emissions

We support the goals of the Paris Agreement by aligning our financing activities with net zero commitments and helping customers meet their transition targets. Understanding the climate impacts of our lending portfolios, while identifying green growth opportunities, is central to our climate plan.

In 2025, we continued to apply our climate assessment of assets and businesses across our lending portfolios, with a summary of Scope 3 financed emissions provided on page 39. Governance has been strengthened by transferring ownership of financed emissions reporting from the central team to the Risk function, embedding climate oversight alongside credit risk management.

In Motor Finance, we continue to reduce our appetite for high-emitting vehicles. We have enhanced data quality across Asset Finance and Leasing, embedding fuel type information to improve emissions measurement and portfolio analysis. Scope 3 emissions fell, driven by a gradual transition towards lower-emission vehicles, alongside loan book reduction. This is evidenced by the drop in Scope 3 total financed emissions from 1,435,576 tCO_2e in 2024 to 1,303,568 tCO_2e in 2025.

As members of PCAF, we are working with peer banks to further improve data sourcing and carbon accounting, strengthening our understanding of portfolio impacts and supporting the continued development of our climate strategy.

3. Financing the transition

We are enabling the adoption of cleaner technologies and business model adaptation through our green growth lending strategy, leveraging our expertise while maintaining alignment with our risk appetite.

We see significant growth opportunities in green asset lending across both established and emerging asset classes. As a specialist lender with deep customer insight, we are well positioned to support clients in adopting cleaner technologies and achieving their sustainability goals.

The energy market and BEVs remain key areas of opportunity. Road transport is one of our largest lending sectors and we are already supporting rapid deployment of BEVs by fleet customers across passenger and goods vehicles. In Motor Finance, we are expanding our BEV offering to accelerate this transition.

In FY 2025, our Asset Finance and Leasing business launched a £20 million Green Asset Fund to build expertise in emerging sectors and technologies, with c.£8 million deployed by year end. We are also participating in the Irish Growth and Sustainability Loan Scheme, enabling customers in Ireland to invest in climate action and environmental sustainability.

Beyond transport, we are financing eco-homes and sustainable developments. While lending volumes in these sectors are currently modest, we expect growth to increase as customer demand rises and regulatory frameworks strengthen.

Battery electric vehicles funding

		2025 £million	2024 £million
Green lending	Zero emissions battery electric vehicles achieved in financial year	**154.4**	152.4
Green lending	Zero emissions battery electric vehicles achieved since 2023	**470.8**	316.4

Risk management

How we identify, assess and manage climate-related risks

Our group Enterprise Risk Management Framework, outlined on page 68 of the Risk Report, ensures a consistent approach to managing climate-related risks across the organisation.

Physical risks are treated as cross-cutting, with potential impacts considered across our principal risks, while transition risks are measured and monitored through our emerging risk processes.

Physical and transitional climate impacts

Risk	Description	Timeline	Potential impacts
Physical climate impacts			
Increasing frequency and severity of extreme weather events, such as persistent heat and severe flooding, together with long-term shifts in climatic conditions.	Physical damage to customer assets and disruption to sector productivity, including labour impacts in construction and reduced crop yields in agriculture.	Medium to long term	Credit risk – counterparty and collateral.
	Disruption or damage to our properties and those of suppliers or partners, including critical sites such as data centres and call centres.	Long term	Supply chain risk. Business continuity impacts and disruption to customers.
Transitional climate impacts			
Market disruption from the transition to a low-carbon economy, driven by new regulation, evolving policy, technological change and shifting customer demand.	Significant technological shifts within key sectors, such as impacts on existing transport activities.	Medium to long term	Credit risk – counterparty and collateral. Uncertainty around new and legacy asset values.
	Uncertainty and change across UK sectors where our SME customers operate, driven by shifting customer expectations and increasing focus on energy efficiency and environmental performance.	Medium to long term	Credit risk from counterparties and collateral, with market uncertainty potentially reducing customer investment activity in the short term.
	Changing customer operating models and higher investment in clean assets, such as onsite renewable generation, energy storage and EV charging, are creating demand for new products and underwriting approaches.	Medium term	New business models. Need for new skills and capabilities across the bank.
Changing stakeholder climate expectations.	Stakeholders, including investors, customers and employees, are increasingly invested in our climate plan, while market appetites are shifting away from high-carbon sectors such as fossil fuel extraction and carbon-intensive transport.	Medium to long term	Reputational risk affecting our ability to attract and retain talent, as well as our attractiveness to investors and savers.

Alignment of group-wide framework with climate-related risks and opportunities

Aligning our risk management framework with climate-related risks and opportunities remains a priority, with ongoing assessment and monitoring of our banking book and impacts across other principal risks. The continued enhancement of standards and policies is strengthening the maturity of climate risk within our end-to-end risk processes.

We recognise that this is a multi-year journey, with both physical and transition risks, and the frameworks to assess them, still evolving across the industry. The impacts of climate change across different time horizons, and our proportional response, will remain integral to our wider risk assessment, financial planning and strategy development.

Our business planning time horizons

Short term (0-1 year)	Time horizon for annual budgeting and capital assessment.
Medium term (1-3 years)	Time horizon for business strategy and financial planning. Also aligns with typical ICAAP scenario analysis horizon.
Long term (more than 3 years)	Time horizon beyond typical financial planning cycle. Impacts primarily assessed using long-term scenario analysis noting most material climate risks will crystallise in this horizon.

Risk culture and awareness

A strong risk culture is embedded across the group, aligned with our purpose, strategy, cultural attributes and values. The management of climate risks and opportunities is fully integrated within this culture.

Internal controls

To support the ongoing integration of climate risk into our control environment, recent enhancements have reinforced climate considerations within policy documentation and ensured that internal processes are complemented by the activities of key suppliers and partners.

Governance

A key element of embedding climate risk into our group-wide risk management framework is the application of a coherent three lines of defence model, as outlined on page 72 in the Risk report. As this embedding continues, our climate governance structure continues to evolve, ensuring clear roles and responsibilities and an integrated approach to both risks and opportunities. Recent enhancements include strategic accountability being placed more clearly with each business divisional Chief Executive rolling up to the Executive Committee at group level, with the Board retaining overall accountability for the delivery of our climate and ESG strategy. Risk reporting is via existing risk reporting pathways into risk committees. This structure is detailed on page 31.

Stress testing

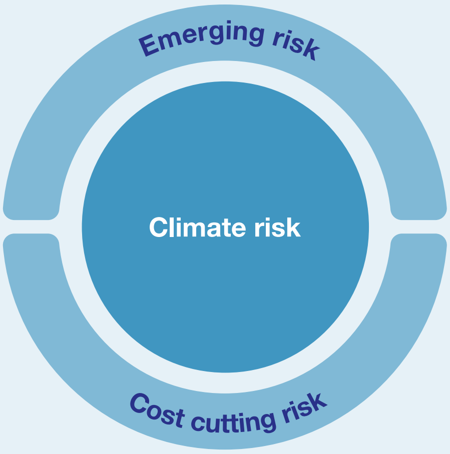
Building on our long-horizon scenario analysis, recent work has taken account of the short tenor of our loan book (15 months average) and the stability of risk exposures across assets and counterparties. In the next financial year, our focus will be on developing a considered approach to further integrating climate analysis into group stress testing, including the ICAAP and resilience scenarios.

Risk appetite

Climate risk is integrated into the group's risk appetite statements, aligning risk management with overall strategy. At present, quantitative measures are primarily used for monitoring; however, we are continuing to explore more tailored and formal risk appetites by risk area. This is particularly relevant in credit risk, where quantifiable metrics can be measured against limits specific to business considerations. We expect these to be based on sectoral transition risk assessments, aligned to our ambition to reach net zero by 2050.

Climate cross-cutting risks

The physical nature of climate change has the potential to impact across the suite of our existing principal risks.



Noting the longer time horizons for some transitional climate impacts to crystallise (such as on policy and reputation) we track transitional impacts of climate risk as one of our core emerging risks.

Risks identified across the group with potential climate-related impacts

Credit
Counterparty and collateral impacts

Operational
Premises, people and third-party partners

Third parties and suppliers

Traded market

Regulatory

Conduct

Reputational

Funding and liquidity

Climate-related data

A cross-cutting risk impacting across multiple principal risks

In assessing both the risks and opportunities of climate impacts, and in preparing our TCFD disclosures, we have aimed to provide appropriate granularity, proportionate to the materiality of the climate-related risks identified across the group.

Our analysis of the risk universe indicates that we are not materially exposed to loss or disruption in the short to medium term.

Over the long term, however, increased risk is expected, driven primarily by potential transition impacts. Severe physical risks are also considered only likely to materialise over the long term, although we recognise that acute events are already occurring. These risks are mitigated by our resilient business model, supported by an average loan tenor of 15 months and a customer base concentrated in the UK and Republic of Ireland.

The primary focus of our climate-related risk management is on credit and operational risk, which we consider represent the greatest potential impacts. We acknowledge that transition developments over the medium to long term could present additional exposures if not managed appropriately and in a timely manner and we remain committed to actions that preserve the resilience of our operating model. Further details on our approach to emerging risks are provided on page 79 of the Risk Report.

We are also working towards enhancements in assessment, monitoring and reporting to strengthen the quantitative lens, complementing the established qualitative approach already embedded.

Credit risk

Our focus remains primarily on credit risk, given its materiality to the Banking division and the wider group and its sensitivity to potential climate impacts. Both physical and transition risks have the potential to affect counterparties and collateral.

Our current methodology, applied across £8.8 billion (91%) of the Banking division loan book, identifies exposures most sensitive to climate change. While the approach does not account for the time horizons over which climate impacts may crystallise, it is valuable in highlighting exposures with greatest sensitivity:

- energy-consuming assets such as motor vehicles in our Motor Finance and Asset Finance businesses; and
- non-renewable energy generation assets and general business lending in high-impact sectors.

Sensitivity dashboards are presented regularly to risk committees, ensuring climate risk is considered consistently across the organisation. An overview of risk committees is provided on page 70.

Operational risk

The group recognises that climate change presents both physical and transition risks that may affect operational resilience, including:

- the integrity of buildings;
- the continuity of services; and
- the reliability of third-party providers.

In line with the TCFD framework, we have taken steps to identify, assess and manage these risks within our operational risk management processes. As part of this integration, we have reviewed and strengthened our business continuity and crisis management frameworks to ensure climate-related disruptions, such as extreme weather events or supply chain interruptions, are reflected in preparedness planning. This work is focused on protecting our people, customers and infrastructure.

Operational risk standards have been updated to capture climate-related causal factors. We are embedding climate considerations in assessments of operational resilience for critical services and in change management risk assessments, enhancing our ability to anticipate and mitigate the impact of climate-related events on essential services.

Third parties and suppliers

We recognise that climate change may affect key third parties and suppliers, creating potential operational disruptions. To address this, we have enhanced our third-party risk management framework. Updated due diligence questionnaires now collect climate and ESG data from tier 1 and tier 2 suppliers, while procurement processes incorporate environmental and climate-related criteria alongside sustainability innovation and performance.

In support of our broader climate strategy, we are actively engaging with suppliers to encourage alignment with our climate goals.

Through these actions, the group is strengthening climate resilience across its operations and supply chain, in line with regulatory expectations and stakeholder priorities.

Other risks

We are integrating climate risk across all relevant risk areas, ensuring it is embedded within our business strategy. This includes ongoing assessment of our model's resilience to ensure we are prepared to manage climate-related risks.

Traded market

We continue to monitor traded market risk for Winterflood Securities. The business's role as a market maker inherently limits long-term positions, providing a strong safeguard against material risk exposures.

Regulatory risks

The evolving regulatory landscape presents ongoing risk and we remain committed to full compliance with new and emerging requirements. We have strengthened horizon scanning to ensure changes are identified early and assigned to the appropriate functions. In particular, the Prudential Regulation Authority's ("PRA") Consultation Paper CP10/25, expected to precede an update to Supervisory Statement (SS) 3/19, is likely to reinforce expectations on managing climate-related financial risks. We will assess, understand and implement all impacts to maintain alignment as the regulatory position develops.

Conduct

Climate impacts are embedded within our conduct responsibilities, reflecting our commitment to delivering good customer outcomes.

Reputational

The group recognises that reputational risk may arise over the longer term if we fail to respond effectively to the transitional impacts of climate change, including evolving regulation, technological change and shifting stakeholder expectations. Climate-related reputational risk is embedded within our wider risk identification and assessment processes, ensuring it is considered across principal risk types.

To maintain trust and credibility, we proactively manage these risks through continuous evaluation of our climate strategy, disclosures and performance, ensuring alignment with stakeholder expectations and emerging best practice.

Funding and liquidity

Funding and liquidity impacts are continually reassessed, with regular updates to Treasury committees. Key focus areas include debt capital market implications, potential shifts in investor behaviour and reputational impacts, particularly those linked to evolving disclosure requirements.

Climate-related data

Although we have demonstrated significant progress in accessing supplier data, obtaining Scope 1 and 2 emissions from suppliers representing 43% of spend, data quality remains a challenge. We remain committed to enhancing climate risk data to enable more accurate measurement and monitoring. This will, in turn, support stronger risk mitigation and closer strategic alignment.

We are also advancing our climate and broader sustainability reporting and management information capabilities. These improvements will deliver more decision-useful insights, helping to shape the group's strategy for managing risks and opportunities and to inform the development of more tailored risk appetites.

Metrics and targets

We have reduced operational emissions by 53% since 2019, significantly ahead of the reductions typically required to align with a 1.5°C science-based pathway. This progress demonstrates the effectiveness of our actions and provides a strong foundation for achieving our target of net zero by 2050.

Our climate strategy addresses three areas: operational emissions, emissions from our lending portfolios, and supply chain impacts. This section of the report outlines our operational emissions targets, measurement and reductions (see page 37), followed by our financed emissions assessment and ambitions (see pages 38 to 39).

Operational emissions

Our methodology for calculating and disclosing greenhouse gas ("GHG") emissions and energy use follows the World Resources Institute GHG Protocol Corporate Standard, the GHG Protocol Corporate Value Chain (Scope 3) Standard and the SECR requirements. We report all material Scope 1 and 2 emissions, alongside indirect Scope 3 operational emissions where relevant. Scope 1 covers fuel emissions from buildings and company vehicles, while Scope 2 covers electricity use.

Building-related emissions

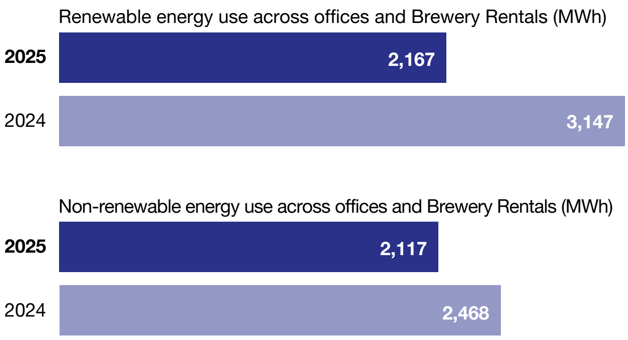
For building-related emissions, including industrial processes at our Brewery Rentals sites, we continue to advance energy efficiency plans in partnership with our facilities management provider. These plans include measures such as energy-efficient equipment, monitoring infrastructure, electrification and renewable energy options. Energy use across office and Brewery Rental sites is down 23.7%, from 5,615 MWh in 2024 to 4,284 MWh in 2025.

Close Brothers announced the sale of the Brewery Rentals business on 15 July 2025 and the transaction completed on 31 August 2025.

Total energy usage across offices and Brewery Rentals

4,284 MWh

2024: 5,615 MWh



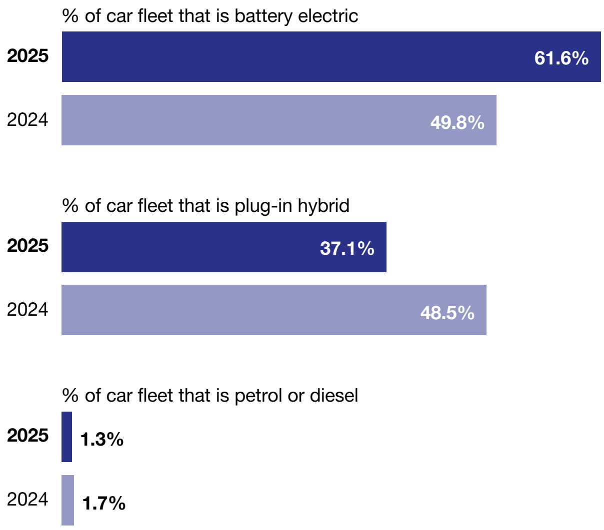
Fleet-related emissions

We have also continued the electrification of our company car fleet (617 cars in total, down from 643 in 2024). At 31 July 2025, 61.6% of our fleet was fully electric. When combined, fully electric and plug-in hybrid make up 98.7% of our fleet.

Average stated emissions across company car fleet

14.7 gCO_2/km

2024: 20.7 gCO_2/km



In-house data

During the year, with support from external sustainability experts and an emissions measurement and reporting platform, we significantly enhanced our in-house climate data capability. This has strengthened operational footprinting across all Scope 1 and 2 categories, as well as relevant Scope 3 categories. Carbon accounting processes are embedded via close liaison with internal departments, enabling provision of more frequent, decision-useful climate-related management information across the group.

Our operational impacts

Greenhouse gas emissions[1,2,4,5]	Emissions source	Market-based 2025 tCO_2e	Market-based 2024 tCO_2e	Location-based 2025 tCO_2e	Location-based 2024 tCO_2e
Scope 1	Buildings – fuel and refrigerants[3]	**176**	273	**261**	301
	Owned vehicles – fuel[3]	**1,347**	1,690	**1,347**	1,690
Total Scope 1		**1,523**	1,963	**1,608**	1,991
Of which UK total Scope 1		**1,365**	1,939	**1,449**	1,967
Scope 2	Buildings – electricity[3]	**247**	263	**609**	809
	Owned vehicles – electricity[3]	**112**	125	**112**	125
Total Scope 2		**359**	388	**721**	934
Of which UK total Scope 2		**347**	359	**704**	899
Total Scope 1 and 2 (Operational)		**1,882**	2,351	**2,329**	2,925
Of which UK total Scope 1 and 2		**1,712**	2,298	**2,153**	2,866
Scope 3 (Operational)	Category 1 – Purchased goods and services[3]			**22,119**	21,337
	Category 2 – Capital goods[3]			**5,064**	8,750
	Category 3 – Fuel and energy-related emissions[3]			**306**	386
	Category 4 – Upstream transportation and distribution[3]			**528**	587
	Category 5 – Waste generated in operations[3]			**54**	24
	Category 6 – Business travel			**859**	649
	Category 7 – Employee commuting[3]			**3,622**	3,776
	Category 9 – Downstream transport and distribution[3]			**367**	391
Total Scope 3 (Operational)				**32,919**	35,900
Total Scope 1, 2 and 3 (Operational)				**35,248**	38,825

Energy use	2025 GWh	2024 GWh
Total energy use	**11.17**	14.33
Of which UK total energy use	**10.76**	13.64

Emissions intensity	Market-based tCO_2e per employee 2025	Market-based tCO_2e per employee 2024	Location-based tCO_2e per employee 2025	Location-based tCO_2e per employee 2024
Operational Scope 1 and 2 emissions intensity	**0.61**	0.75	**0.75**	0.94
Operational Scope 1, 2 and 3 emissions intensity			**11.37**	11.32
Calculated using: Average number of employees in year	**3,101**	3,124	**3,101**	3,124

1. We have reported on all emission sources required under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Our reporting year runs from August 2024 to July 2025. The emissions reporting boundary is defined as all entities and facilities either owned or under our operational control.
2. Emissions have been calculated using the Greenhouse Gas Protocol Corporate Standard and cover all greenhouse gases (converted to tCO_2e). We have used emissions factors published by the UK Department for Business, Energy & Industrial Strategy and the International Energy Agency.
3. During the year-end process for carbon accounting, we identified some adjustments needed to our 2024 comparable Scope 1, 2 and 3 emissions. The 2024 Scope 1, 2 and 3 emissions above have been restated to ensure consistency with this year's disclosed emissions methodologies as well as to address some issues with the quality of the data collected last year for 2024.
4. 2019 (the baseline year), 2024 and 2025 have been recalculated to exclude the sale of Close Brothers Asset Management but do include emissions associated with Winterflood Securities and Brewery Rentals.
5. These reported emissions have not been audited by a third party.

Operational efficiencies

In FY 2025, total Scope 1 and 2 market-based GHG emissions fell from 2,351 tCO_2e in 2024 to 1,882 tCO_2e, equivalent of falling from 0.75 tCO_2e to 0.61 tCO_2e per employee and a 20% reduction.

Across the year, our premises continued to source renewable energy wherever under our control, resulting in market-based building electricity emissions lower in 2025 than 2024, at just 247 tCO_2e.

During the year, several structural changes to optimise our estate and associated energy usage, supported reductions in our operational footprint, including the closure of buildings such as 101 Wigmore Street, Olympic Court and Wimbledon Bridge House.

We also implemented a series of targeted energy efficiency measures across our estate. At 10 Crown Place, we introduced a number of boiler efficiency initiatives, including isolating back-end valves on units out of operation, using outside air temperature hold-off during the summer to stop boiler operation, reducing the boiler return setpoint from 70°C to 60°C, reintroducing boiler sequencing and refining time schedules to remove unnecessary weekend operation. Time schedules were also added to variable refrigerant flows ("VRFs") to optimise performance.

Elsewhere, at Roman House and Spinner Point, the communications room setpoint was increased to 21°C to improve efficiency, while at Spinner Point, air conditioning and lighting were isolated in office areas not in use.

Financed emissions: Banking

Our greatest opportunity, and the focus of our strategy, to reduce greenhouse gas emissions lies in supporting our customers' transition to a low-carbon economy, helping them adopt energy-efficient and low-carbon technologies. Measuring progress requires us to quantify the emissions attributable to the assets and businesses in our loan book, providing the foundation for meeting the targets and ambitions set out in our climate strategy.

We have refined our financed emissions reporting, continuing to enhance our framework and supporting data. Set out below is our assessment of financed emissions relating to our loan book on 31 July 2025.

We have continued to refine our financed emissions assessment by combining loan book data with external sources, working alongside peers in PCAF to refine methodologies, particularly for carbon-intensive sectors such as transport.

Our 2025 assessment applied the latest PCAF Financed Emissions Standard (2nd edition), using methodologies for business loans, project finance and motor vehicle loans. In total, 95.9% of our loan book is now in scope of GHG assessment. Of this:

- 57.1% was assessed under the business loans methodology, with emissions apportioned in line with financed value;
- 2.8% under the project finance methodology, accounting for our share of project emissions; and
- 36.0% under the motor vehicle loans methodology, covering annual in-use emissions of financed vehicles.

Our financed impacts: Banking[2,4]

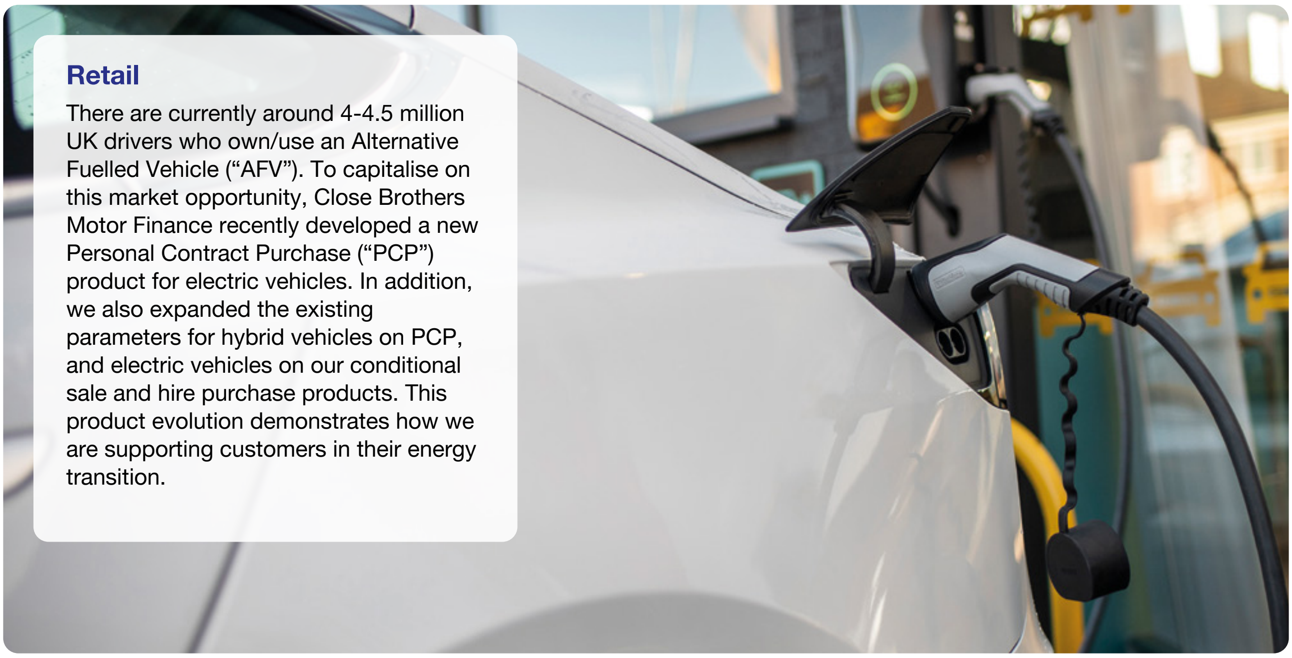
		2025				2024			
Financed emissions in loan book – Bank	PCAF methodology	**Proportion of loan book**	**Financed emissions[1,2] tCO_2e**	**PCAF data quality score**	**Economic emissions intensity $ktCO_2e$/ £ million**	Proportion of loan book	Financed emissions[1,2] tCO_2e	PCAF data quality score	Economic emissions intensity $ktCO_2e$/ £ million
Scope 3 (category 15 – loan book only)	Motor vehicle loans	**36.0%**	**550,321**	**2.9**	**0.16**	35.8%	595,124	2.8	0.17
	Business loans	**57.1%**	**336,738**	**5.0**	**0.06**	56.1%	326,655	5.0	0.06
	Project finance	**2.8%**	**228,267**	**5.0**	**0.85**	2.7%	242,849	5.0	0.91
	Not assessed/ out of scope[3]	**4.1%**				5.4%			
			Financed emissions[1,2] tCO_2e	**PCAF data quality score**			Financed emissions[1,2] tCO_2e	PCAF data quality score	
Scope 3 (category 13 – downstream leased assets)	Related to Vehicle Hire		**188,242**	**1.0**			270,948	1.0	
Total emissions tCO_2e			**1,303,568**				1,435,576		

1. Currently, our financed emissions calculations only include the customer or asset's Scope 1 and 2 emissions. In the future, we will consider the wider emissions related to financed assets and businesses. Initial sectors are likely to include (i) motor vehicles (upstream embedded emissions of manufacture) and (ii) property construction finance (embedded emissions from materials and in-use emissions of housing).
2. PCAF data quality score takes values from 1 (high) to 5 (low). Our first assessment in 2022 was around 5. We have made significant improvements to our data sourcing from both internal systems and third-party sources. For motor vehicles, we have sourced vehicle-specific emissions and actual mileage from UK government agencies.
3. A small proportion of our loan book has not been assessed this year (or is out of scope) due to lack of market-agreed carbon accounting methodologies. We continue to work with PCAF and other banks to consider these areas.
4. These reported emissions have not been audited by a third party.
5. Total baseline carbon consumption (excluding CBAM) in 2019 – 4,019 tCO_2e.

Sustainability across our businesses

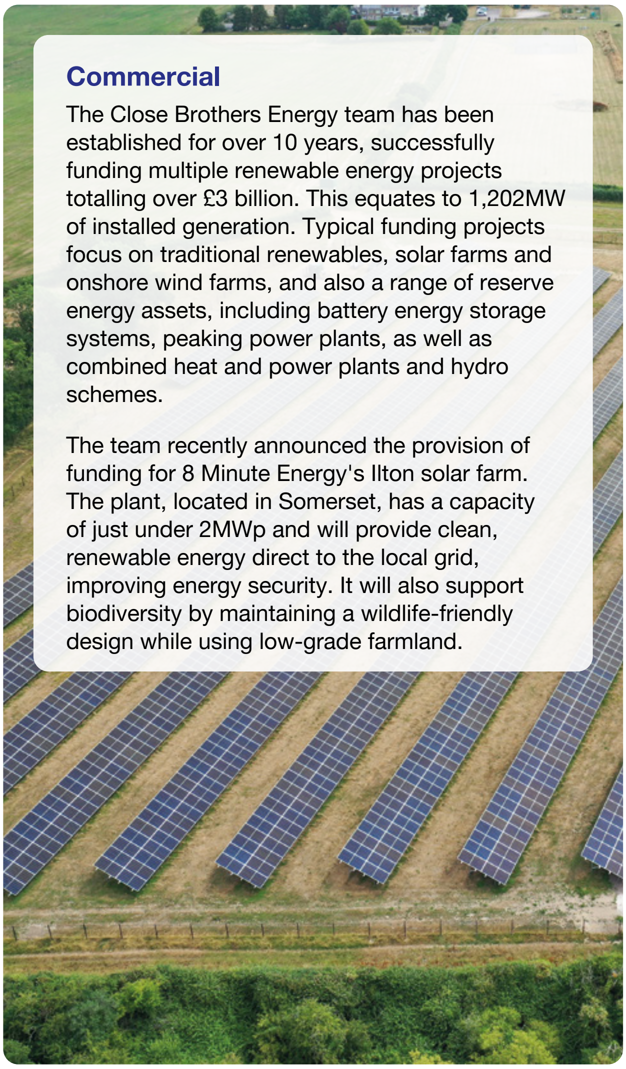
The distinctive strengths of our business model are enabled by the deep expertise we have in specialist markets, the consistent and personalised service we provide to customers, and the long-term relationships we build across markets. These same strengths drive our approach to financing the climate transition, through our deep market knowledge, expertise in green asset classes and strong customer relationships. Our flexible and prudent approach is focused on striking the right balance between risk and commercial viability.

Sustainability in action



Retail

There are currently around 4-4.5 million UK drivers who own/use an Alternative Fuelled Vehicle ("AFV"). To capitalise on this market opportunity, Close Brothers Motor Finance recently developed a new Personal Contract Purchase ("PCP") product for electric vehicles. In addition, we also expanded the existing parameters for hybrid vehicles on PCP, and electric vehicles on our conditional sale and hire purchase products. This product evolution demonstrates how we are supporting customers in their energy transition.



Commercial

The Close Brothers Energy team has been established for over 10 years, successfully funding multiple renewable energy projects totalling over £3 billion. This equates to 1,202MW of installed generation. Typical funding projects focus on traditional renewables, solar farms and onshore wind farms, and also a range of reserve energy assets, including battery energy storage systems, peaking power plants, as well as combined heat and power plants and hydro schemes.

The team recently announced the provision of funding for 8 Minute Energy's Ilton solar farm. The plant, located in Somerset, has a capacity of just under 2MWp and will provide clean, renewable energy direct to the local grid, improving energy security. It will also support biodiversity by maintaining a wildlife-friendly design while using low-grade farmland.

Property

Close Brothers Property Finance is proud to be supporting Stonehouse Wood Homes, an SME housebuilder currently delivering two spacious, low-energy homes in Dorking, Surrey.

One of the homes is designed in a traditional style to replace an existing dwelling and the second property is a large family home with a contemporary design. Both homes are being built to fully green credentials, aiming for an EPC rating of A, and designed to meet the growing demand for low-carbon living.

As a lender, we recognise the importance of supporting sustainable development. Funding homes that reduce environmental impact is not only vital for the future of the housing market, but also increasingly valued by buyers and communities. We are committed to helping SME housebuilders deliver high-quality, energy-efficient homes, and proud to be working with Stonehouse Wood on this forward-thinking project.

Our policies

We are committed to acting responsibly through all our ways of working, and have a number of group-wide policies and procedures in place to ensure we continue to operate in a socially responsible and compliant manner. Below is a list of group policies which are relevant to the sustainability report.

Dignity at Work Policy

Our Dignity at Work Policy outlines the type of behaviour that the company considers to be unacceptable and explains what solutions there are if any employee has experienced or believes someone else has experienced any discrimination, harassment or bullying at work.

We ensure equal opportunities for all, including having a commitment as part of our Dignity at Work Policy to ensure no employee is subject to discrimination. This applies to all work contexts, as well as all employee life cycle events, for example in recruitment, training, promotion and flexible working requests.

We strive to create an environment where employees feel safe and supported to self-identify whether they consider that they have a disability, to have open conversations with their managers, raise issues and discuss their specific workplace adjustment needs, and for the company to provide the appropriate support to assess and implement any reasonable adjustments. We also partner with Hidden Disabilities and Inclusive Employers to support our inclusive approach to hiring, retention, training, career development and promotion of employees with disabilities.

Whistleblowing Policy

We provide a simple, transparent and secure environment for our employees, shareholders and other stakeholders to raise concerns about any potential wrongdoing within the company.

We encourage our employees to report any activity that may constitute a violation of laws, regulations or internal policy, and reporting channels are provided to staff for this purpose within the framework of a Whistleblowing Policy.

Employee Health and Safety Policy

Our Health and Safety Policy demonstrates our commitment to ensuring our employees and visitors are safe and sets the framework for our safety culture. We continue to provide a safe and healthy working environment for our employees and visitors in accordance with the Health and Safety at Work etc. Act 1974 and the Management of Health and Safety at Work Regulations 1999.

The Health and Safety Committee continues to meet on a quarterly basis, and we are proud of the ongoing progress in successfully raising the profile of health and safety across the business. This year we recorded 23 incidents across all our sites. We continue to use an online risk assessment tool to manage site-specific risks as appropriate and our Display Screen Equipment risk assessment programme. We also carry out annual audits of all premises and monitor findings through a live dashboard.

Data Protection Policy

Our Data Protection Policy codifies our approach to protecting personal data, in line with all relevant Data Protection legislation where we operate. It sets out our core principles on how personal data can be processed, and is supported by a number of Standards which detail controls to ensure compliant processing of personal data through its life cycle.

We have a nominated Data Protection Officer who is accountable for the firm's approach to data protection management, a Chief Information Security Officer accountable for our approach to cyber security, and a broader operating model in which the data protection and security requirements are embedded in operations throughout the organisation.

Financial Crime Policy

Our policies and standards are intended to prevent the group, employees, customers and any other associations or representatives from being used for the purposes of financial crime, including, but not limited to, money laundering, terrorist financing, facilitation of tax evasion and circumvention of financial sanctions.

We are committed to carrying out business fairly, honestly and openly, operating a zero-tolerance approach to bribery and corruption. We are dedicated to ensuring full compliance with all applicable anti-bribery and corruption laws and regulations, including the UK Bribery Act 2010.

Board Diversity and Inclusion Policy

The Board is committed to ensuring it collectively possesses the right balance of skills and diversity to ensure the success of the group. Our Board Diversity and Inclusion Policy, which applies to both the Board and its committees, sets out specific objectives with regard to diversity and inclusion in the boardroom, the recruitment of new directors, and longer-term targets, as well as corresponding governance responsibilities.

The Board fosters an inclusive culture which allows views from all perspectives to be given due consideration and enables the Board to consider the needs and expectations of all its stakeholders.

Human Rights and Modern Slavery Act

The Board gives due regard to human rights considerations, as defined under the European Convention on Human Rights and the UK Human Rights Act 1998. We are aware of our responsibilities and obligations under the Modern Slavery Act, with the appropriate policies and training in place to enable compliance across the organisation.

The Banking division has also committed to the CIPS Ethical Code of Conduct, which supports our commitment to preventing modern slavery from existing within our supply chain. Further details of our compliance with the Modern Slavery Act can be found on our website.

Tax Strategy

We are committed to complying with our tax obligations and doing so in a manner consistent with the spirit as well as the letter of tax laws. This includes a transparent and cooperative relationship with the tax authorities. Our tax obligations arise mainly in the UK, where our operations and customers are predominantly based. Our straightforward business model reduces the complexity of our tax affairs and helps us maintain a lower risk tax profile. Further details of our approach to tax can be found on our website.

Our people

Valuing our people

We are committed to creating an environment where our colleagues feel motivated, proud to work for us and can reach their full potential. A key enabler for our overall business success is our inclusive culture. We are proud to create an environment where colleagues can thrive and, in turn, deliver excellent outcomes for our customers and partners.

The "Close Brothers Way" Code of Conduct sets out the values and behaviours we expect from our people. Our culture is defined through our cultural attributes. These are displayed by our senior leadership teams, setting the tone from the top by which we operate. We continue to run inclusive leadership training sessions for our managers, senior managers and group executives, highlighting how actions and behaviours can shape our inclusive culture.

We recognise that the behaviours of line managers and leaders, and their role modelling of our values, directly influence psychological safety, employee engagement, motivation and satisfaction. This in turn impacts productivity, retention and customer outcomes. The 2025 financial year saw the introduction of a mandatory Diversity and Inclusion ("D&I") objective for all line managers, encouraging authentic inclusion and practical acts of allyship throughout the employee life cycle.

We are committed to attracting, developing and retaining the best talent, and we actively seek diversity – it applies to all of us and goes beyond visible or demographic characteristics. It includes diversity of thought, working styles, skills and experience. We continue to champion inclusive recruitment practices and aim to attract a diverse group of candidates for every open job role.

Portraying a genuine, authentic view of our culture externally remains a key focus to support talent attraction. Following its success last year, in January 2025, we relaunched our Employee Brand Ambassador programme with over 25 delegates attending a series of sessions over a six-month period. The aim of the programme was to promote and enhance our employer brand, generating positive awareness and engagement, and encouraging others to do the same.

We are signatories to a wide range of charters and commitments across a broad spectrum of inclusion themes, including: the Women in Finance Charter, Race at Work Charter, The Valuable 500, Mental Health at Work Commitment, Disability Confident Employer Scheme and the Armed Forces Covenant. We partner with leading organisations and participate in wider membership bodies, including Stonewall, Hidden Disabilities and Inclusive Employers, to help inform our thinking and subsequent actions.

We are proud of the enthusiasm, passion and hard work of our eight group-wide employee inclusion networks, two working groups and multiple local D&I forums. These include our newly launched Intergenerational Network and our Wellbeing Network, which combines our previous Accessibility and Mental Wellbeing Networks. Ongoing collaboration across our networks helps create a deeper level of understanding and supports our commitment to intersectionality. Each of our networks is supported by an Executive Sponsor, and in 2024, we formalised the expectations and commitments of these roles. The Group Executive Committee members are committed to role modelling inclusive behaviours by sponsoring events and promoting D&I across their business areas.

We celebrate National Inclusion Week group-wide, as well as culture weeks locally in our business areas. Our employee networks, groups and forums further deliver excellent sessions and employee engagement opportunities throughout the year. Examples include Black History Month, Social Mobility Day, Mental Health Awareness Week, book and film clubs and bring your child to work days.

Throughout the year, we have been recognised for our efforts through a number of awards. In relation to D&I, we were awarded the "Most Open Culture" award at the Menopause Friendly Employer Awards in September 2024, and were subsequently accredited as a "Menopause Friendly Employer" in February 2025. We were also recognised as one of The Times Top 50 employers for gender equity and have received a "Silver Award" from the Defence Employer Recognition Scheme of the Ministry of Defence in support of our efforts for veterans. More broadly, we were a "Gold Award" winner for Culture and Inclusion at the Collaboration Network Awards in October 2024 and were listed in the top 500 companies in the Financial Times UK's Best Employers index. We have also been shortlisted for a "Best Practice Award" and "Best Employee Support Network" at the Employers' Excellence Awards.

Our Executive-sponsored inclusion networks

Wellbeing Network
Ian Cowie

Recognises the importance of addressing the needs of all our colleagues and making our workplace accessible for all.

Unity Network and Veterans Network
Rebekah Etherington

Veterans Network: Aims to help with attraction and recruitment of those leaving the Armed Forces.
Unity Network: Committed to creating an LGBTQ+ inclusive environment at work.

Gender Balance Network
Phil Hooper

Committed to identifying and challenging imbalances to improve gender equality at every level.

Cultural Heritage Network
Naz Kazi

Aims to improve cultural awareness and understanding so that regardless of background all colleagues feel a sense of belonging and are empowered to be allies to each other.

Working Parents and Carers Network
Sarah Peazer-Davies

Formed to ensure that all colleagues feel supported and aware of the resources and tools available to help them find a work-life balance.

Social Mobility Network
Matt Roper

Aims to support the business in attracting, developing and retaining employees from all socio-economic backgrounds so that the company can reflect the communities that we serve.

Intergenerational Network
Robert Sack

Connects colleagues across multiple age brackets and helps unlock the collective wisdom of generations to drive innovation, success and growth across the organisation.

Diversity and Inclusion strategy update

We recognise that, to help the people and businesses we work with thrive over the long term, we have a responsibility to help address the social, economic and environmental challenges facing our business, employees and customers. Diversity and Inclusion ("D&I") are embedded into our values and culture internally, and we also know that in a changing external environment, embedding inclusion into our ways of working with customers and external partners is becoming increasingly important. In 2024, we designed a three-year D&I strategy and action plan.

Our D&I strategy has three focus areas:

1. Attracting and recruiting more diverse talent and supporting colleagues throughout their careers.

As part of our strategy commitments, in 2024 we completed an end-to-end review of our recruitment process through an inclusion lens. We are now implementing key actions including emphasising accessibility for candidates during onboarding.

All of our job advertisements are carefully assessed for inclusive language and we remove unnecessary criteria such as degree, qualifications or experience requirements where not essential. We now advertise our roles with flexible working arrangements, including part time and job share options.

We aim for balanced shortlists in both direct recruitment and through partner agencies and ensure interview panels are diverse and gender-balanced where possible.

Additionally, we recently updated the content of our "Licence to Recruit" training, emphasising inclusive hiring practices and reinforcing our commitment to embedding D&I throughout our recruitment process.

2. Increasing psychological safety to maintain our strong inclusive culture.

We take pride in the dedication and hard work of our eight group-wide employee inclusion networks. Our networks provide valuable insights and focus groups, complementing our annual employee opinion survey in capturing colleague feedback. Demographic analysis of both quantitative and qualitative data informs initiatives to enhance our culture.

In our most recent employee opinion survey, 90% of colleagues stated that they feel safe to speak up in their teams and 93% feel comfortable to contribute in meetings.

We promote awareness through National Inclusion Week and local culture weeks, emphasising psychological safety, a key pillar of our strategy.

3. Delivering good, sustainable outcomes for our customers, and embedding inclusion in our interactions with customers, suppliers, charities and corporate partners.

Our lending businesses lead ongoing efforts to support vulnerable customers and integrate inclusion into daily operations, exemplifying how we embed our D&I strategy with both colleagues and customers.

Early in the 2025 financial year, we aligned our corporate sponsored charities with our inclusion networks to better synchronise corporate social responsibility with our Diversity & Inclusion strategic objectives and amplify community impact. Broader corporate sponsorship decisions are also evaluated through a Diversity & Inclusion lens to ensure they are equitable and inclusive.

Gender diversity

	31 July 2025	
	Male	Female
Number of Board Directors[1]	4	4
Number of Subsidiary Directors[2]	36	6
Number of Senior Managers other than Board Directors[3]	38	32
Number of employees other than Board Directors and senior employees	1,610	1,351
Total	**1,688**	**1,393**

1. Includes non-executive directors, excluded from group headcount calculations.
2. Includes subsidiary directors who are excluded from group headcount calculations.
3. Following a recent review, we redefined senior management as the Group Executive Committee and their direct reports, excluding Executive Assistants. This definition is aligned with our diversity representation targets for 2025-2027 and industry practice, and reflects level of seniority and influence across the organisation.

Engagement

Listening to the views of our colleagues is essential to drive and maintain employee engagement, ensuring our culture is one where everyone feels like they belong, can thrive and is proud to work for us.

Our latest employee opinion survey closed in February 2025 with an excellent response rate of 89% (2024: 72%) giving us the confidence that our results are reflective of the views of our colleagues. Our engagement score dropped slightly to 78% (2024: 83%) but overall, we retained a strong set of results, particularly around our customers, and our colleagues feeling a sense of belonging. 96% (2024: 94%) of colleagues believe our culture encourages them to treat customers and clients fairly and 91% (2024: 90%) of colleagues feel included.

This year, we worked with a new provider to host our employee opinion survey. This gave us the ability to assess our scores against external benchmarks, demonstrating positive comparisons with other UK financial services firms.

In addition to our group-wide survey, we have continued to gather data at different stages of the employee life cycle in support of our ongoing employee listening strategy. Our employee experience team engages directly with colleagues at the point of joining, returning from parental leave and when celebrating work anniversaries. Colleagues are asked to complete short surveys to share their views on company culture and their personal experiences of working at Close Brothers. “Inclusive”, “friendly”, “collaborative”, “people-orientated”, “open” and “supportive” were some of the most commonly used words to describe our culture.

Supporting our people

All employees have access to our 24/7 Employee Assistance Programme, mental health first aiders and the Thrive app that offers techniques for meditation and cognitive behavioural therapy. Employees can also book one additional day a year off to focus on their mental health and wellbeing. Our Wellbeing Network further supports us with education and awareness-raising initiatives.

Our benefits are regularly reviewed and publicised. We support everyday flexible working – empowering colleagues to achieve an optimal work/life balance. We are seeking to enhance Close Brothers’ reputation as a family-friendly workplace through the provision of benefits such as emergency care cover and paid time off for fertility treatment for both partners.

The group continues to pay all staff at or above the national living wage. For members of the group’s pension plans, we contribute between 6% and 10% towards colleagues’ pensions, which is above required levels. We offer both a Save As You Earn scheme as well as a Buy As You Earn share incentive plan, which allow employees to acquire shares on a monthly basis out of pre-tax earnings.

Participation rates in our long-term ownership schemes remain strong at 43% of all permanent and fixed term employees who are eligible.

Development programmes

We run two internship programmes in partnership with 10,000 Interns Foundation and upReach. These aim to increase social mobility and ethnic diversity in our industry and organisation. Externally, we partner with Moving Ahead on mentorship programmes for women and all under-represented groups.

Over the past 10 years the Close Brothers SME Apprentice Programme has helped to part fund over 100 apprenticeships by partnering with the AMRC Training Centre, Make UK, the Manufacturing Technologies Association, and the Road Haulage Association. As part of our responsibility to help address the social and economic challenges facing businesses today, the programme helps SMEs to fill skills gaps, develop their future workforce and improve long-term growth prospects, while providing a vital opportunity to invest in local talent.

Developing our people

We provide a full range of training and development for our people irrespective of where they are in their careers. We work with our colleagues from induction through to management, leadership, talent development programmes and supporting professional development qualifications as well as utilising the apprenticeship levy where appropriate.

Our workforce remains diverse, with 45% (2024: 46%) female employees, and we have a broad age range of employees, with 16% (2024: 21%) of our employees being under 30 years old and 18% (2024: 22%) over 50.

All colleagues have access to our learning portal where they can access a broad range of learning offerings including virtual workshops, e-learning modules and practical tools on a wide variety of topics. The average number of training hours across the group was 16 per employee during the year.

We require all employees to complete relevant regulatory training on an annual basis with further training offered when required. This year, we maintained our 100% completion rate of mandatory training by the last working day of the financial year.

We continue to run open application processes for cross-company mentoring schemes that are delivered in partnership with Moving Ahead; these include both Mission Include, supporting those who identify as being from a minority background, and Gender Equity, with a focus on supporting women in progressing to senior roles. In 2025, we received the runner-up award for the most Dynamic Mentoring Organisation of the year in the Inspired by Mentoring Awards for the Mission Include programme.

The formal development of our talent pipeline remains a key focus. We continue to support those nearing completion of our school leaver and graduate programmes where cohorts seek permanent roles across the group. To support our high potential colleagues, our emerging leaders programme from the 2024 financial year saw 19 individuals across the group take part. 47% of the cohort have received a promotion, secondment opportunity or moved internally following completion of the programme.

To support our inclusive culture through further embedding our Code of Conduct, we continue to ensure all colleagues receive our "Close Brothers Way" e-learning module, focusing on our cultural attributes and expected behaviours. We worked with members of our employee inclusion networks to update the content this year.

Employees in the community

Creating long-term, lasting value in the communities where we operate, remains a key priority for the group. We understand that volunteers are often the driving force behind many community and charity activities and we are committed to supporting our employees to get involved in these wherever possible.

As part of the relationships we have with our charity partners, we encourage employee engagement through involvement in the volunteering initiatives offered. For every hour of volunteered time, we donate £13.85 directly to the charity under our Matched Giving Scheme, and we also encourage people to take advantage of one paid volunteering day each year through our Employee Volunteering Policy.

In the 2025 financial year, over 100 colleagues made use of their volunteering day to positively impact local communities, including volunteering at food banks, animal shelters and community gardening projects. Many colleagues continue to claim through our matched giving scheme to volunteer with charitable youth groups including Guides, Scouts and Cadet groups and children's sports teams.

Our partnership with the children's literacy charity, Bookmark Reading, continues and last year we reached the milestone of being the first corporate volunteering partner to deliver over 1,000 reading sessions for the charity. This relationship is managed by our Working Parents and Carers Network which enthusiastically raises awareness of volunteering opportunities with colleagues through internal communications and webinars to encourage more people to sign up as virtual reading volunteers.

Our relationship with Smart Works, a charity supporting women to get into employment, is proactively managed by our Gender Balance Network. As well as supporting fundraising efforts, they have also collaborated through hosting a roundtable to discuss the future strategy of the charity.

Our colleagues have also volunteered with our other corporate charities, including carrying out "Wild at Work" days with The Wildlife Trusts.

Charity

Our two main corporate charity partners are chosen by our colleagues as part of our employee opinion survey and these remain Make-A-Wish Foundation, who grant wishes for children with life-threatening illnesses, and Cancer Research UK, which we have now supported for 12 consecutive years. To date, we are delighted to have raised over £695,000 for Cancer Research UK as well as donating clothing and items to be sold across their 600 shops, nationwide.

Over the last five years, we have raised over £270,000 for Make-A-Wish Foundation, enabling them to grant over 135 magical wishes for critically ill children and their families.

We have a dedicated committee for charitable and community activities chaired by our Group Head of Human Resources and supported by employees from across the group. This committee meets regularly to discuss and propose new initiatives with input from our control functions when required. We also have several local committees which plan and run initiatives to raise funds for local charities.

Alongside our group-wide charity week in May, we also ran many other events throughout the year to raise funds for other charitable causes. We supported "Bring your dog to work day" raising money for Dogs for Good and we ran a Christmas jumper day to raise money for Save the Children.

Several of our employee-led networks have encouraged charitable giving alongside their events, with our Unity Network raising money for the Terrence Higgins Trust and our Wellbeing Network fundraising for Guide Dogs through celebrating World Sight Day, and the Motor Neurone Disease Association through Disability Pride Month and a sponsored charity walk.

We had 65 colleagues sign up to donate blood as part of an annual campaign, raising £650 for ASSET, the "Adrian Sudbury School's Education Trust", through Close Brothers donating an amount for every colleague who signed up.

We match 50% of funds that our colleagues raise for charities under the Close Brothers Matched Giving Scheme. We also encourage our employees to collaborate on raising money for causes that are most meaningful to them by matching funds raised through locally organised fundraising events and activities.

This year we have continued to support additional charities that align with our ESG goals, donating a total of £100,000 to Bookmark Reading, Smart Works, Stop Hate UK and The Wildlife Trusts. In response to the earthquake in Myanmar we also donated over £1,500 to date, including matching 100% of colleague donations, to the British Red Cross in support of their politically neutral Disaster Fund.

Our Payroll Giving Scheme matches charitable contributions while allowing employee donations to be made directly from pre-tax salary. In our 15th consecutive year of recognition from Payroll Giving, this year we have received a Diamond Quality Mark for the first time. This is the highest level award available and is only given to employers with at least 30% participation across their employee base.

Our customer commitment

The needs and expectations of our customers and partners are evolving. At Close Brothers we continue to adapt and enhance our specialist expertise to meet these needs and expectations, whilst ensuring fairness and helping our customers thrive.

Our customer principles keep the customer at the heart of all we do: we do the right thing for customers and partners; we are flexible, responsive and execute with speed; we make decisions informed by our specialist expertise; and we build relationships based on quality and trust.

This is supported by our Customer Commitment Framework, which sets out how we want our customers and our colleagues to feel: valued, happy, understood, confident, and that it is easy to do business with us.

This commitment embeds our customer-centric approach across the group by developing our customer experience skills, focusing on customer metrics, providing recognition for delivering good customer experience and ensuring strong governance. We are committed to designing and delivering products, services and experiences which deliver good outcomes for our customers.

Voice of the customer

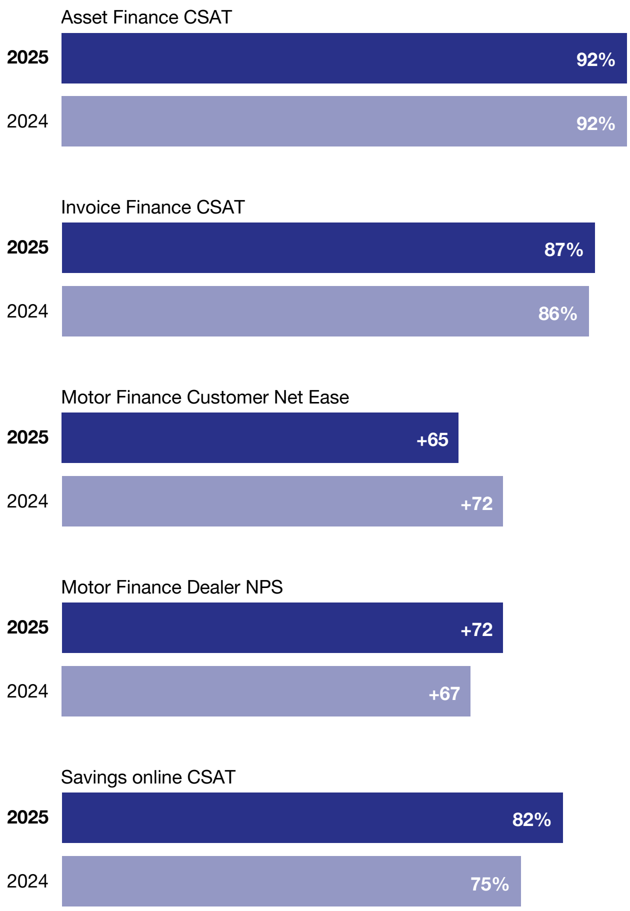
Effective customer experience measurement is a key priority across all of our businesses so that we listen, learn and act. We have been running customer forums in a number of businesses for over 10 years and in that time we have been developing our capabilities and governance to bring the voice of the customer into our day-to-day decision-making processes.

At Close Brothers, we use feedback from our forums and monitoring metrics to improve processes, collaborate and innovate on opportunities to enhance the customer experience. For example, we have extended our "language line" to support Motor Finance customers. This functionality, which is already available in Premium Finance, is designed for customers where English is not their first language.

Changes have also been made so that we can identify vulnerable customers through automated processes and additional training is provided to contact centre colleagues. In Savings, a dedicated Extra Support Group and forum supports better understanding and ability to respond to the needs of vulnerable customers. This includes offering alternative communication formats and developing a new Extra Support hub to signpost available services.

We continue to monitor customer sentiment across each of our business areas by gathering feedback regularly. We are pleased with the strong responses from across our diverse customer groups and our customer forums continue to review and act on customer sentiment.

Customer sentiment scores



There are four key pillars to our Customer Commitment

Communication and learning

Developing and strengthening the customer experience skills within our teams, and continually demonstrating how the Customer Commitment supports our purpose to help the people and businesses of Britain thrive over the long term.

Rewards and recognition

Our colleagues drive our success and delivering good customer experience is embedded within their objectives to help support this.

Metrics

Evolving our customer metrics to better identify where and how we can enhance our customers' experience and earn their brand loyalty.

Governance

Anchoring the voice of the customer within the heart of our structures, critical decisions and forums to ensure we listen, act, and learn to continue to deliver for our customers.

Focusing on continuously improving the customer experience

Across the group we are focused on continuous improvement, supported by colleagues in each business as well as our central Operational Excellence team.

We have enabled a culture of continuous improvement so that opportunities to improve the customer experience are identified and delivered. Our Operational Excellence team diagnose where service can be improved and efficiencies generated. They work closely with subject matter experts in each area to balance process and colleague benefits with enhanced customer, client and partner experiences.

This approach to continuous improvement shows how we are delivering on our customer principles across all businesses.

- **Asset Finance**: The journey for customers in financial difficulty was enhanced by identifying pain points, streamlining process, enhancing communications, implementing a consistent contact strategy and collaborating with specialist debt advisers to ensure timely and appropriate support delivering good customer outcomes.
- **Invoice Finance**: The implementation of customer insights tooling has played a role in strengthening our approach to customer experience, enabling more responsive service delivery and a customer-centric experience across our channels. In parallel, the rollout of Salesforce is underway, helping teams collaborate more effectively and deliver faster, more personalised support. These initiatives reflect our commitment to leveraging technology, not only to drive operational efficiency but also to enhance the customer experience.
- **Motor Finance**: Average time to resolve a complaint has reduced from 22 days to 19 days following identification of unnecessary lag points that could be resolved by streamlining and tightening the intermediary contact processes.
- **Premium Finance:** A customer-focused approach, including behavioural design features to help customers understand information more readily, establish trust and drive informed decisions, was applied to our delivery of a Commission Disclosure and Consent (“CDC”) journey. In addition, end-to-end walkthroughs were held with our broker partners to gather feedback on the customer experience and improve supporting processes.
- **Property Finance:** The use of AI and property technology is helping to standardise and simplify processes, freeing up our team to focus on delivering the personal service our clients expect. For example, automation has cut the time it takes to produce a credit paper from a full day to just an hour, while new workflow tools give full visibility of every loan application - allowing us to manage more loans efficiently, without compromising on quality or oversight.
- **Savings**: We introduced an analytics tool, to provide deeper insights into customer behaviour, enabling data-driven decisions to enhance customer experience, increase engagement, and drive conversions. Analytics will help us reduce friction, improve accessibility, and personalise experiences, resulting in higher customer satisfaction and retention.

The way ahead

- Looking forward, we are committed to continuously improving our ability to capture, consolidate and act upon customer and partner sentiment across all end-to-end journeys that will help us to deliver a differentiated experience and earn customer loyalty.
- We recognise the challenges facing our customers and partners, and will continue to support them through high standards of service, strong relationships and our recognised expertise.
- We regularly measure and track customer performance via several key customer metrics and will continue to enhance these metrics so that we deliver good customer experience and outcomes.

OpenAI to handle complaints

In response to a rise in commission-related complaints in Motor Finance, we are leveraging OpenAI to automate our complaints handling process, in turn reducing operational efforts and improving the speed of response. The solution uses OpenAI’s natural language processing capability, accessible through a secure pattern, to automatically read, interpret and process complaints raised by customers and complaint management companies. The solution has helped automate the processing of circa 98% of commission-related complaints, creating circa 18 FTE of capacity.

Following its success, the group has invested in AI Engineering capability that will allow us to scale the use of solutions such as OpenAI across our back office and customer facing teams, expected to deliver operational efficiency and service improvements throughout FY 2026.

Resistant AI to prevent fraud

Resistant AI was introduced to support with validating documents provided for finance applications in Motor Finance. This tool assesses the meta data within a given document, using machine learning to validate what a genuine document should look like and flagging where there are anomalies within the data.

The tool has been extremely effective, both by reducing time taken by our underwriting team, who were previously completing naked eye reviews of these documents, and also through the savings resulted from prevented fraud. To date these total over £1.1 million in value of frauds prevented. The fraud team are now supporting with a roll out across more business areas including Premium, Savings, Ireland and Invoice Finance.

Premium Finance: Transforming broker insight

Our broker insight portal, Focus 360, has developed its functionality over the year, supporting improved loading speeds, enhanced filters, and unique peer benchmarking insight. Following collaborative learning and user feedback, Focus 360 is now being made available for our broker partners to use direct. This enhances our long-term relationships, supports informed decision making, and gives brokers the information they need to more effectively manage their live portfolio and identify opportunities to expand into new customer segments.

Our distinctive culture and long-term approach are embedded throughout the organisation and embody our values

We promote teamwork in a fair and open environment, where individuals and their contributions are valued and respected.

We are committed to fostering a culture that attracts and retains talent, whilst also growing and building the expertise of our people.

We insist on trustworthy behaviour and always acting with integrity – “doing the right thing”, internally and externally.

Teamwork

94%

of colleagues feel their immediate team supports each other

Deep expertise

92%

of colleagues believe Close Brothers puts customers and clients at the centre of business decisions

Integrity

94%

feel their colleagues act with integrity

Long-term relationships

91%

feel included by their colleagues

Consistent service

96%

of colleagues believe they have the skills and knowledge to do their job well

Prudence

90%

of colleagues feel confident in the ability of people in their area to identify risks

We take the time to understand our customers and clients, and build strong long-term relationships with them.

We always take a prudent, robust and transparent approach to risk management.

We pride ourselves on our excellent level of service and on encouraging thinking that is both entrepreneurial and disciplined.

Responses are taken from our latest employee opinion survey, which closed in February 2025, and provide an insight into employee views on each of our cultural attributes.

Long-term relationships

"We take the time to understand and build strong long-term relationships with our customers."

Chiara Caldwell, Managing Director – Structured Finance, Close Brothers Property Finance

Chiara Caldwell, Managing Director of our new Structured Finance offering in Close Brothers Property Finance, provides her insight into our value of long-term relationships.

At Close Brothers we recognise the value and importance of building strong long-term relationships with our customers, many of which span decades and generations.

We build and maintain these strong relationships based on quality and trust. Our in-depth knowledge, specialist expertise and understanding of our customers and their businesses, enable us to deliver support aligned to their long-term goals and aspirations.

We strive to be a trusted strategic partner who is invested in a customer's success, not just for today but for years to come.

Building on long-term relationships to expand sector expertise

Close Brothers Property Finance has been lending to borrowers for 50 years and is building on the strength of its long-term customer relationships to expand its capabilities and deepen its commitment to supporting SME developers across the property sector.

The launch of our Structured Finance team marks a significant milestone in Close Brothers Property Finance's evolution and brings fresh expertise and strategic thinking to help us better serve the property sector, particularly SME developers navigating today's economic challenges.

Our commitment to supporting these developers remains unwavering, as it has over many years. We understand the importance of being both consistent and innovative in our lending approach. A prime example is our new revolving facility for Fernham Homes, which secures funding for their pipeline over the next three years, all within a single, efficient structure. This reflects our ability to stay flexible and responsive to our clients' needs.

Structured Finance also enables us to support customers diversifying into high-growth rental sectors such as build-to-rent and purpose-built student accommodation. These sectors are driven by strong rental demand, favourable demographics, and limited supply, offering attractive long-term exits to institutional investors.

This expansion not only diversifies our portfolio into more defensive, counter-cyclical sectors, but also strengthens our long-term relationships across the industry. Our adaptability drives our culture, fostering a growth mindset and maximising potential across our teams.

It's incredibly rewarding to lead a team that's driving innovation while staying true to the relationship-led values that define Close Brothers.

"We have worked successfully with Close Brothers on numerous developments over the last 10 years. Close Brothers has a straightforward, easy to communicate, can-do attitude. When some deals have been complicated or under time pressure, Close Brothers has always delivered."

Andrew Kamm
Founder, Bourne Homes

Non-financial and sustainability information statement

In line with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006, the table below contains references to non-financial information intended to help our stakeholders understand the impact of our policies and activities.

Reporting requirement	Policies and standards	Information necessary to understand our impact and outcomes
Environmental Matters	• Group Credit Risk Policy and Bank Credit Risk Standards • Environmental Policy	• Operating environment, pages 19 to 21 • Stakeholder engagement, pages 22 to 25 • Our strategy, pages 10 to 11 • Sustainability report, pages 27 to 48 • Climate-related disclosures, pages 29 to 39
Employees	• Health and Safety Policy • Whistleblowing Policy • Key Customer Principles • Equal Opportunity and Dignity at Work Policy	• Business model, pages 16 to 17 • Stakeholder engagement, pages 22 to 25 • Our strategy, pages 10 to 11 • Sustainability report, pages 27 to 48 • Corporate governance report, pages 124 to 133
Social Matters	• Key Customer Principles • Group Credit Risk Policy and Bank Credit Risk Standards • Volunteering Standards • Matched Giving Guidelines • Dignity at Work Policy	• Stakeholder engagement, pages 22 to 25 • Our strategy, pages 10 to 11 • Sustainability report, pages 27 to 48 • Corporate governance report, pages 124 to 133
Respect for Human Rights	• Human Rights and Modern Slavery Act • Data Protection Policy • Cyber Security Policy • Information Security Policy • Third Party Management Policy	• Sustainability report, page 27 to 48 • Risk Report, pages 68 to 112
Anti-Corruption and Anti-Bribery	• Financial Crime Compliance Policy • Anti-Bribery and Corruption Policy Statement • External and Internal Fraud Policy Statement • Cyber Security Policy	• Sustainability report, pages 27 to 48
Stakeholders	• Environmental Policy • Key Customer Principles • Third Party Management Policy	• Stakeholder engagement, pages 22 to 25 • Sustainability report, pages 27 to 48
Description of the Business Model		• At a glance, pages 2 to 3 • Our strategy, pages 10 to 11 • Investment case, pages 14 to 15 • Business model, pages 16 to 17
Description of Principal Risks and Impact of Business Activity	• Enterprise Risk Management Framework	• Principal risks, pages 76 to 78 • Emerging risks and uncertainties, page 79 • Risk Committee report, pages 144 to 146
Non-Financial Key Performance Indicators		• Our strategy, pages 10 to 11 • Key Performance Indicators, pages 12 to 13 • Sustainability report, pages 27 to 48
Climate-related Disclosures	• Enterprise Risk Management Policy	• TCFD – Climate-related disclosures, pages 29 to 39

Financial overview

Summary group income statement[1]

Continuing operations	2025 £ million	2024 £ million	Change %
Adjusted operating income	**681.2**	698.4	(2)
Adjusted operating expenses	**(445.1)**	(433.5)	3
Adjusted impairment losses on financial assets	**(91.8)**	(97.3)	(6)
Adjusted operating profit	**144.3**	167.6	(14)
Banking	**198.3**	212.9	(7)
Commercial	**112.2**	97.0	16
Retail	**18.9**	37.9	(50)
Property	**67.2**	78.0	(14)
Group (central functions)	**(54.0)**	(45.3)	19
Adjusting items:			
Provision in relation to motor finance commissions	**(165.0)**	—	n/a
Complaints handling and other operational and legal costs incurred in relation to motor finance commissions	**(18.7)**	(6.9)	171
Provision in relation to BiFD review	**—**	(17.2)	(100)
Provision in relation to early settlements in Motor Finance	**(33.0)**	—	n/a
Restructuring costs	**(2.3)**	(3.1)	(26)
Amortisation of intangible assets on acquisition	**(0.2)**	(0.2)	—
Operating loss from Close Brewery Rentals Limited[2]	**(4.1)**	(2.1)	95
Operating loss from Close Brothers Vehicle Hire[3]	**(43.4)**	(5.4)	n/a
Operating (loss)/profit before tax	**(122.4)**	132.7	(192)
Tax	**(4.7)**	(37.4)	(87)
(Loss)/profit after tax from continuing operations	**(127.1)**	95.3	(233)
Discontinued operations[4]:			
Close Brothers Asset Management	**63.9**	7.4	n/a
Winterflood	**(14.7)**	(2.3)	n/a
(Loss)/profit after tax (continuing and discontinued operations)	**(77.9)**	100.4	(178)
Attributable to			
Shareholders	**(100.2)**	89.3	(212)
Other equity owners	**22.3**	11.1	101
(Loss)/profit after tax attributable to shareholders and other equity owners	**(77.9)**	100.4	(178)
Adjusted basic earnings per share (continuing operations)[5]	**59.3p**	75.8p	
Basic (loss)/earnings per share (continuing operations)[5]	**(99.8)p**	56.2p	
Basic (loss)/earnings per share (continuing and discontinued operations)[4,5]	**(66.9)p**	59.7p	
Ordinary dividend per share	**—**	—	
Return on opening equity[6]	**6.2%**	7.9%	
Return on average tangible equity[6]	**7.1%**	9.3%	

1. Income Statement presented includes continuing and discontinued operations. 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 exceptional and adjusting items include; customer remediation provisions, operational or legal costs incurred in relation to an event that is deemed to be adjusting, businesses that are held for sale, the Vehicle Hire business which is in wind-down, restructuring costs and amortisation of intangible assets on acquisition. Please refer to the Basis of Presentation on page 52 for further information.
2. Close Brewery Rentals Limited which is held for sale as at 31 July 2025. Please refer to page 61 for more detail.
3. Close Brothers Vehicle Hire business is being exited. Please refer to pages 61 to 62 for more detail.
4. Discontinued operations relate to Close Brothers Asset Management and Winterflood, which have been classified as "Discontinued Operations" in the group's income statement for the 2024 and 2025 financial years in line with the requirements of IFRS 5. The related assets and liabilities are classified as held for sale on the group's balance sheet as at 31 July 2025.
5. Refer to Note 7 "Earnings per Share" for the calculation of basic and adjusted earnings per share.
6. Return on opening equity and return on average tangible equity have been restated for financial year 2024 to exclude discontinued operations.

Basis of presentation

Results are presented both on a statutory and an adjusted basis to aid comparability between periods. 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 exceptional and adjusting items include customer remediation provisions, operational or legal costs incurred in relation to an event that is deemed to be adjusting, businesses that are held for sale, the Vehicle Hire business which is in wind-down, restructuring costs and amortisation of intangible assets on acquisition.

Discontinued operations relate to Close Brothers Asset Management and Winterflood, which have been classified as a discontinued operation in the group's income statement for the 2025 financial year and total £49.2 million profit after tax. Figures in the 2024 financial year have been restated on the same basis. Winterflood's assets and liabilities are classified as held for sale on the group balance sheet at 31 July 2025. CBAM's assets and liabilities are not included on the group balance sheet at 31 July 2025, as the sale of the business completed on 28 February 2025. In addition, Close Brewery Rentals Limited's assets and liabilities are also classified as held for sale on the group balance sheet at 31 July 2025, as the sale completed on 31 August 2025.

Reconciliation from adjusted to statutory income statement

		Adjusting items reconciling adjusted to statutory performance									
Summary income statement for the year ended 31 July 2025	**Adjusted £ million**	Provision in relation to motor finance commissions £ million	Complaints handling and other operational and legal costs related to motor finance commissions £ million	Provision in relation to the BiFD review £ million	Provision in relation to early settlements in Motor Finance £ million	Restructuring costs £ million	Amortisation of intangible assets on acquisition £ million	Close Brewery Rentals Limited loss (held for sale) £ million	Close Brothers Vehicle Hire loss (in wind down) £ million	**Total adjusting items £ million**	**Statutory £ million**
Operating income	**681.2**	—	—	—	—	—	—	5.9	(27.6)	**(21.7)**	**659.5**
Operating expenses	**(445.1)**	(165.0)	(18.7)	—	(33.0)	(2.3)	(0.2)	(9.8)	(15.0)	**(244.0)**	**(689.1)**
Impairment losses on financial assets	**(91.8)**	—	—	—	—	—	—	(0.2)	(0.8)	**(1.0)**	**(92.8)**
Operating profit/(loss) before tax	**144.3**	(165.0)	(18.7)	—	(33.0)	(2.3)	(0.2)	(4.1)	(43.4)	**(266.7)**	**(122.4)**

		Adjusting items reconciling adjusted to statutory performance									
Summary income statement for the year ended 31 July 2024	**Adjusted £ million**	Provision in relation to motor finance commissions £ million	Complaints handling and other operational and legal costs related to motor finance commissions £ million	Provision in relation to the BiFD review £ million	Provision in relation to early settlements in Motor Finance £ million	Restructuring costs £ million	Amortisation of intangible assets on acquisition £ million	Close Brewery Rentals Limited loss (held for sale) £ million	Close Brothers Vehicle Hire loss (in wind down) £ million	**Total adjusting items £ million**	**Statutory £ million**
Operating income	**698.4**	—	—	—	—	—	—	6.6	8.4	**15.0**	**713.4**
Operating expenses	**(433.5)**	—	(6.9)	(17.2)	—	(3.1)	(0.2)	(8.0)	(12.9)	**(48.3)**	**(481.8)**
Impairment losses on financial assets	**(97.3)**	—	—	—	—	—	—	(0.7)	(0.9)	**(1.6)**	**(98.9)**
Operating profit/(loss) before tax	**167.6**	—	(6.9)	(17.2)	—	(3.1)	(0.2)	(2.1)	(5.4)	**(34.9)**	**132.7**

Statutory operating profit

The group reported a statutory operating loss before tax of £122.4 million (2024: statutory operating profit before tax of £132.7 million). Underlying operating profit was more than offset by a number of adjusting items. These included a £165.0 million provision charge in relation to motor finance commissions and £18.7 million of costs in relation to complaints handling and other operational and legal costs incurred in relation to motor finance commissions. The group also recorded operating losses before tax from its rentals businesses totalling £47.5 million, as well as a separate £33.0 million provision for a proactive customer remediation programme following the identification of historical deficiencies in certain operational processes related to early settlement of loans in the Motor Finance business.

Adjusted operating profit

Adjusted operating profit decreased 14% to £144.3 million (2024: £167.6 million), driven by a decline in income and higher costs, partly offset by lower impairment charges.

Banking adjusted operating profit reduced 7% to £198.3 million (2024: £212.9 million), due to a decline in income and a marginal increase in expenses partially offset by a reduction in impairment losses. The operating loss in Group (central functions), which includes the central functions such as finance, legal and compliance, risk and human resources, increased to £54.0 million (2024: £45.3 million) below guidance of between £55 million and £60 million. The increase in the operating loss in Group (central functions) was primarily due to increased legal and professional fees associated with the impact of the FCA's ongoing review and the Supreme Court appeal.

We expect the operating loss from Group (central functions) to be c.£50 million in the 2026 financial year, reflecting a reduction in legal and professional fees.

Return on opening equity reduced to 6.2% (2024: 7.9%) and return on average tangible equity decreased to 7.1% (2024: 9.3%).

Adjusted operating income

Adjusted operating income decreased 2% to £681.2 million (2024: £698.4 million), primarily reflecting lower income in Banking.

Income in the Banking division decreased 2%, primarily reflecting lower loan book balances as a result of the management actions to moderate loan book growth in the earlier part of the year. Group (central functions) income decreased 2% to £(11.7) million (2024: £(11.5) million), reflecting lower cash balances and lower interest rates.

Adjusted operating expenses

Adjusted operating expenses increased to £445.1 million (2024: £433.5 million), primarily reflecting higher Group (central functions) expenses.

In the Banking division, adjusted operating expenses increased 1% to £402.8 million (2024: £399.7 million) as £15 million of cost savings were broadly offset by wage inflation and spend on technology and expansion of capabilities across the business. Expenses in the Group (central functions) rose to £42.3 million (2024: £33.8 million), primarily driven by an increase in legal and professional fees associated with the impact of the FCA's ongoing review and the Supreme Court appeals.

Overall, the group's expense/income ratio increased to 65% (2024: 62%), whilst the compensation ratio remained flat at 34% (2024: 34%).

Impairment charges and IFRS 9 provisioning

Impairment charges decreased to £91.8 million (2024: £97.3 million), corresponding to a bad debt ratio of 1.0% (2024: 1.0%). Excluding Novitas, impairment charges rose to £98.6 million (2024: £90.9 million), equivalent to a bad debt ratio of 1.0% (2024: 1.0%). The increase in underlying impairment charges excluding Novitas was mainly driven by the ongoing review of provisions and coverage across our portfolio, including single name provisions in Property. This was partially offset by generally favourable performance across other businesses. Credit quality remains resilient and the bad debt ratio remains comfortably below our long-term average of 1.2%. Overall, provision coverage reduced to 2.6% (31 July 2024: 4.3%), driven by the recovery of outstanding balances in relation to Novitas. Excluding Novitas, the coverage ratio increased slightly to 2.5% (31 July 2024: 2.3%) reflecting the above-mentioned provision increases against the backdrop of a lower total loan book.

Since the 2024 financial year end, we have updated the macroeconomic scenarios we source from Moody's Analytics to reflect the latest available information regarding the macroeconomic environment and outlook, with the weightings assigned to them remaining unchanged. At 31 July 2025, there was a 30% weighting to the 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.

Whilst we have not seen a significant impact on credit performance, we continue to monitor closely the evolving impacts of inflation and cost of living on our customers. We remain confident in the quality of our loan book, which is predominantly 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%.

Adjusting items

We recognised £266.7 million of adjusting items in the 2025 financial year (2024: £34.9 million), including the £165.0 million provision charge relating to motor finance commissions. We also recognised £101.7 million of other adjusting items. These included the total operating losses before tax of £47.5 million from the group's rentals businesses, Close Brewery Rentals Limited ("CBRL") and Close Brothers Vehicle Hire ("CBVH"); a separate £33.0 million provision related to early settlement of loans in the Motor Finance business; £18.7 million reflecting complaints handling and other operational and legal costs incurred in relation to motor finance commissions; £2.3 million of restructuring costs and £0.2 million of amortisation of intangible assets on acquisition.

As outlined above, the group recorded operating losses before tax from our rentals businesses. Close Brewery Rentals Limited, sold in July 2025 (with completion occurring after the end of the financial year), reported an operating loss before tax of £4.1 million. The group's Vehicle Hire business, which the group has decided to exit, reported an operating loss before tax of £43.4 million, including an impairment charge against assets of £30.0 million. Any future profit or loss impact of this business will be subject to, amongst other factors, market conditions and any movement in asset prices over the wind down period.

We incurred £18.7 million (2024: £6.9 million) of complaints handling expenses and other operational and legal costs in relation to motor finance commissions. This included increased resourcing to manage complaints and legal expenses, notably those related to the Supreme Court appeal, as well as the unwinding of the time value discount in relation to the motor finance commissions provision. This was lower than the guidance provided at the half year 2025 results of c.£22 million as we successfully deployed automation and artificial intelligence to enhance accuracy and speed in complaints handling. We expect these costs will be in the single-digit millions in the 2026 financial year.

We also incurred £2.3 million (2024: £3.1 million) of restructuring costs in the 2025 financial year, in line with guidance of £2-3 million. This primarily related to redundancy and associated costs. We have continued to make good progress on streamlining the workforce through the consolidation of roles across our businesses and functions, as well as through the management of vacancies. We expect to incur c.£5-10 million of restructuring costs in the 2026 financial year as we implement further cost management actions.

Discontinued operations

During the year, in line with the group's strategic priorities to simplify the portfolio, enhance operational efficiency and drive sustainable growth, we made announcements regarding the disposal of the following businesses:

- On 19 September 2024, we announced the sale of Close Brothers Asset Management ("CBAM") to funds managed by Oaktree Capital Management, L.P. ("Oaktree") for an equity value of up to £200 million. The transaction completed on 28 February 2025.
- On 25 July 2025, we announced the sale of Winterflood to Marex Group plc ("Marex") for a consideration amount of approximately £103.9 million in cash payable by Marex to Close Brothers on completion, based on 30 April 2025 financials, subject to a £ for £ adjustment for movements in the tangible net asset value of Winterflood between 30 April 2025 and completion. The transaction is expected to complete in early 2026, subject to regulatory approval.

Performance of these businesses has been presented as discontinued operations, with related assets and liabilities classified as held for sale on the balance sheet. Accordingly, the group's adjusted results are presented on the basis of continuing operations for 2025 with the figures restated on a comparable basis for 2024.

The profit from discontinued operations, net of tax was £49.2 million (2024: £5.1 million).

CBAM generated adjusted operating profit of £5.3 million for the seven-month period up to the completion of the transaction, less £0.7 million amortisation of intangible assets on acquisition, and a £60.8 million gain on disposal resulting in an overall operating profit before tax of £65.4 million, and a profit after tax of £63.9 million (2024: £7.4 million).

Winterflood delivered a full year operating profit of £0.3 million (2024: loss of £1.7 million). The first half was impacted by a volatile macroeconomic environment, which was offset by a stronger performance in the second half. A goodwill impairment loss on disposal of £14.5 million was recognised on classification as held for sale, with the total loss after tax of £14.7 million (2024: loss after tax of £2.3 million). No further loss on disposal is expected to be recognised on completion of the sale in the full year 2026 financial statements.

For further information on the discontinued operations, refer to Note 29 "Discontinued operations and assets and liabilities classified as held for sale".

Tax expense

The tax expense was £4.7 million (2024: £37.4 million). The effective tax rate for the period was (3.8)% (2024: 28.2%), including the £165.0 million provision charge (£155.7 million net of tax) in relation to motor finance commissions and the £33.0 million (£30.3 million net of tax) provision for the proactive customer remediation programme in relation to early settlement of loans in Motor Finance recognised in the financial year. Excluding the provisions, the effective tax rate would have been approximately 22%.

The effective tax rate, excluding the provisions, was below the 25.0% UK corporation tax rate for the 2025 financial year (2024: 25.0%), primarily due to tax relief on coupons on other equity instruments. Please refer to Note 6 "Taxation" for further details on the group's taxation.

Earnings per share

Adjusted basic earnings per share ("AEPS") for continuing operations decreased to 59.3p (2024: 75.8p) and basic earnings per share ("EPS") for continuing operations decreased to (99.8)p (2024: 56.2p).

Basic earnings per share for continuing and discontinued operations reduced to (66.9)p (2024: 59.7p).

Both the adjusted and basic EPS calculations include the payment of the coupon related to the Fixed Rate Resetting Additional Tier 1 Perpetual Subordinated Contingent Convertible Securities ("AT1"), at an annual rate of 11.125%, in November 2024 and May 2025, amounting to £22.3 million. The associated coupon is due semi-annually, with any AT1 coupons paid deducted from retained earnings, reducing the profit attributable to ordinary shareholders.

Dividend

Given the continued uncertainty regarding the outcome of the FCA's review of motor finance commission arrangements and any potential financial impact, the group will not pay a final dividend on its ordinary shares for the 2025 financial year.

As previously stated, the decision to reinstate dividends will be reviewed by the Board once there is further clarity on the financial impact of the FCA review of motor finance commissions.

Summary group balance sheet

	31 July 2025 £ million	31 July 2024 £ million
Loans and advances to customers and operating lease assets[1]	**9,625.7**	10,098.7
Treasury assets[2]	**2,770.4**	2,300.9
Market-making assets[3]	**—**	691.8
Assets classified as held for sale[4]	**934.0**	—
Other assets	**741.8**	989.4
Total assets	**14,071.9**	14,080.8
Deposits by customers	**8,799.3**	8,693.6
Borrowings[5]	**2,188.3**	2,339.2
Market-making liabilities[3]	**—**	631.6
Liabilities classified as held for sale[4]	**773.4**	—
Other liabilities	**575.4**	573.9
Total liabilities	**12,336.4**	12,238.3
Equity[6]	**1,735.5**	1,842.5
Total liabilities and equity	**14,071.9**	14,080.8

1. Includes operating lease assets of £166.3 million (31 July 2024: £267.9 million).
2. Treasury assets comprise cash and balances at central banks and debt securities held to support the Banking division.
3. Market-making assets and liabilities comprise settlement balances, long and short trading positions and loans to or from money brokers.
4. Assets and liabilities relating to CBRL and discontinued operation Winterflood have been classified as held for sale on the group's balance sheet at 31 July 2025. Please refer to Note 29 "Discontinued operations and assets and liabilities classified as held for sale".
5. Borrowings comprise debt securities in issue, loans and overdrafts from banks and subordinated loan capital.
6. Equity includes the group's £200.0 million Fixed Rate Reset Perpetual Subordinated Contingent Convertible Securities (AT1 securities), net of £2.4 million transaction costs, which are classified as an equity instrument under IAS 32.

The group maintained a strong balance sheet and continues to take a prudent approach to managing its financial resources. The fundamental structure of the balance sheet remains unchanged, with most of the assets and liabilities relating to our Banking activities. Loans and advances to customers and operating lease assets make up the majority of assets. Other items on the group's balance sheet include treasury assets and settlement balances in Winterflood which have been classified as held for sale as at 31 July 2025. Intangibles, property, plant and equipment, and prepayments are included as other assets. Liabilities are predominantly made up of customer deposits and both secured and unsecured borrowings to fund the loan book.

Total assets remained broadly stable at £14.1 billion (31 July 2024: £14.1 billion), with increases in market-making assets, classified as held for sale, and treasury assets held for liquidity purposes offset by a 5% reduction in loans and advances to customers and operating lease assets and a reduction in other assets.

Total liabilities were 1% higher at £12.3 billion (31 July 2024: £12.2 billion). The increase was primarily driven by higher customer deposits and market-making liabilities, classified as held for sale, which was mostly offset by a decrease in borrowings.

Both market-making assets and liabilities, which relate to trading activity at Winterflood, were higher due to an increase in value traded at the year end.

Assets and liabilities classified as held for sale relate to Close Brewery Rentals Limited and Winterflood.

Total equity decreased 6% to £1.7 billion as at 31 July 2025 (31 July 2024: £1.8 billion), reflecting the statutory operating loss after tax of £77.9 million (2024: statutory operating profit after tax of £100.4 million).

The group's return on assets excluding discontinued operations decreased to 0.7% (2024: 0.9% excluding discontinued operations).

Movements in capital and other regulatory metrics

The CET1 capital ratio increased from 12.8% to 13.8%, mainly driven by the sale of CBAM (c.155bps), recognition of other profits attributable to shareholders (c.90bps), a reduction in loan book RWAs (c.70bps) and other movements (c.10bps). These benefits were partly offset by the provision in relation to motor finance commissions (-c.145bps), a provision for a proactive customer remediation programme related to early settlement of loans in the Motor Finance business (-c.30bps), operating losses after tax in the group's Vehicle Hire business (-c.30bps), and AT1 coupon payments in the year (-c.20bps).

CET1 capital decreased 2% to £1,348.1 million (31 July 2024: £1,374.8 million), primarily driven by the £155.7 million provision (net of tax) in relation to motor finance commissions, a provision related to early settlement of loans in Motor Finance of £30.3 million (net of tax), £30.8 million operating losses after tax in the Vehicle Hire business, and AT1 coupon payments of £22.3 million. These impacts were partly offset by the recognition of the group's other profits attributable to shareholders in the year of £92.7 million, a £60.8 million gain on disposal for CBAM together with the associated reduction in intangible assets deducted from capital of £56.9 million, and a net increase in other CET1 capital resources of £2.0 million.

Tier 1 capital and total capital both decreased 2% to £1,548.1 million and £1,748.1 million respectively (31 July 2024: £1,574.8 million and £1,774.8 million respectively), reflecting the same movements in relation to CET1 capital.

RWAs decreased 8% to £9.8 billion (31 July 2024: £10.7 billion), driven by a reduction in credit risk RWAs (£676.6 million) and operational risk RWAs (£224.4 million).

Group capital

	31 July 2025 £ million	31 July 2024 £ million
Common Equity Tier 1 capital	**1,348.1**	1,374.8
Tier 1 capital	**1,548.1**	1,574.8
Total capital	**1,748.1**	1,774.8
Risk weighted assets	**9,798.5**	10,701.2
Common Equity Tier 1 capital ratio (transitional)	**13.8%**	12.8%
Tier 1 capital ratio (transitional)	**15.8%**	14.7%
Total capital ratio (transitional)	**17.8%**	16.6%
Leverage ratio[1]	**12.9%**	12.7%

1. 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 the UK Capital Requirements Regulation.

The decline in credit risk RWAs was driven by a reduction in loan book RWAs (£520.9 million) across each of the Banking businesses mainly due to lower loan book balances and also reflecting the benefit of the ENABLE Guarantee Scheme within the Commercial business. There was also a decrease in other credit risk RWAs (£155.7 million) which was partly in respect of the CBAM disposal (£74.4 million).

The reduction in operational risk RWAs was primarily driven by the CBAM disposal (£225.3 million), following approval from the Prudential Regulation Authority ("PRA") for a full release of its associated operational risk RWAs.

As a result, CET1, tier 1 and total capital ratios were 13.8% (31 July 2024: 12.8%), 15.8% (31 July 2024: 14.7%) and 17.8% (31 July 2024: 16.6%), respectively.

The sale of Winterflood, announced on 25 July 2025, is expected to increase the group's CET1 capital ratio by c.55 basis points on a pro-forma basis at 31 July 2025, from 13.8% to c.14.3%, of which c.30 basis points will be recognised upon completion, with a further c.25 basis points expected in due course from the reduction in operational risk weighted assets. The transaction is expected to complete in early 2026, subject to regulatory approval.

The applicable CET1, tier 1 and total capital ratio requirements, including Capital Requirements Directive ("CRD") buffers but excluding any applicable PRA buffer, were 9.7%, 11.4% and 13.7%, respectively, at 31 July 2025. Accordingly, our CET1 capital ratio headroom of c.410bps is significantly above the applicable requirements, despite the impact from the £165.0 million provision charge in relation to motor finance commissions.

The group applies IFRS 9 regulatory transitional arrangements which allow banks to add back to their capital base a proportion of the IFRS 9 impairment charges during the transitional period. Our capital ratios are presented on a transitional basis after the application of these arrangements. On a fully loaded basis, without their application, the CET1, tier 1 and total capital ratios would be 13.7%, 15.7% and 17.8%, respectively.

The leverage ratio, which is a transparent measure of capital strength not affected by risk weightings, increased to 12.9% (31 July 2024: 12.7%).

The PRA Policy Statement PS 9/24 Implementation of the Basel 3.1 standards near-final part 2 was published on 12 September 2024 with an implementation date of 1 January 2026. In January 2025, the PRA announced a one-year delay to Basel 3.1 implementation moving the effective date to 1 January 2027. The majority of rules applicable to the group remain unchanged, including the removal of the Small and Medium-sized Enterprises ("SME") supporting factor. We currently estimate that implementation will result in an increase of up to 10% in the group's RWAs calculated under the standardised approach. The group expects to receive a full offset in Pillar 2a requirements at total capital level for the removal of the Pillar 1 RWA SME support factor. As such, we expect the UK implementation of Basel 3.1 to have a less significant impact on the group's overall capital headroom position than initially anticipated.

As reported in our Half Year 2025 results, following our initial application to the PRA in December 2020 to transition to the Internal Ratings Based ("IRB") approach, the application remains in Phase 2, with engagement continuing with the regulator. Our Motor Finance, Property Finance, and Energy portfolios, where model development is most advanced, were included in the original submission.

Capital 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.

Group funding[1]

	31 July 2025 £ million	31 July 2024 £ million
Customer deposits	**8,799.3**	8,693.6
Secured funding	**1,077.4**	1,205.1
Unsecured funding[2]	**1,109.4**	1,219.1
Equity	**1,735.5**	1,842.5
Total available funding[3]	**12,721.6**	12,960.3
Total available funding as a percentage of loan book[4]	**132%**	128%
Average maturity of funding allocated to loan book[5]	**18 months**	20 months

1. Numbers relate to core funding and exclude working capital facilities at the business level.
2. Unsecured funding excludes £1.5 million (31 July 2024: £55.1 million) of non-facility overdrafts included in borrowings and includes £nil (31 July 2024: £140.0 million) of undrawn facilities.
3. Includes £250.0 million of funds raised via a senior unsecured bond with a five-year tenor by Close Brothers Group plc, the group's holding company, in June 2023, with proceeds currently used for general corporate purposes.
4. Total funding as a percentage of loan book includes £207.3 million (31 July 2024: £267.9 million) of operating lease assets in the loan book figure, of which £41.0 million for Close Brewery Rentals Limited are classified as held for sale as at 31 July 2025.
5. 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.

Our Treasury function is focused on managing funding and liquidity to support the Banking businesses, as well as managing interest rate risk. Our Savings business, which was integrated into the Retail business in the 2024 financial year, provides simple and straightforward savings products to both individuals and businesses, whilst being committed to providing the highest level of customer service.

Our funding draws on a wide range of wholesale and deposit markets including several public debt securities at both group and operating company level, as well as public and private secured funding programmes and a diverse mix of customer deposits. This broad funding base reduces concentration risk and ensures we can adapt our position through the cycle.

We have maintained a prudent maturity profile, with the average maturity of funding allocated to the loan book at 18 months (31 July 2024: 20 months), ahead of the average loan book maturity at 15 months (31 July 2024: 16 months).

Total funding decreased 2% to £12.7 billion (31 July 2024: £13.0 billion), which accounted for 132% (31 July 2024: 128%) of the loan book at the balance sheet date. The average cost of funding[1] in Banking reduced marginally to 5.4% (2024: 5.6%) and we remain well positioned to continue benefiting from our diverse funding base and the strength of our Savings franchise.

While customer deposits increased 1% to £8.8 billion (31 July 2024: £8.7 billion), we saw a change in the mix as we have actively sought to grow our retail deposit base. Retail customer deposits increased 20% to £6.8 billion (31 July 2024: £5.7 billion), with non-retail deposits reducing 34% to £2.0 billion (31 July 2024: £3.0 billion), in line with our funding plan for the year. In accordance with our prudent and conservative approach to funding, only 13% of total deposits are available on demand and 57% have at least three months to maturity. At 31 July 2025, approximately 87% of retail deposits were protected by the Financial Services Compensation Scheme.

Secured funding decreased 11% to £1.1 billion (31 July 2024: £1.2 billion) as the group fully repaid its final drawings of £110 million under the Term Funding Scheme for Small and Medium-sized Enterprises ("TFSME"), with no remaining borrowings under the scheme. In addition, the group raised £300 million through a private motor warehouse securitisation in June 2025, which was offset by scheduled repayments for our existing Motor Finance securitisations.

Unsecured funding, which includes senior unsecured and subordinated bonds, decreased 9% to £1.1 billion (31 July 2024: £1.2 billion), primarily driven by the maturity of undrawn revolving credit facilities.

We continue to leverage the benefits from the previous investment in our customer deposit platform, which has provided us with scalability and enabled us to diversify our product offering. Deposits held through this platform now stand at over £6.6 billion. The introduction of Easy Access has provided us access to a large potential deposit pool, with balances of over £800 million (at 31 July 2025) since launching in 2023. We remain focused on growing our retail funding base through a broad range of deposit products, further optimising our cost of funding and maturity profile.

Moody's ratings for the group and CBL (Bank deposit rating) are Baa1/P2 and A2/P1 respectively (at 27 March 2025) and both remain under 'review for downgrade' following the Supreme Court judgment. Fitch Ratings ("Fitch") ratings for both the group and CBL are BBB/F3 (at 6 August 2025) with a negative outlook. This follows a one notch downgrade for both the group and CBL from BBB+ to BBB. Notwithstanding recent downgrades, our credit ratings remain robust, and we retain strong access to funding markets.

Group liquidity

The group continues to adopt a conservative stance on liquidity, ensuring it is comfortably ahead of both internal risk appetite and regulatory requirements.

In light of the significant uncertainty regarding the outcome of the FCA's review of historical motor finance commission arrangements, we have consciously maintained an elevated level of liquidity, with the majority of our treasury assets held in cash and government bonds. During the year, treasury assets increased 20% to £2.8 billion (31 July 2024: £2.3 billion) and were predominantly held on deposit with the Bank of England.

We regularly assess and stress test the group's liquidity requirements and continue to materially exceed the liquidity coverage ratio ("LCR") regulatory requirements, with a 12-month average LCR to 31 July 2025 of 1,012% (31 July 2024: 1,034%). In addition to internal measures, we monitor funding risk based on the CRR rules for the net stable funding ratio ("NSFR"). The four-quarter average NSFR to 31 July 2025 was 145.9% (31 July 2024: 134.4%) driven by increased retail deposits.

1. Banking cost of funding interest expense (excluding relevant allocations to Close Brothers Vehicle Hire and Close Brewery Rentals Limited) £520.8 million (2024: £531.6 million).

Group liquidity

	31 July 2025 £ million	31 July 2024 £ million
Cash and balances at central banks	**1,917.0**	1,584.0
Sovereign and central bank debt	**601.6**	383.7
Supranational, sub-sovereigns and agency ("SSA") bonds	**146.2**	145.5
Covered bonds	**105.6**	187.7
Treasury assets	**2,770.4**	2,300.9

Banking

Key financials

	2025 £ million	2024 £ million	Change %
Adjusted operating income	**692.9**	709.9	(2)
Adjusted operating expenses	**(402.8)**	(399.7)	1
Adjusted impairment losses on financial assets	**(91.8)**	(97.3)	(6)
Adjusted operating profit	**198.3**	212.9	(7)
Adjusted operating profit, pre provisions for impairment losses	**290.1**	310.2	(6)
Adjusting items:			
Provision in relation to motor finance commissions	**(165.0)**	–	n/a
Complaints handling and other operational and legal costs incurred in relation to motor finance commissions	**(18.7)**	(6.9)	171
Provision in relation to BiFD review	**–**	(17.2)	(100)
Provision in relation to early settlements in Motor Finance	**(33.0)**	–	n/a
Restructuring costs	**(2.3)**	(3.1)	(26)
Amortisation of intangible assets on acquisition	**(0.2)**	(0.2)	–
Operating loss from Close Brewery Rentals Limited	**(4.1)**	(2.1)	95
Operating loss from Close Brothers Vehicle Hire	**(43.4)**	(5.4)	n/a
Statutory operating (loss)/profit	**(68.4)**	178.0	(138)
Net interest margin	**7.2%**	7.4%	
Expense/income ratio	**58%**	56%	
Bad debt ratio	**1.0%**	1.0%	
Return on net loan book	**2.1%**	2.2%	
Return on opening equity	**8.6%**	11.0%	
Closing loan book and operating lease assets	**9,460.7**	9,831.8	(4)

Solid underlying performance with attractive growth opportunities across our businesses

Unless otherwise stated, all metrics exclude adjusting items.

The Banking division has navigated a challenging market backdrop during the year, with SMEs continuing to show resilience amid evolving conditions, with economic uncertainty and consumer affordability remaining a key focus. Whilst the regulatory environment has also introduced significant uncertainty, the strength of our businesses and the commitment of our people have underpinned a solid performance. We remain confident in the long-term opportunities ahead for our businesses.

Banking adjusted operating profit reduced 7% to £198.3 million (2024: £212.9 million), due to a decline in income and a marginal increase in operating expenses.

On a statutory basis, we delivered an operating loss of £68.4 million (2024: operating profit of £178.0 million), including the provision charge of £165.0 million in relation to motor finance commissions. We also recognised £101.7 million of other adjusting items. These included the total operating losses before tax of £47.5 million from the group's rentals businesses, Close Brewery Rentals Limited, which has been sold, and Vehicle Hire, which is being exited. The group also recognised a separate £33.0 million provision for a proactive customer remediation programme following the identification of historical deficiencies in certain operational processes related to early settlement of loans in the Motor Finance business, £18.7 million reflecting complaints handling and other operational and legal costs incurred in relation to motor finance commissions, £2.3 million of restructuring costs and £0.2 million of amortisation of intangible assets on acquisition.

The loan book reduced 4% during the year to £9.5 billion (31 July 2024: £9.8 billion), primarily driven by the temporary pause in UK motor lending following the Court of Appeal's judgment in October 2024, loan book moderation measures, and lower activity in some of our markets in the second half.

Adjusted operating income decreased 2% to £692.9 million (2024: £709.9 million), mainly driven by loan book moderation measures, as well as the run-off of the legacy Republic of Ireland Motor Finance business.

The net interest margin remained strong at 7.2% (2024: 7.4%), as we maintained our focus on pricing discipline, in line with the guidance provided during the half-year results. On an underlying basis, excluding an increase in Novitas income and favourable movements in derivatives, the net interest margin reduced to 7.1% (2024: 7.4%). This reflected continued pressure on new business margins from elevated SME funding costs in a higher rate environment, together with the impact of the resulting changes in lending mix, with larger, lower NIM, loans accounting for a greater share of new business. In the 2026 financial year, we expect the net interest margin to be slightly lower than 7%, reflecting loan book mix impacts.

Adjusted operating expenses increased 1% to £402.8 million (2024: £399.7 million), as cost savings were broadly offset by wage inflation and spend on technology and expansion of capabilities across the business. The expense/income ratio increased to 58% (2024: 56%), while the compensation ratio reduced marginally to 30% (2024: 31%).

Cost savings

Since March 2024, we have delivered £25 million of annualised cost savings through streamlining of our technology, suppliers and property, and workforce, of which c.£15 million were recognised in the 2025 financial year[2].

We continued to build on the progress from our technology transformation, initiated in 2023, focused on simplifying and modernising our technology estate, and consolidating and increasing our use of strategic partners. This has helped create a more digitally enabled and agile IT environment that is secure, resilient and sustainable. To date, we have reduced our technology headcount by c.30%, removed approximately 146 IT applications and decommissioned over 40% of servers from our technology estate. Our migration to the Cloud is progressing at pace, reducing costs and increasing flexibility.

We have exited two of our London premises and rationalised five Manchester sites into two new hub locations. This has resulted in the removal of c.800 desks, and the reduction of the property footprint of the Banking division by approximately one third. With regard to our suppliers, we are achieving improved commercial outcomes with our strategic partners, rationalising our supplier base, and prudently developing our use of offshore services. These actions resulted in approximately £9 million annualised savings by the end of the 2025 financial year.

We have made good progress on streamlining the workforce through the consolidation of roles across our businesses and functions, as well as through the management of vacancies, resulting in annualised savings of approximately £16 million by the end of the 2025 financial year.

We incurred £2.3 million of restructuring costs this year, classified as an adjusting item. These costs primarily relate to redundancy and associated expenses resulting from the cost management actions announced in March 2024 and completed by the end of the 2025 financial year.

As outlined, the group is committed to maintaining cost momentum to deliver a step change in operating profitability. We will deliver at least c.£20 million of additional annualised savings per annum at group level in each of the next three years, through further consolidation of centrally provided functions, outsourcing and offshoring, and the simplification and rationalisation of technology, including automation and the use of artificial intelligence. As a result, we expect the group's adjusted operating expenses to be within the £410-430 million range by the 2028 financial year.

In the 2026 financial year, we expect to deliver c.£20 million of annualised savings through a reduction in legal and professional expenses related to motor commissions, the initial benefits of Premium Finance repositioning and cost base optimisation, as well as other initiatives. As a result, we expect the group's adjusted operating expenses to be within the £440-460 million range. Banking adjusted operating expenses are expected to be marginally higher than the prior year as wage inflation and investment spend, including in technology and expansion of capabilities across the business, are expected to be largely offset by cost savings.

We expect to incur c.£5-10 million of restructuring costs in the 2026 financial year, which are expected to continue to be classified as adjusting items.

Adjusted impairment charges decreased to £91.8 million (2024: £97.3 million), corresponding to a bad debt ratio of 1.0% (2024: 1.0%). Excluding Novitas, impairment charges rose to £98.6 million (2024: £90.9 million), equivalent to a bad debt ratio of 1.0% (2024: 1.0%). The rise in underlying impairment charges excluding Novitas was mainly driven by provision increases on existing names in the Property business. This was partially offset by generally favourable performance across other businesses.

Since the 2024 financial year end, we have updated the macroeconomic scenarios to reflect the latest available information regarding the macroeconomic environment and outlook. The weightings assigned to these scenarios remain unchanged, although we have seen some improvements to the underlying assumptions.

Credit quality remains resilient and the bad debt ratio remains comfortably below our long-term average of 1.2%. Overall, provision coverage reduced to 2.6% (31 July 2024: 4.3%), driven by the recovery of outstanding balances in relation to Novitas. Excluding Novitas, the coverage ratio increased slightly to 2.5% (31 July 2024: 2.3%) reflecting the above-mentioned provision increases against the backdrop of a lower total loan book.

2. Delivered c.£25 million of annualised savings since March 2024 and by the end of the 2025 financial year. Of this, c.£3 million benefit was recognised in the 2024 financial year and a further c.£15 million in the 2025 financial year, resulting in a cumulative benefit of c.£18 million in the 2025 financial year. A remaining benefit of £7 million will be recognised in the 2026 financial year. Excludes costs to achieve.

Whilst we have not seen a significant impact on credit performance, we continue to monitor closely the evolving impacts of inflation and cost of living on our customers. We remain confident in the quality of our loan book, which is predominantly 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%.

Resolution of Novitas legacy issue

The decision was made to wind down Novitas and withdraw from the legal services financing market following a strategic review in July 2021, which concluded that the overall risk profile of the business was no longer compatible with our long-term strategy and risk appetite. As announced in 2023, we accelerated our efforts to resolve the issues surrounding this business and were pursuing formal legal action against two After the Event ("ATE") insurers in the litigation funding arrangements.

We are pleased to now have settled the disputes with both ATE insurers. The two claims were settled in June 2025 and July 2025 respectively.

Taken together, the outcomes were favourable to the provisions held at the point of settlement. Overall, the Novitas business contributed £16.1 million to adjusted operating profit in the 2025 financial year (2024: £0.2 million operating loss including an impairment credit of £6.8 million (2024: impairment charge of £6.4 million), primarily as a result of the settlement with the insurers. We expect minimal income and operating expenses will be recognised in respect of Novitas going forward. The settlements draw a line under a legacy issue and enable the group to move forward and complete its exit from this business.

Loan book growth impacted by moderation measures; attractive opportunities across our businesses

The loan book decreased 4% over the year to £9.5 billion (31 July 2024: £9.8 billion), driven by the temporary pause in UK motor lending following the Court of Appeal's judgment in October 2024, loan book moderation measures, and lower activity in some of our markets in the second half.

The Commercial loan book decreased 2% to £4.7 billion (31 July 2024: £4.8 billion). Asset Finance decreased 3%, primarily due to lower volumes and large terminations in the Industrial Equipment Division. Invoice and Speciality Finance decreased 1% over the year, including a £62.4 million reduction in net loans related to Novitas, which fell to £nil following the settlement of long-standing litigation in this business. Excluding Novitas, the Invoice and Speciality Finance loan book was up 4%.

The Retail loan book decreased 5% to £2.9 billion (31 July 2024: £3.0 billion). Notwithstanding continued robust underlying demand, the Motor Finance loan book decreased 1% reflecting loan book moderation measures and a temporary pause in UK motor lending following the Court of Appeal's judgment in Hopcraft. We have seen good growth in our recently acquired business, Close Brothers Motor Finance Ireland, which partly offset the continued run-off of the legacy Republic of Ireland motor loan book. The Premium Finance loan book reduced by 14%, due to the competitive market environment and reduced demand for Premium Finance from some of our broker partners.

At 31 July 2025, the legacy Republic of Ireland Motor Finance business was £32.1m and accounted for 2% of the Motor Finance loan book (31 July 2024: 5%).

The Property loan book decreased 5% to £1.9 billion (31 July 2024: £2.0 billion), due to higher repayments, lower drawdowns, as well as lower balances in Commercial Acceptances, reflecting a more challenging economic environment which is particularly impacting the SME developer market.

Loan book outlook

We have repositioned the business to focus on segments where we see mid to high single-digit growth potential through the cycle, leaving us well positioned to benefit as the economy and demand recover.

The Commercial business is well positioned for future organic growth and to extend our lending offering to SMEs. There is potential to grow our market share in the Invoice Finance market building on our expertise and competitive positioning. We also see opportunities within specific sectors of Asset Finance where we are increasing our lending footprint, such as energy, agriculture and materials handling, as well as expanding into new markets, such as commercial mortgages, which we entered last year. Our new proposition for the broker market is expected to deliver further growth and we will actively pursue participation in relevant government-backed schemes which support lending to SMEs.

The UK's used car market is showing renewed strength with growth projected in the coming years. Our new product offering for Alternative Fuel Vehicles positions us well to capitalise on the fast-growing market of used Electric Vehicles. We also expect Motor Finance Ireland to continue its strong performance from 2025. To capture these opportunities, we are expanding distribution in Motor Finance through growth in the Irish market, and with larger partners and brokers.

Our repositioned Premium Finance business will focus on commercial lines, where we see strongest risk-adjusted returns and long-term growth potential. We will focus on increasing our share of business with existing broker partners, developing new broker relationships and applying our underwriting capability to support higher-value cases.

A renewed strategy in the Property business will expand our products and asset classes in order to access future growth. Whilst the Build-to-Sell market remains our core business, we also see significant opportunities in Build-to-Rent and Purpose-Built Student Accommodation, and will continue to build our market position in these sectors. We are successfully expanding our presence in new regional markets, particularly in the north of England, and have the capacity to extend our facility size to be able to fund larger projects, to support existing and new clients.

Loan book analysis

	31 July 2025 £ million	31 July 2024 £ million	Change %
Commercial	**4,729.3**	4,834.7	(2)
Asset Finance[1]	**3,291.0**	3,388.5	(3)
Invoice and Speciality Finance	**1,438.3**	1,446.2	(1)
Retail	**2,878.9**	3,041.9	(5)
Motor Finance[2]	**1,993.5**	2,016.0	(1)
Premium Finance	**885.4**	1,025.9	(14)
Property	**1,852.5**	1,955.2	(5)
Closing loan book and operating lease assets[3]	**9,460.7**	9,831.8	(4)

1. Asset Finance totals exclude £165.0 million (31 July 2024: £222.4 million) of operating lease assets related to Close Brothers Vehicle Hire, which is in wind-down, and £41.0 million of operating lease assets related to Close Brewery Rentals Limited (31 July 2024: £44.5 million) which has been classified as held for sale on the group's balance sheet as at 31 July 2025.
2. The Motor Finance loan book includes £32.1 million (31 July 2024: £92.8 million) relating to the 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 2024: £1.0 million).

Banking: Commercial

Matt Roper
Chief Executive Officer Commercial

"The Commercial business is well positioned for future growth and to extend our lending offering to SMEs."

Commercial lends to more than 28,000 small and medium-sized enterprises through our in-house teams, where loans are originated via our direct sales force or introduced by third-party distribution channels. Asset Finance provides commercial asset financing, hire purchase and leasing solutions for a diverse range of assets and sectors. Invoice Finance works with small businesses to provide debt factoring, invoice discounting and asset based lending.

Robust performance, benefitting from growth initiatives

Customer demand remained relatively robust in 2025 against the backdrop of a competitive marketplace and challenging environment for SMEs. In Asset Finance, the marketplace has remained competitive, with pressure on new business margins. In the Invoice Finance market, we have seen some changes in the competitive environment and our strong offering and service has enabled us to win new clients.

Our growth initiatives continued to progress well, as the Materials Handling team delivered healthy new business volumes. We broadened our product range with a commercial mortgage offering, enhancing our overall proposition. Our restructured Broker and Professional Solutions has led to increased activity with its newly launched proposition for the broker market. In July 2025, we agreed a transaction with the British Business Bank of up to £300 million under the ENABLE Guarantees programme to unlock lending capacity for SMEs within Asset Finance.

As part of our simplification agenda, on 15 July 2025 Close Brothers announced the sale of Close Brewery Rentals Limited ("CBRL") to MML Keystone, a fund managed by MML Capital. The transaction completed on 31 August 2025. CBRL reported an operating loss before tax of £4.1 million, presented as an adjusting item in the 2025 financial statements. Whilst the group will no longer offer brewery container rental solutions, we will remain a key specialist lender in the beverage finance market and will continue to provide finance solutions for brewery and distillery equipment. The group sees attractive growth opportunities in this sector and will continue to support it through Close Brothers Beverage Finance, a lending business with a loan book of £34.6 million at 31 July 2025.

In addition, we have decided to exit the group's Vehicle Hire business. Performance in this business has been impacted by a challenging market backdrop, particularly post-Covid, and there is limited opportunity to deliver enhanced returns.

To realise maximum value and ensure we continue to support our customers in line with contractual terms, the exit will be phased over time, with the business being managed down over the next three to five years. As a result of this decision and the recent decline in asset values in this sector, we recognised an impairment charge of £30.0 million. The Vehicle Hire business reported an operating loss before tax of £43.4 million, presented as an adjusting item in the 2025 financial statements. This includes the £30.0 million asset impairment charge, a £10.9 million underlying loss and £2.5 million impairment of intangible assets. Any future profit or loss impact of this business will be subject to, amongst other factors, market conditions and any movement in asset prices over the wind down period.

Adjusted operating profit for Commercial increased to £112.2 million (2024: £97.0 million), mainly driven by Novitas.

Excluding Novitas, adjusted operating profit decreased 1% to £96.1 million (2024: £97.2 million), reflecting a stable income and modest reduction in costs, offset by marginally higher impairment charges. Before impairment charges, adjusted operating profit was broadly unchanged at £120.7 million (2024: £120.9 million).

We saw an increase in adjusted operating profit in Novitas to £16.1 million (2024: £0.2 million operating loss), following final settlements with the insurers which led to an impairment credit.

On a statutory basis, operating profit decreased to £63.3 million (2024: £86.7 million), reflecting £1.4 million of restructuring costs and the total operating loss before tax of the rentals businesses of £47.5 million.

Adjusted operating income increased to £315.6 million (2024: £314.6 million) supported by a 2% uplift in the average loan balance over 12 months.

Higher Novitas income was partially offset by a reduction in Asset Finance due to the impact of higher funding costs and competitive dynamics on new business margins, as well as changes in the lending mix, with larger, lower NIM, loans accounting for a greater share of new business. The net interest margin was slightly lower at 6.6% (2024: 6.7%). Excluding Novitas, the net interest margin decreased to 6.4% (2024: 6.6%).

Adjusted operating expenses decreased to £185.6 million (2024: £187.5 million), mainly driven by the benefits of cost savings initiatives, including workforce rationalisation in Asset Finance, partially offset by higher IT spend and depreciation. The Commercial expense/income ratio decreased slightly to 59% (2024: 60%).

Asset Finance

Loan book
£3.3 billion

Average loan size
c.£52,000

Typical loan maturity
3-4 years

Invoice and Speciality Finance[1]

Loan book
£1.4 billion

Average loan size[2]
c.£612,000

Typical loan maturity
4 months

1. Invoice and Speciality Finance comprises Invoice UK and GmbH, Asset Ireland and Novitas.
2. This figure represents Invoice Finance only.

We continue to realise the benefits of our investment in the Asset Finance transformation programme, which concluded in the 2024 financial year. The implementation of a single technology platform has enhanced visibility of customer data across our specialist teams, leading to improved collaboration, streamlined decision-making, and further improved our strong service capabilities.

Adjusted impairment charges decreased to £17.8 million (2024: £30.1 million) driven largely by a reduction in provisions against Novitas. Excluding Novitas, impairment charges were marginally higher at £24.6 million (2024: £23.7 million). This corresponded to a bad debt ratio of 0.5% (2024: 0.5%) and a broadly stable coverage ratio (excluding Novitas) of 1.5% (31 July 2024: 1.4%).

Banking: Commercial

	2025 £ million	2024 £ million	Change %
Adjusted operating income	**315.6**	314.6	–
Adjusted operating expenses	**(185.6)**	(187.5)	(1)
Adjusted impairment losses on financial assets	**(17.8)**	(30.1)	(41)
Adjusted operating profit	**112.2**	97.0	16
Adjusted operating profit, pre provisions for impairment losses	**130.0**	127.1	2
Adjusting items:			
Provision in relation to the BiFD review	**–**	(0.6)	(100)
Restructuring costs	**(1.4)**	(2.2)	(36)
Operating loss from Close Brewery Rentals Limited	**(4.1)**	(2.1)	95
Operating loss from Close Brothers Vehicle Hire	**(43.4)**	(5.4)	n/a
Statutory operating profit	**63.3**	86.7	(27)
Net interest margin	**6.6%**	6.7%	
Expense/income ratio	**59%**	60%	
Bad debt ratio	**0.4%**	0.6%	
Closing loan book and operating lease assets[1]	**4,729.3**	4,834.7	(2)

Commercial key metrics excluding Novitas

	2025 £ million	2024 £ million	Change %
Adjusted operating income	**302.3**	303.6	–
Adjusted operating expenses	**(181.6)**	(182.7)	(1)
Adjusted impairment losses on financial assets	**(24.6)**	(23.7)	4
Adjusted operating profit	**96.1**	97.2	(1)
Adjusted operating profit, pre provisions for impairment losses	**120.7**	120.9	–
Net interest margin	**6.4%**	6.6%	
Expense/income ratio	**60%**	60%	
Bad debt ratio	**0.5%**	0.5%	
Closing loan book and operating lease assets[1]	**4,729.3**	4,772.3	(1)

1. Operating lease assets of £1.3 million (31 July 2024: £1.0 million).

Customer: We Are Footprint, recruiter

We Are Footprint has been using invoice finance with Close Brothers for over a decade as a tool to bridge the gap between paying candidates' wages and receiving payments from their clients.

With the business looking to expand, our team of experts tailored a top-up facility through the Growth Guarantee Scheme, a government backed loan which supports access to finance for UK small businesses.

Banking: Retail

Ian Cowie
Chief Executive Officer Retail

"We remain focused on providing excellent service to our customers and partners."

Retail provides finance to individuals and businesses through a network of intermediaries. Motor Finance provides several products at point of sale in a dealership, or online via a broker, which allow consumers to buy vehicles from over 4,250 retailers in the UK and 650 retailers in Ireland. Premium Finance works with c.1,300 insurance brokers in the UK and Ireland and helps make insurance payments more manageable for people and businesses, by allowing them to spread the cost over fixed instalments.

Motor Finance

Loan book
£2.0 billion

Average loan size
c.£7,000

Typical loan maturity
4 years

Premium Finance

Loan book
£0.9 billion

Average loan size
c.£600

Typical loan maturity
11 months

Continued demand in Motor and a re-focused Premium business

The market backdrop continued to present challenges during the year, with significant uncertainty in relation to the FCA's motor finance work, the Court of Appeal's judgment in October 2024 and the subsequent Supreme Court judgment in August 2025. Although the Motor Finance business was impacted by the pause in lending in October 2024, we have remained focused on providing excellent service to our customers and partners, with all of our lending channels live from January 2025.

Our Motor Finance business has seen strong growth in new business flows in the fourth quarter, alongside increased satisfaction metrics from dealer partners. This comes against a backdrop of modest growth in the UK used car market. We have also seen strong growth in Ireland, following the acquisition of Bluestone Motor Finance DAC in October 2023. Throughout the year, there has been a focus on cost saving initiatives, such as enhancements to our complaints handling process, moving our contact centre offshore and increased automation of processes. The Motor business has enhanced its UK product offering, including the launch of PCP for electric vehicles and the integration of our Decision in Principle (DiP) technology with Motor Finance partners.

The Premium Finance business operates in a mature market where we have seen some softening in demand and the impacts of insurance premium costs declining. On 9 July 2025, we announced a strategic repositioning to focus the growth of our Premium Finance business towards commercial lines insurance premium finance where we see strongest risk-adjusted returns and long-term growth potential, and to reduce our emphasis on personal lines insurance premium finance. To support this strategic repositioning, we will optimise the cost base across the whole Premium Finance business through modernisation of our technology platforms, digitising more of the onboarding journey and streamlining our operating model. We estimate a steady state cost reduction of c.£20 million by the 2030 financial year on an underlying basis (excluding the impact of inflation and business growth).

We integrated our Savings business, which provides simple and straightforward savings products to businesses and individuals, into Retail in 2024. Retail customer deposits increased 20% to £6.8 billion (31 July 2024: £5.7 billion), with non-retail deposits reducing 34% to £2.0 billion (31 July 2024: £3.0 billion), in line with our funding plan for the year. Overall, our customer deposits increased 1% to £8.8 billion (31 July 2024: £8.7 billion).

Adjusted operating profit for Retail reduced to £18.9 million (2024: £37.9 million) driven by lower income in both Motor and Premium Finance as well as higher costs in Motor Finance. Before provisions for impairment losses, adjusted operating profit decreased 25% to £63.4 million (2024: £85.1 million).

Banking: Retail

	2025 £ million	2024 £ million	Change %
Operating income	**246.7**	262.4	(6)
Adjusted operating expenses	**(183.3)**	(177.3)	3
Impairment losses on financial assets	**(44.5)**	(47.2)	(6)
Adjusted operating profit	**18.9**	37.9	(50)
Adjusted operating profit, pre provisions for impairment losses	**63.4**	85.1	(25)
Adjusting items:			
Provision in relation to motor finance commissions	**(165.0)**	–	n/a
Complaints handling and other operational and legal costs incurred in relation to motor finance commissions	**(18.7)**	(6.9)	171
Provision in relation to BiFD review	**–**	(16.6)	(100)
Provision in relation to early settlements in Motor Finance	**(33.0)**	–	n/a
Restructuring costs	**(0.6)**	(0.6)	–
Amortisation of intangible assets on acquisition	**(0.2)**	(0.2)	–
Statutory operating (loss)/profit	**(198.6)**	13.6	n/a
Net interest margin	**8.3%**	8.7%	
Expense/income ratio	**74%**	68%	
Bad debt ratio	**1.5%**	1.6%	
Closing loan book[1]	**2,878.9**	3,041.9	(5)

1. The Motor Finance loan book includes £32.1 million (31 July 2024: £92.8 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.

The provision charge in respect of motor commissions recognised at the half year of £165.0 million has been reassessed in light of all available information and recent developments and remains unchanged. The ultimate cost to the group could be materially higher or lower than the provision taken and remains subject to further clarity from the FCA on the scope and design of a redress scheme. Please refer to Note 16 "Other Assets and Liabilities" for further details on the group's provisioning assessment of this matter.

The Retail business also incurred £18.7 million of complaints handling and other operational and legal costs in relation to motor finance commissions.

Following the identification of historical deficiencies in certain operational processes related to early settlement of loans in the Motor Finance business, we recognised a separate provision of £33.0 million in relation to a proactive customer remediation programme to be implemented by the group. The provision reflects our best estimate based on the information currently available and remains subject to refinement as the scope and design of the remediation programme are finalised. Since identification of the issue, we have acted quickly to amend the relevant processes and implemented additional controls to prevent recurrence. The group is fully committed to ensuring that affected customers are appropriately compensated and expects to contact customers in early 2026.

On a statutory basis, Retail delivered an operating loss of £198.6 million (2024: £13.6 million operating profit) mainly reflecting the adjusting items described above.

Operating income decreased 6% to £246.7 million (2024: £262.4 million), driven by lower loan books in both Motor and Premium finance. The net interest margin decreased to 8.3% (2024: 8.7%) driven by Motor Finance with reduced fee income and a competitive rate environment.

Adjusted operating expenses increased 3% to £183.3 million (2024: £177.3 million), driven by Motor Finance due to higher Ireland trading costs and inflationary pressures, partially offset by a modest reduction in Premium, from lower property, technology and volume related costs. As a result, the expense/income ratio increased to 74% (2024: 68%). Impairment charges decreased to £44.5 million (2024: £47.2 million), driven by the benefit of the improved macroeconomic outlook in both Motor and Premium. The bad debt ratio reduced to 1.5% (2024: 1.6%), with the provision coverage ratio increasing slightly to 3.2% (31 July 2024: 3.0%), driven by the reduction in the overall loan book.

Dealer partner: Riverside Autos

Specialist Automotive Finance ("SAF") accreditation became mandatory in January 2025. Close Brothers Motor Finance supported over 5,000 dealer partners, including Riverside Autos, to achieve this. SAF raises industry standards by improving consumer confidence in information and advice about finance products. That's why 87% of our dealer partners rated our SAF support positively[1].

1. Source: Dealer Satisfaction Survey, March 2025.

Banking: Property

Phil Hooper
Chief Executive Officer Property

"Our strong customer relationships and targeting of new growth opportunities ensure we maintain our competitive position in the market."

Property provides residential development finance, bridging finance and commercial development loans to experienced property developers and investors across mainland UK and Northern Ireland, through its two brands, Close Brothers Property Finance and Commercial Acceptances. It lends to c.700 professional property developers with a focus on small to medium-sized residential developments.

The Property loan book is conservatively underwritten. We work with experienced, professional developers, predominantly SMEs with a focus on delivering mid-priced family housing, and have minimal exposure to the prime central London market, with our regional loan book making up 49% of the Property Finance portfolio. Our long track record, expertise and quality of service ensure the business remains resilient to competition and continues to generate high levels of repeat business.

Stable performance in a challenging market, well positioned for growth

The Property business delivered a stable performance against the challenging market conditions for SME developers, with a slow-down experienced in core markets. Our strong customer relationships and targeting of new growth opportunities maintained our competitive position in the market. We have successfully expanded our offering into additional residential markets, such as Build-to-Rent and student accommodation, and are actively targeting new regional markets. We have also expanded our capability to offer larger transaction sizes and a broader product range to further enhance our customer proposition.

Adjusted operating profit declined 14% to £67.2 million (2024: £78.0 million), due to a decline in income and an increase in impairments. Before provisions for impairment losses, adjusted operating profit reduced 1% to £96.7 million (2024: £98.0 million).

On a statutory basis, operating profit decreased to £66.9 million (2024: £77.7 million) and included £0.3 million of restructuring costs.

Loan book
£1.9 billion

Average loan size
c.£2.1 million

Typical development loan maturity
12 - 24 months

Operating income declined 2% to £130.6 million (2024: £132.9 million), driven by a lower loan book, with the net interest margin down to 6.9% (2024: 7.3%). This primarily reflected lower interest yield, driven by the lower Bank of England rate, lower fee yield due to increasing facility utilisation, and changes in the lending mix, with larger loans accounting for a greater share of new business.

Adjusted operating expenses decreased 3% to £33.9 million (2024: £34.9 million), reflecting lower staff costs. The expense/income ratio was stable at 26% (2024: 26%).

Impairment charges increased to £29.5 million (2024: £20.0 million), corresponding to a higher bad debt ratio of 1.5% (2024: 1.1%). This was driven primarily by increased individual provisions on a small number of developments, driven by build cost inflation, slower unit sales and lower realised values. The provision coverage ratio increased to 4.2% (31 July 2024: 3.0%), driven by elevated Stage 3 provisions.

Banking: Property

	2025 £ million	2024 £ million	Change %
Operating income	**130.6**	132.9	(2)
Adjusted operating expenses	**(33.9)**	(34.9)	(3)
Impairment losses on financial assets	**(29.5)**	(20.0)	48
Adjusted operating profit	**67.2**	78.0	(14)
Adjusted operating profit, pre provisions for impairment losses	**96.7**	98.0	(1)
Adjusting items:			
Restructuring costs	**(0.3)**	(0.3)	–
Statutory operating profit	**66.9**	77.7	(14)
Net interest margin	**6.9%**	7.3%	
Expense/income ratio	**26%**	26%	
Bad debt ratio	**1.5%**	1.1%	
Closing loan book	**1,852.5**	1,955.2	(5)

Customer: Anderson Development Group

Close Brothers Property Finance, a long-standing partner to Anderson Development Group since 2017, has supported the delivery of over 800 homes through loan facilities totalling £120 million.

Fitzroy Place is the latest milestone in this relationship, with Close Brothers providing funding for the scheme and recognising its exemplary community engagement model.

Watch our video case study with Anderson Development Group.

Risk report

Effective management of the risks we face is central to everything we do

The group faces a number of risks in the normal course of its business providing lending, deposit taking and securities trading. To manage these effectively, a consistent approach is adopted based on a set of overarching principles, namely:

- adhering to our established and proven business model, as outlined on pages 16 to 17;
- implementing an integrated risk management approach based on the concept of three lines of defence; and
- setting and operating within clearly defined risk appetites, monitored with defined metrics and limits.

This risk report provides a summary of our approach to risk management, covering each of the key aspects of the group's Enterprise Risk Management Framework. Information on each of the group's principal risks, including an overview of the frameworks in place to manage them, is also included, together with an overview of current emerging risks and uncertainties.

All disclosures in the risk report are unaudited unless otherwise stated.

Enterprise risk management

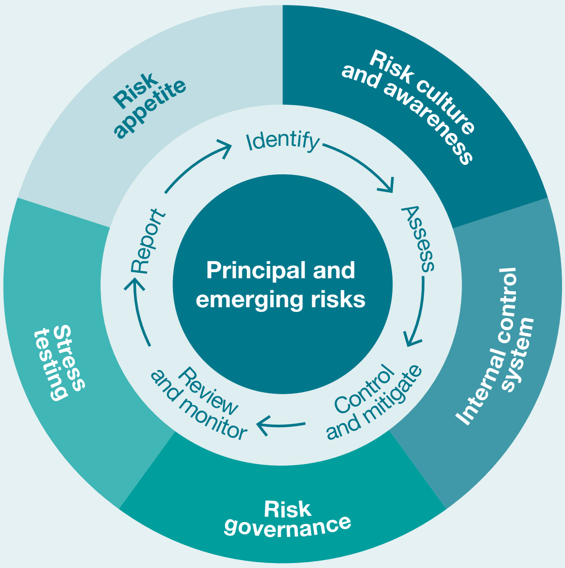
An enterprise-wide framework designed to provide the Board and senior management with oversight of the group's financial position as well as the risks that might adversely affect it.

The framework details the core risk management components and structures used across the group, and defines a consistent and measurable approach to identifying, assessing, controlling and mitigating, reviewing and monitoring, and reporting risk – the risk process life cycle.

This sets out the activities, tools, techniques and organisational arrangements designed to identify the principal and emerging risks facing the group; and that appropriate responses are in place to mitigate these risks and prevent detriment to its customers and colleagues. This is an enabler for the group to meet its goals and enhance its ability to respond to new opportunities.

The framework is purposely designed to allow the capture of business opportunities whilst maintaining an appropriate balance of risk and reward within the group's agreed risk appetite.

Enterprise Risk Management Framework



Risk culture and awareness

An effective risk culture is embedded throughout the group.

Maintenance of an effective risk management culture is integral to the group in meeting its regulatory conduct requirements and assisting the accomplishment of key strategic goals.

The risk culture:

- supports the group and its Directors in meeting their legal and regulatory obligations, particularly with respect to the identification and management of risks and the need for a robust control environment;
- underpins the group's purpose, strategy, cultural attributes and values;
- provides enhanced awareness of risk in business operations by highlighting strengths and weaknesses and their materiality to the business and, in turn, facilitating informed decision-making;
- optimises business performance by facilitating challenge of ineffective controls and improving the allocation of resources;
- improves the group's control environment; and
- assists in the planning and prioritisation of key projects and initiatives.

While risk management is led centrally, it is embedded locally within our businesses. Managers actively promote a culture in which risks are identified, assessed, managed and reported in an open, transparent and objective manner, and staff conduct is viewed as critical.

All members of staff are responsible for risk identification and reporting within their area of responsibility and are encouraged to escalate risks and concerns where necessary, either through line or business management or by following the provisions of the group Whistleblowing Policy.

The group risk management function operates independently of the business, providing oversight and advice on the operation of the risk framework, assurance that agreed processes operate effectively and that a risk and conduct culture is embedded within the business.

The relationship between risk and reward is also a key priority with all staff evaluated against both agreed objectives (the "what") and desired behaviours (the "how"). This encourages long-term stewardship behaviours together with a strong and appropriate risk and conduct culture.

For further information on our approach to remuneration for the group's Directors see pages 147 to 163.

Risk culture

Locally embedded

Risks managed in an open, transparent and objective manner.

Independent second line

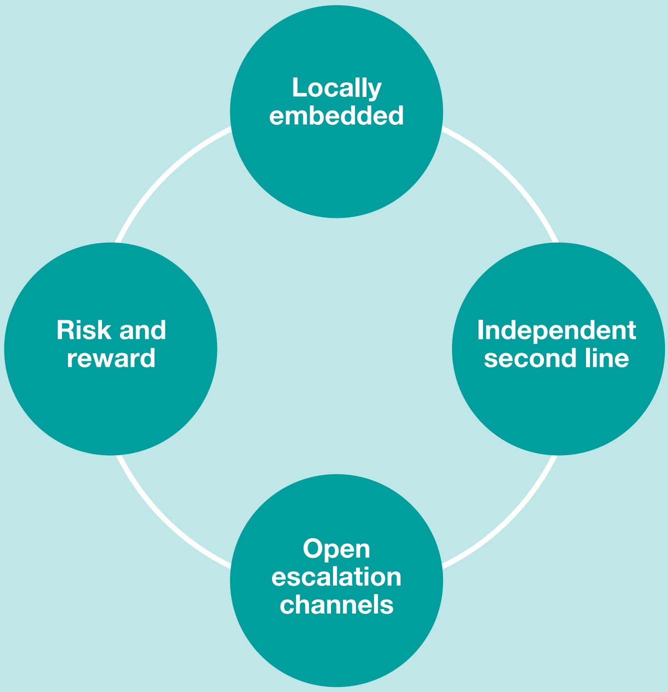
Providing oversight, advice and assurance.

Open escalation channels

Escalation of risks and concerns encouraged, driving individual accountability.

Risk and reward

Regular evaluations encourage long-term stewardship behaviours.



Risk governance

Role of the Board

The Board retains overall responsibility for overseeing the maintenance of a system of internal control, to ensure that an effective risk management framework and oversight process operate across the group. The risk management framework and associated governance arrangements are designed to ensure a clear organisational structure with distinct, transparent and consistent lines of responsibility and effective processes to identify, manage, monitor and report the risks to which the group is, or may become, exposed. On an annual basis, the Board reviews the effectiveness of the group's risk management and internal control systems. Further details on the Board review of risk management and internal controls is provided on pages 124 to 126.

Risk management across the group is overseen by the Risk Committee. The committee is responsible for reviewing risk appetite, monitoring the group's risk profile against this and reviewing the day-to-day effectiveness of the risk management framework. In addition, the committee is responsible for overseeing the maintenance and development of an appropriate and supportive risk culture and for providing risk input into the alignment of remuneration with performance against risk appetite.

The committee's key areas of focus over the last financial year are set out on pages 144 to 146.

The group closely monitors its risk profile to ensure that it continues to align with its strategic objectives as documented on pages 10 to 11. The Board considers that the group's current risk profile remains consistent with its strategic objectives.

Together, these committees facilitate an effective flow of key risk information, as well as functioning to support appropriate risk management at each stage of the risk process life cycle. They also provide an escalation channel for any risks or concerns, supporting the maintenance of an effective risk culture. The group's risk governance framework is designed to enable the group to respond to changes in the risk and the broader regulatory environment in a considered and effective manner, with oversight from the Board, and during the year the committees have operated where needed in an agile manner, convening on an ad hoc basis if required in addition to regular scheduled sessions. During the year the effectiveness of these committees and their terms of reference were reviewed to ensure they remain fit for purpose and all committees continue to work efficiently and effectively.

Risk committee structure

The Board

Risk Committee

Executive committees
- Group Risk and Compliance Committee
- Model Governance Committee
- Capital Adequacy Committee
- Bank Asset and Liability Committee
- Group Asset and Liability Committee

Risk-specific committees
- Credit Risk Management Committee
- Group Credit Committee
- Impairment Adequacy Committee
- Operations and Technology Risk Committee

Divisional committees
- Divisional risk and compliance committees

Risk committee overview

Aligned to these core principles, the governance framework operates through various delegations of authority from the Board downwards, with a number of committees focused on risk management. The delegations of authority cover both individual authorities as well as authorities exercised via the group's risk committee structure.

Group Risk and Compliance Committee	Provides oversight of the group's risk profile, alignment to risk appetite and effectiveness of the risk management and compliance framework.
Model Governance Committee	Provides oversight of the group's exposure to model risk through the review, approval and monitoring of all high-materiality models.
Capital Adequacy Committee	Monitors group and bank capital adequacy, incorporating capital planning, stress testing, governance, processes and controls.
Bank Asset and Liability Committee	Provides oversight of the Banking division's risk management and internal controls and its subsidiaries across liquidity, funding and non-traded market risk.
Group Asset and Liability Committee	Provides oversight of the company and wider group's risk management and internal controls across liquidity, funding and market risk.
Credit Risk Management Committee	Monitors the group's credit risk profile, examining current performance and key portfolio trends, ensuring compliance with risk appetite.
Group Credit Committee	Reviews material credit transactions and exposures from a credit, reputational, funding structure and business risk perspective.
Impairment Adequacy Committee	Governs the Banking division's impairment process, reviewing the financial position relating to impairment and ensuring adequate coverage is held across the portfolio.
Operations and Technology Risk Committee	Monitors and oversees group-wide operational resilience, including technology, security, supplier and operational risk appetite, examining industry, regulatory and technical risks.
Divisional risk and compliance committees	Provide oversight of risk profile, alignment to risk appetite and effectiveness of the risk management and compliance framework at a divisional or business level.

Three lines of defence

The group's risk management approach is underpinned by a strong governance framework founded on a three lines of defence model.

The governance framework is considered appropriate to both the size and strategic intentions of the group. The key principles underlying this approach are that:

- business management owns all the risks assumed throughout the group and is responsible for their day-to-day management to ensure that risk and reward are balanced;
- the Board and business management together promote a culture in which risks are identified, assessed and reported in an open, transparent and objective manner;
- the overriding priority is to protect the group's long-term viability and produce sustainable medium to long-term revenue streams;
- risk functions are independent of the businesses and provide oversight of and advice on the management of risk across the group;
- risk management activities across the group are proportionate to the scale and complexity of the group's individual businesses;
- risk mitigation and control activities are commensurate with the degree of risk; and
- risk management and control supports decision-making.

Three lines of defence

First line of defence	Key features
The businesses **Group Risk and Compliance Committee (reports to the Risk Committee)** The Chief Executive delegates to divisional and operating business Chief Executives the day-to-day responsibility for risk management, regulatory compliance, internal control and conduct in running their divisions or businesses. Business management has day-to-day ownership, responsibility and accountability for: • identifying and assessing risks; • managing and controlling risks; • measuring risk (key risk indicators / early warning indicators); • mitigating risks, including controls framework and effectiveness; • reporting risks; • committee structure and reporting; and • management and self-assessment of operational resilience capabilities.	• Promotes a strong risk culture and focus on sustainable risk-adjusted returns. • Implements the risk framework. • Promotes a culture of adhering to limits and managing risk exposures and ongoing self-assessment. • Promotes a culture of focus on good customer outcomes. • Promotes responsibility for ongoing monitoring of positions and management and control of risks and controls effectiveness, including testing of controls, alongside portfolio optimisation.

Second line of defence	Key features
Risk and compliance **Risk Committee (reports to the Board)** The Risk Committee delegates day-to-day responsibility for oversight and challenge on risk-related issues to the Group Chief Risk Officer. Risk functions (including compliance) provide support, assurance and independent challenge on: • the design and operation of the risk framework and methodologies; • risk assessment; • risk appetite and strategy; • risk reporting; • adequacy of mitigation plans and effectiveness of risk decisions taken by business management; • group risk profile; and • committee governance and challenge.	• Oversees embedding of the risk framework and supporting methodologies, taking an integrated approach to risk and compliance (qualitative and quantitative). • Promotes a strong and effective risk and control culture across the group. • Undertakes compliance monitoring and risk assurance activities. • Supports through developing and advising on risk and compliance strategies. • Facilitates constructive check and challenge. • Oversight of business conduct and customer outcomes.

Third line of defence	Key features
Internal audit **Audit Committee (reports to the Board)** The Audit Committee mandates the Group Head of Internal Audit with day-to-day responsibility for independent assurance. Internal audit provides independent assurance on: • first and second lines of defence; • appropriateness/effectiveness of internal controls; and • effectiveness of policy implementation.	• Draws on deep knowledge of the group and its businesses. • Provides independent assurance on the activities of the group, including the risk management framework. • Assesses the appropriateness and effectiveness of internal controls. • Incorporates review of culture, conduct and customer outcomes.

Risk management and internal controls

Supporting the foundation of a strong risk management structure

Aligned to the risk governance framework, oversight across the group is supported by the maintenance of a range of internal controls. These cover risk, compliance, and financial management and reporting, and control processes. The controls are designed to ensure the accuracy and reliability of the group's financial information and financial and regulatory reporting.

The main features of these controls with respect to financial reporting include consistently applied accounting policies, clearly defined lines of responsibility and processes for the review and oversight of disclosures within the Annual Report. These controls are overseen by the Audit Committee.

The group policy framework, overseen by the Board, is a key component of the group's Enterprise Risk Management Framework, supporting the foundation of a strong risk management structure. Group policies are supported by group standards, and by divisional/business-level policies and procedures which, together, outline the way in which policy is implemented and detail the process controls in place to ensure compliance. The accounting policies form part of this broader policy framework, alongside policies and standards relating to the group's principal risks.

This structure establishes a link between group strategy and day-to-day operations in a manner consistent with agreed risk appetite. Simultaneously they facilitate Board and executive-level oversight and assurance as to the application of the strategy via conformance with underlying policy and standard requirements.

Review of effectiveness of risk management and internal control systems

Throughout the year, the Board, assisted by the Risk Committee and the Audit Committee, actively monitors the group's risk management and internal control systems and reviews their effectiveness to seek to ensure the maintenance of an effective risk management and internal control framework. A review of the effectiveness has been performed, covering all material controls, including financial, operational and compliance controls. Further detail on the Board review of the risk management and internal controls is provided on page 124.

Group policy framework

Enterprise Risk Management Framework

Group policies

Group standards

Divisional and business policies

Procedures

Risk appetite

Enabling key risk decisions in delivering the group's strategic objectives

Risk appetite forms a key component of the group's risk management framework and refers to the sources and levels of risk that the group is willing to assume in order to achieve its strategic objectives and business plan. It is managed via an established framework that facilitates ongoing communication between the Board and management with respect to the group's evolving risk profile. This enables key decisions concerning the allocation of group resources to be made on an informed basis.

Risk appetite is set on a top-down basis by the Board with consideration to business requests and executive recommendation. Appetite measures, both qualitative and quantitative, are applied to inform both decision-making and monitoring and reporting processes. Early-warning triggers are also employed to drive required corrective action before overall tolerance levels are reached.

The group conducts a formal review of its risk appetites annually to align risk-taking with the achievement of strategic objectives. Adherence is monitored through the group's risk committees on an ongoing basis, with interim updates to individual risk appetites considered as appropriate through the year.

Stress testing

Assessing and understanding future levels of risk

Stress testing represents another core component of the risk management framework and is employed, alongside scenario analysis, to support assessment and understanding of the risks to which the group might be exposed in the future. As such, it provides valuable insight to the Board and senior management, playing an important role in the formulation and pursuit of the group's strategic objectives. All stress testing activities are overseen by the Scenario Planning Forum, which considers the various risks impacting the business and recommends actions required to enhance the group's stress testing ability.

Stress testing activity within the group is designed to meet three principal objectives:

1. inform capital and liquidity planning – including liquidity and funding risk assessment, contingency planning and recovery and resolution planning;
2. support ongoing risk and portfolio management – including risk appetite calibration, strategic decisioning and planning, risk and reward optimisation and business resilience planning; and
3. provide a check on the outputs and accuracy of risk models – including the identification of non-linear effects when aggregating risks.

To support these objectives, stress testing is designed to cover the group's most material risks, with activity conducted at various levels, ranging from extensive group-wide scenario analysis to simple portfolio sensitivity analysis.

Stress testing also represents a critical component of both the group's Internal Capital Adequacy Assessment Process ("ICAAP") and Internal Liquidity Adequacy Assessment Process ("ILAAP"), with scenario analysis additionally employed as part of the group's Recovery Plan.

Principal and emerging risks

Principal risks

At the core of the Enterprise Risk Management Framework and risk process life cycle sits the group's suite of principal risks.

These are the risks which have been identified as those most material in the delivery of the group's strategic objectives. This suite is subject to ongoing review to ensure that the framework remains aligned to the prevailing risk environment.

Following review and challenge, it has been determined that the existing suite of principal risks detailed in our prior year's report remains broadly reflective of those faced currently. However, as part of our continual review of the prevailing risk landscape, it is recognised that underlying risk drivers may have changed and our approach to managing them has in turn evolved in step with them. For example, these activities have also resulted in the promotion during the financial year of cyber risk to a principal risk, having been previously captured as a key risk under operational risk. Similarly, reflective of the breadth and depth of change and transformation programmes under way and the inherent risk associated with execution of this strategic shift, change execution risk has been elevated to a principal risk from within our previous suite of emerging risks.

The table on pages 76 to 78 gives an overview of these principal risks and possible impacts, as well as the outlook pertaining to these. More detailed information on each of these follows on pages 80 to 112 which set out the frameworks in place to manage these risks.

This should not be regarded as a complete and comprehensive statement of all potential risks faced by the group but reflects those which the group currently believes could have a significant impact on its future performance.

Climate risk

Running alongside the suite of principal risks is climate risk, which the group categorises as a cross-cutting risk, as the impacts arising from climate change have the ability to impact across the spectrum of principal risks. In addition, transitional risks from climate change which may have a medium to longer-term impact on the group's product offering, operations and strategic direction are captured in the group's emerging risks. For further information on the group's climate risk response, see the group Sustainability Report on pages 27 to 48.

Climate risk represents a continued area of focus, and the group continues to closely monitor government and regulatory developments in parallel to managing its own carbon footprint and supporting its customers to manage their climate risk impacts. The short-dated tenor of the lending book and strong business model resilience capabilities mitigate current risk exposure while the continued embedding of the climate risk framework will enable the group to review the evolution of the risk landscape on an ongoing basis.

Emerging risks

The group's suite of principal risks is accompanied by a portfolio of emerging risks reflecting broader market uncertainties. The group defines an emerging risk as a risk that may potentially become material in the delivery of the group's strategic objectives but the risk and its applicability to the group may not yet be fully understood or assessed. This incorporates input and insight from both a top-down and bottom-up perspective:

Top-down: identified by Directors and executives at a group level via the Group Risk and Compliance Committee ("GRCC") and the Board.

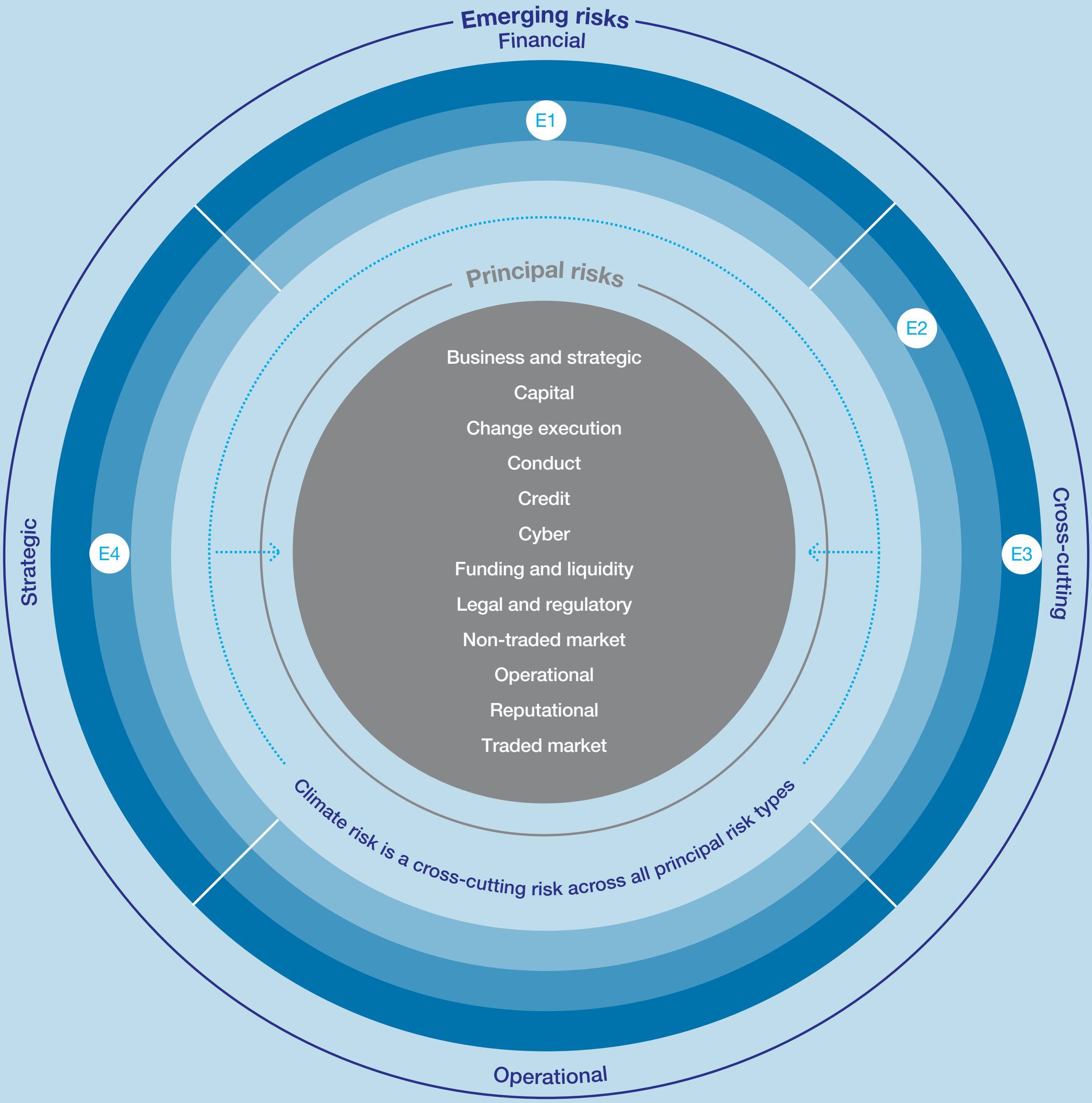
Bottom-up: identified at a business level and escalated, where appropriate, via risk updates to the GRCC.

This year, as explained above, an existing emerging risk (change execution risk) has moved into our suite of principal risks, reflecting our ongoing monitoring and assessment activities.

The established framework for monitoring these risks supports the group's organisational readiness to respond. Group-level emerging risks are monitored by the GRCC and Risk Committee on an ongoing basis, with agreed mitigating actions in place to ensure the group's preparedness should a risk crystallise. Ongoing monitoring also tracks several sub-risks to support identification of key themes and within the year the sub-risks covered has evolved accordingly in line with the perceived risk landscape.

Emerging risks are considered on both an internal and external basis with careful consideration given to likely emergence periods. Additionally, active monitoring of the correlation impacts across emerging risks, uncertainties and principal risks is undertaken.

Principal and emerging risks



Emerging risks
E1: Economic uncertainty
E2: Geopolitical uncertainty
E3: Medium to long-term transitional climate risks
E4: Strategic disruption

Risk emergence time frame
- Short term
- Medium term
- Long term

↑ Risk increase → Stable ↓ Risk decrease

Principal risk	Outlook
↑ Simplify Optimise Grow **Business and strategic risk** The risk of realising lower than anticipated profits or experiencing a loss rather than a profit due to failure to adapt to changing market conditions, pursuing an ineffective strategy or ineffective implementation of strategy. *See page 80.*	• We continue to focus on supporting our customers, and on maintaining underwriting standards and operational resilience, while we invest to support future income generation, operational efficiency and cost savings. • The business and strategic risk has stabilised in recent months following the successful delivery of a number of management actions to strengthen our capital position and ensure the group is well placed to navigate the current uncertainty. However, business risk may increase in FY 2026 as the group continues to progress a number of key strategic initiatives and change programmes. • We are committed to delivering against our three strategic priorities of Simplify, Optimise, and Grow. By simplifying our diverse portfolio of businesses and improving the efficiency of our operations we are building a more scalable platform to support future growth and deliver enhanced risk-adjusted returns. • The group remains prepared for a range of different economic and business scenarios to help ensure it has the resources and operational capability to perform effectively.
→ Optimise Grow **Capital risk** The risk that the group has insufficient regulatory capital (including equity and other loss-absorbing debt instruments) to operate effectively, including meeting minimum regulatory requirements, and to operate within Board-approved risk appetite and support its strategic goals. *See page 81.*	• In response to motor commissions uncertainty, we have strengthened our capital position and maintained high levels of liquidity, substantially above regulatory requirements. The group's CET1 capital ratio was 13.8% at 31 July 2025, reflecting significant progress on our capital actions. These measures, which included the cancellation of the dividend, loan book moderation, cost-saving initiatives, organic capital generation, and the sale of CBAM (announced in September 2024 and completed in February 2025) have been successfully implemented. This resulted in over £400 million of CET1 capital generated or preserved as of 31 July 2025. • The PRA Policy Statement PS9/24 (“Implementation of the Basel 3.1 standards near-final part 2”) will have a negative impact on the group’s CET1 capital ratio from January 2027 given expected increases in credit risk RWAs, however the group expects to receive a full offset in Pillar 2a requirements at total capital level for the removal of the Pillar 1 RWA SME support factor. As such, we expect the UK implementation of Basel 3.1 to have a less significant impact on the group’s overall capital headroom position than initially anticipated.
↑ Simplify Optimise Grow **Change execution risk** Strategic, reputational, regulatory or financial risk as a result of failure to execute, embed and deliver the outcomes of change successfully. *See page 84.*	• Change delivery capacity and capability continue to be areas of management focus, to enable safe delivery of the significant change programmes planned and under way to support the group’s transformation. • Delivery capacity and capability remain key areas of management focus to ensure the safe execution of the significant change programmes both planned and in progress to support the group’s transformation. Additional management oversight required may place further strain on existing resources.
→ Optimise Grow **Conduct risk** The risk that the group’s behaviours, or those of its colleagues, whether intentional or unintentional, result in poor outcomes for customers or the markets in which it operates. It is rooted in the importance of delivering good customer outcomes at every stage of the customer journey. *See page 85.*	• The group will continue to invest in keeping abreast of regulatory guidance and developments to maintain a strong focus on regulatory expectations in relation to the delivery of good customer outcomes. • This includes adapting to the need for revised market strategies due to the impact of regulatory change on product design and distribution. • The external macroeconomic environment continues to increase financial pressure on consumers with an ongoing regulatory expectation to evolve the effectiveness of the support remedies offered to customers with vulnerabilities and those in financial difficulty.
→ Optimise Grow **Credit risk** The risk of a reduction in earnings and/or value due to the failure of a counterparty or associated party, with whom the group has contracted, to meet its obligations as they fall due. *See page 86.*	• Despite signs of resilience in the UK economy over the past 12 months, uncertainty continues to affect both individuals and SMEs. • If current macroeconomic conditions persist, there is a risk of increased credit losses in the future. • Nonetheless, the credit quality of the loan book remains robust, underpinned by the consistent application of prudent lending criteria and risk appetite.

Principal risk	Outlook
↑ Simplify Optimise **Cyber risk** The risks arising from inadequate internal and external information and cyber security, where failures impact the confidentiality, integrity and availability of electronic data or critical technology services. *See page 100.*	• The threat landscape is evolving at pace with ransomware, phishing and sophisticated supply chain attack being more prevalent and increasing owing to use of AI by threat actors. • Cyber risk remains central to financial stability with significant emphasis being placed on resilience through scenario testing, recovery planning and integration of cyber into enterprise risk management frameworks. • Systemic risk from critical third parties and service providers are shaping how we manage third-party risk. • Our journey to cloud will result in partnerships with cloud providers and third parties which will ultimately require regulatory oversight with the aim to reduce systemic vulnerabilities. • Cyber risk management, as highlighted in the Bank of England July 2025 Financial Stability Report, remains a core component of operational resilience.
→ Optimise Grow **Funding and liquidity risk** Funding risk is the risk of loss caused by the inability to raise funds at an acceptable price or to access markets in a timely manner or any decrease in the stability of the current funding base. Liquidity risk is defined as the risk that the group, or any of its entities, do not have sufficient liquid assets to meet liabilities as they come due during normal and disrupted markets. *See page 101.*	• The group has a long-standing approach based on the principle of "borrow long, lend short" that provides significant funding resilience. The group also continues to benefit from its diverse funding mix and prudent maturity profile. • Consistent with the funding plan, the bank expects to continue to lose a number of rate-sensitive corporate customers and the expected attrition from this segment to continue to be met through growth in retail deposits.
→ Simplify Optimise Grow **Legal and regulatory risk** The risk of non-compliance with laws and regulations which could give rise to fines, litigation, sanctions and/or direct claims by customers and the potential for material adverse impact upon the group. *See page 103.*	• We are operating in an environment of notably elevated legal and regulatory risks, including particularly regarding historical motor finance commissions. • Legal risk with respect to the commissions matter has somewhat reduced through the clarity provided by the recent Supreme Court judgment in Johnson, Wrench and Hopcraft. However, a level of legal risk remains, arising from possible actions of claims management companies and claimant law firms. Notable regulatory uncertainty will also persist until the scope and nature of the FCA's forthcoming motor commission redress scheme are established following the expected consultation period. • Regulatory risk remains elevated more broadly, including with the possibility that further developments from the FCA's ongoing Premium Finance Market Study could impact our premium finance business or the markets in which we operate.
→ Optimise Grow **Non-traded market risk** The current or prospective risk to the group's capital or earnings, arising from changes in interest rates, credit spreads and foreign exchange rates applied to the group's non-trading book. *See page 104.*	• The group expects exposure to interest rate risk, credit spread risk and foreign exchange ("FX") risk to remain broadly stable.

Principal risk	Outlook
↑ Simplify Optimise Grow **Operational risk** The risk of loss or customer harm resulting from inadequate or failed internal processes, people and systems or external events. This includes the risk of being unable to recover systems quickly and maintain critical services. *See page 106.*	• The established group-wide operational risk framework is currently being enhanced as part of the group's investment in improved capability. This includes transitioning to a new Governance, Risk and Compliance system which will further enhance monitoring and oversight as well as the provision of group-wide operational risk training. The group is also undertaking a review of its Risk Target Operating Model to further enhance risk management capability, capacity and embedment of risk management across the group. • Following the Supreme Court’s ruling on motor finance commissions, we await the FCA's redress proposals once the consultation phase completes. Arrangements have been undertaken to ensure the group can respond appropriately and at pace.
↑ Simplify Optimise Grow **Reputational risk** The risk of detriment to stakeholder perception of the group, leading to impairment of its reputation and future goals, due to any action or inaction of the company, its employees or associated third parties. *See page 109.*	• Established group-wide and employee-level focus on responsibility and sustainability enables an approach in all businesses that aligns to a range of stakeholder expectations, which is supported by group-level oversight. • Increased media attention, including in relation to any possible redress schemes such as that associated with the FCA’s review of historical motor finance commission arrangements, may lead to an adverse perception of the group.
→ **Traded market risk** The risk that a change in the value of an underlying market variable will give rise to an adverse movement in the value of the group’s trading assets and liabilities. *See page 111.*	• The external macroeconomic environment may continue to impact trading volumes and security valuations.

Short-term emergence | Medium-term emergence | Long-term emergence

Emerging risks/uncertainty	Mitigating actions and key developments
Cross-cutting risks	
Geopolitical uncertainty The risk that UK or global political events result in disruption to the business or negatively impact business performance or prospects. Medium	• The group operates predominantly in the UK and Republic of Ireland, covering approximately 98% of the loan book exposure. Nevertheless, geopolitical developments (including international conflicts and any change in tariff regimes) have the potential to directly or indirectly impact the group's customers, operations or supply chain. • The group has a strong financial position, maintaining capital and liquidity levels in excess of regulatory minima. • Regular stress testing is undertaken on performance and financial position in the event of various adverse conditions to test the robustness and resilience of the group. • Risk appetite is regularly reviewed to ensure it remains appropriate in the prevailing geopolitical and macroeconomic environment.
Medium to long-term transitional climate risks The risk that the move to a low carbon economy impacts demand for the group's products and services. Long	• Transitional climate risks across the medium to long term may potentially impact the group's product offering, operations and strategic direction. Monitoring is in place to continually identify and assess climate risks and opportunities. • Regular updates are provided to the Group Risk and Compliance Committee and Risk Committee, which retains oversight responsibility, while senior management responsibility is assigned to the Group Chief Risk Officer. • The group remains focused on supporting its customers in their transitions to a low carbon economy.
Financial risks	
Economic uncertainty The risk that changes in the external macroeconomic environment or consumer sentiment negatively impact on the group's performance or prospects. Medium	• Persisting national or international macroeconomic uncertainty (for example, from financial volatility or changes to macroeconomic policies) can impact business, customer and broader market confidence. Specifically, elevated interest rates, inflation, and/or a rise in unemployment has the potential to impact credit performance or demand for the group's products and services. • The group's business model aims to enable it to trade successfully and support clients in a wide range of economic conditions. By maintaining a strong financial and capital position, the group aims to be able to absorb short-term economic downturns, respond to any change in activity or market demand, and in so doing build long-term relationships by supporting clients when it really matters. • The group focuses on credit quality and returns rather than overall growth or market share and continues to invest in the business for the long term, to support customers and clients through the cycle. • Risk appetite is regularly reviewed to ensure it remains appropriate in the prevailing macroeconomic environment. Regular stress testing is undertaken on performance and financial position in the event of various adverse conditions to test the robustness and resilience of the group.
Strategic risks	
Strategic disruption The risk that changes in competition, technology, competitor business models or client expectations negatively impact on demand for the group's products and services. Medium	• Strategic disruption may arise from technological change or new business models that may impact the group's market position and future profitability. • While regulation remains a barrier to entry for many potential competitors, consumer expectations continue to evolve, challenging existing capabilities and traditional approaches. • Competitors are adapting in response, while new financial technology companies develop alternative business models. For example, cloud-delivered solutions reduce barriers to entry and new product time to market, allowing new competitors and start-ups to compete in the marketplace more rapidly. • The growing adoption of AI by our competitors to improve their service offerings poses a risk. The group acknowledges the benefits of investment in this technology and has started the adoption and exploitation of strategic capabilities such as cloud and AI solutions in a considered and incremental manner in line with our investment appetite. • Market developments are closely monitored through horizon scanning to identify emerging dynamics as well as evolving preferences of the group's customers. The group prides itself on its knowledge of its customers, clients and the industries and sectors in which they operate.

Business and strategic risk

Simplify
Optimise
Grow

Business and strategic risk is the risk of realising lower than anticipated profits or experiencing a loss rather than a profit, due to failure to adapt to changing market conditions, pursuing an ineffective strategy or ineffective implementation of strategy.

Exposure

The group operates in an environment where it is exposed to various independent influencing factors. Its profitability can be impacted by: the broader UK economic climate; changes in technology, regulation and customer behaviour; competition from traditional and new players; front-line sales performance; cost movements; and strategic changes. All of these can vary in both nature and extent across its divisions.

Changes in these factors could result in additional investment requirements or higher costs and affect the group's ability to continue to advance loans or products at its desired risk and reward criteria, which could in turn contribute to a loss of market confidence.

Risk appetite

The group seeks to address business and strategic risk through executing a sustainable business model focused on:

- specialist markets where the group can build leading market positions based on service, expertise and relationships;
- credit quality and returns rather than loan book growth or market share;
- investing in the business for the long term;
- maintaining a strong balance sheet and prudently managing the group's financial resources;
- consistently supporting our customers and clients; and
- acting sustainably and responsibly, considering the interests of all stakeholders and growing demand for sustainable products and services.

Measurement

Business and strategic risk is measured through a number of key performance metrics (including those set out on pages 12 and 13) and risk indicators at a business, divisional and group level which provide transparency on progress and execution against strategy. These indicators are typically reported monthly via relevant committees, with oversight via the Board, most notably through its review of key financial metrics and underlying performance trends.

The status of key group initiatives and projects is also tracked and discussed, noting the importance of their successful delivery to the group's strategic trajectory.

Mitigation

To support the management of its strategy, and help mitigate potential business and strategic risk, the group maintains a comprehensive and rigorous framework of consideration and approval covering the design and endorsement of strategy, and the ongoing monitoring of its implementation.

Over the past year, the group's strategic priority has been on further strengthening the capital position, while protecting the business franchise. Looking forward, the group has introduced three new key strategic pillars – Simplify, Optimise, Grow – that will support the business model and enable the group to adapt to changes in the operating environment more efficiently.

The group's long track record of supporting customers throughout the financial cycle is underpinned by a consistent and disciplined approach to pricing and credit quality. The group builds and maintains long-term relationships with its clients and intermediaries based on:

- speed and flexibility of services;
- its local presence and personal approach;
- the experience and expertise of its people; and
- an offering of tailored and client-driven product solutions.

This differentiated approach results in strong customer engagement and high levels of repeat business. The group is further protected by the diversity of its banking businesses and products, which provides resilience against competitive pressure or market weakness in any of the sectors it operates in.

Monitoring

On an ongoing basis, strategy is formulated and managed at an individual business level through local executive committees with top-down oversight maintained through the group's Executive Committee, which holds dedicated strategy offsite meetings periodically through the year. Outputs also feed into the group's annual budgeting and planning process which typically operates on a three-year time horizon. The group's budget and plan are subject to review and challenge, initially at a business level and subsequently by the group's Executive Committee, ahead of submission to the Board, which reviews, challenges and agrees the group's budget for the following year.

The ongoing strategic planning process is supplemented by an annual Board strategy day, which takes a thematic approach to the review and challenge of group and business-level strategic priorities. This includes a review of our portfolio of specialist businesses, with a disciplined approach to exiting or restructuring any business that no longer fits our strategy, risk appetite or return requirements.

New growth initiatives and potential acquisitions are assessed against the group's strategic objectives and its Model Fit Assessment Framework, to ensure consistency with the group's strategic priorities and the key attributes of its business model.

Capital and liquidity adequacy planning conducted as part of both the annual ICAAP and ILAAP is used to assess the resilience of the group's current strategy and business model in the event of different stress scenarios. Although not formally linked, outputs and analysis from both exercises are used to guide strategic planning.

The annual risk appetite statement review also ensures the group's risk appetite and supporting key risk indicators are aligned with the financial and strategic plan. Agreed appetite is communicated throughout the group through the review and approval of divisional risk appetite statements and business-level key risk indicators.

The group conducts monitoring focused on the external environment (for example, key market indices, and growth of sustainable products and services). Within credit risk, all Banking businesses monitor agreed external early warning indicators (for example, movement in housing indices) with a view to supporting the early identification of negative trends, and enhancing the group's ability to respond appropriately, minimising potential impact on performance.

In addition, emerging risks are also monitored and debated on an ongoing basis at all levels of the group and across all functions. These include developments in areas such as technology, regulation and sustainability, which could present both opportunities and threats. Within the risk function, reporting capabilities continue to be enhanced to further support the group's ability to identify and respond effectively to changes in the external environment and in customer behaviours with a view to mitigating any potential impact on business performance.

Outlook

Following the recent Supreme Court ruling in respect of historical motor finance commissions, there remains elevated uncertainty while we await further details of the FCA's proposed industry-wide redress scheme. We continue to focus on supporting our customers, and on maintaining underwriting standards and operational resilience, while we invest to support future income generation, operational efficiency and cost savings.

The business and strategic risk has stabilised in recent months following the successful delivery of a number of management actions to strengthen our capital position and ensure the group is well placed to navigate the current uncertainty. However, business risk may increase in FY 2026 as the group continues to progress a number of key strategic initiatives and change programmes, all of which come with execution risk attached.

We continue to see good growth prospects in our core banking businesses, as we focus on resuming our track record of earnings growth and delivering sustainable risk-adjusted returns. The group remains prepared for a range of different economic and business scenarios to help ensure it has the resources and operational capability to perform effectively. For further details on emerging risks and uncertainties see page 79. In addition, further commentary on the market environment and its impact on the group is outlined on pages 51 to 67.

Capital risk

Optimise
Grow

Capital risk is the risk that the group has insufficient regulatory capital (including equity and other loss-absorbing debt instruments) to operate effectively, including meeting minimum regulatory requirements, operating within Board-approved risk appetite and supporting its strategic goals.

Exposure

The group's exposure to capital risk principally arises from its requirement to meet minimum regulatory requirements set out in the Capital Requirements Regulation ("CRR") and PRA requirements and guidelines, and is usually specified in terms of minimum capital ratios which assess the level of regulatory capital and RWAs. The group operates a prudent business model which results in comparatively low levels of leverage and so risk-based capital requirements are, and are likely to remain, the group's binding constraint.

The PRA supervises the group on a consolidated basis and receives information on the capital adequacy of, and sets capital requirements for, the group as a whole. In addition, a number of subsidiaries are regulated for prudential purposes by either the PRA or the FCA. The group's Pillar 1 information is presented in the first table of the "Measurement" section. Under Pillar 2, the group completes an annual self-assessment of risks known as the ICAAP. The ICAAP is reviewed by the PRA, which culminates in the PRA setting a Total Capital Requirement ("TCR") that the group and its regulated subsidiaries are required to hold at all times.

The group's TCR is set at 9.3%, of which 5.2% needs to be met with Common Equity Tier 1 ("CET1") capital. This includes the Pillar 1 requirements (4.5% and 8% respectively for CET1 and total capital) and a Pillar 2a component of 1.3% of which 0.7% needs to be met with CET1 capital.

There are no planned increases to the UK countercyclical buffer ("CCyB") at this time, and the rate remains at 2%, with the group's overall CCyB remaining at 1.9%.

Pillar 3 requires firms to publish a set of disclosures which allow market participants to assess information on the firm's capital, risk exposures and risk assessment process. The group's Pillar 3 disclosures, which are unaudited, can be found on the group's website at www.closebrothers.com/investor-relations/investor-information/results-reports-and-presentations.

Risk appetite

The group maintains a strong base level and composition of capital, sufficient to support the development and growth of the business, continue to meet Pillar 1 requirements, TCR, additional Capital Requirements Directive ("CRD") buffers and leverage ratio requirements, and be able to withstand a severe but plausible stress scenario with satisfactory capital and leverage ratios.

The group's policy is to be well capitalised and its approach to capital management is driven by strategic and organisational requirements, while also taking into account the regulatory and commercial environments in which it operates. Accordingly, a prudent capital position is a core part of the group's business model, allowing it to grow and invest in the business, support paying dividends to shareholders and meet regulatory requirements.

Capital triggers and limits are maintained within the risk appetite framework and are approved by the Board at least annually.

The group has set a management target for the CET1 capital ratio to operate in a range between 12.0% and 13.0% in the medium term, which provides for a significant surplus amount of capital to support the group's capital risk policy. Given the capital headwinds the group is facing, actions have been taken to build and preserve capital strength with the FY 2025 capital position above the target range.

Measurement

The group maintains a strong capital base to support the development of the business and to ensure the group meets the TCR and additional regulatory buffers at all times. As a result, the group maintains capital adequacy ratios above minimum regulatory requirements, which are currently set at a minimum CET1 capital ratio of 9.7% and a minimum total capital ratio of 13.7%. The minimum CET1 capital requirements are inclusive of the capital conservation buffer (2.5% of RWAs) and the CCyB (currently 1.9% of RWAs), and exclusive of any applicable PRA buffer.

Analysis of the composition of regulatory capital and Pillar 1 RWAs and a table showing the movement in CET1 capital during the year are shown on the following pages. A comprehensive analysis of the composition of regulatory capital and RWAs is provided in the group's Pillar 3 disclosures.

The CET1 capital ratio increased from 12.8% to 13.8%, mainly driven by the sale of CBAM (c.155bps), recognition of other profits attributable to shareholders (c.90bps), a reduction in loan book RWAs (c.70bps) and other movements (c.10bps). These benefits were partly offset by the provision in relation to motor finance commissions (-c.145bps), a provision for a proactive customer remediation programme related to early settlement of loans in the Motor Finance business (-c.30bps), operating losses after tax in the group's Vehicle Hire business (-c.30bps), and AT1 coupon payments in the year (-c.20bps).

CET1 capital decreased 2% to £1,348.1 million (31 July 2024: £1,374.8 million), primarily driven by the £155.7 million provision (net of tax) in relation to motor finance commissions, a provision related to early settlement of loans in Motor Finance of £30.3 million (net of tax), £30.8 million operating losses after tax in the Vehicle Hire business, and AT1 coupon payments of £22.3 million. These impacts were partly offset by the recognition of the group's other profit attributable to shareholders in the year of £92.7 million, a £60.8 million gain on disposal for CBAM together with the associated reduction in intangible assets deducted from capital of £56.9 million, and a net increase in other CET resources of £2.0 million.

Tier 1 capital and total capital both decreased 2% to £1,548.1 million and £1,748.1 million respectively (31 July 2024: £1,574.8 million and £1,774.8 million respectively), reflecting the same movements in relation to CET1 capital.

RWAs decreased 8% to £9.8 billion (31 July 2024: £10.7 billion), driven by a reduction in credit risk RWAs (£676.6 million) and operational risk RWAs (£224.4 million).

The decline in credit risk RWAs was driven by a reduction in loan book RWAs (£520.9 million) across each of the Banking businesses mainly due to lower loan book balances and also reflecting the benefit of the ENABLE Guarantee Scheme within the Commercial business. There was also a decrease in other credit risk RWAs (£155.7 million) which was partly in respect of the CBAM disposal (£74.4 million).

The reduction in operational risk RWAs was primarily driven by the CBAM disposal (£225.3 million), following the approval from the Prudential Regulation Authority ("PRA") for a full release of its associated operational risk RWAs.

As a result, CET1, tier 1 and total capital ratios were 13.8% (31 July 2024: 12.8%), 15.8% (31 July 2024: 14.7%) and 17.8% (31 July 2024: 16.6%), respectively.

Mitigation

In response to motor commissions uncertainty, we have strengthened our capital position and maintained high levels of liquidity, substantially above regulatory requirements. The group's CET1 capital ratio was 13.8% at 31 July 2025, reflecting significant progress on our capital actions. These measures, which included no payment of the dividend, loan book moderation, cost-saving initiatives, organic capital generation, and the sale of CBAM (announced in September 2024 and completed in February 2025) have been successfully implemented. This resulted in over £400 million of CET1 capital generated or preserved as of 31 July 2025.

In addition, the sale of Winterflood, announced on 25 July 2025, is expected to increase the group's CET1 capital ratio by c.55 basis points on a pro-forma basis, from 13.8% to c.14.3%, of which c.30 basis points will be recognised upon completion, and a further c.25 basis points is expected in due course from the reduction in operational risk weighted assets. The transaction is expected to complete in early 2026 and is conditional upon receipt of customary regulatory approvals.

The decision to reinstate dividends will be reviewed by the Board once there is further clarity on the financial impact of the FCA's review of motor finance commissions .

Monitoring

Both actual and forecast capital adequacy, including the potential impact of capital headwinds, are reported monthly through the group's governance framework, with oversight from the Capital Adequacy Committee ("CAC"), GRCC and the Risk Committee. Annually, as part of the ICAAP, the group also undertakes its own assessment of its capital requirements against its principal risks (Pillar 2a) together with an assessment of how capital adequacy could be impacted in a range of stress scenarios (Pillar 2b). Under both assessments, the group ensures that it maintains sufficient levels of capital adequacy.

The CAC is responsible for the management of capital risk and for the allocation of capital across the group, which includes the setting of the group's capital strategy and the setting and monitoring of a comprehensive capital risk appetite framework. These are managed through a series of group policies, standards and methodology documents and supported by capital reporting and planning control frameworks. The CAC, whose membership consists of finance, business and risk executives, is responsible for measuring and monitoring the actual and forecast capital position on a monthly basis. Key capital metrics are reported to the Board on a regular basis, with any changes to the capital structure of the group reserved for the group Board. The CAC also monitors actual, forecast and stressed capital metrics using an IRB approach in order to prepare for anticipated future transition to this approach.

Outlook

In the near term, we expect to maintain our CET1 capital ratios 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.

The PRA Policy Statement PS9/24 Implementation of the Basel 3.1 standards near-final part 2 was published on 12 September 2024 with an implementation date of 1 January 2026. In January 2025, the PRA announced a one-year delay to Basel 3.1 implementation, moving the effective date to 1 January 2027. The majority of rules applicable to the group remain unchanged in the final rules, including the removal of the small and medium-sized enterprises ("SME") supporting factor. We currently estimate that the implementation will result in an increase of up to 10% in the group's RWAs calculated under the standardised approach. The group expects to receive a full offset in Pillar 2a requirements at total capital level for the removal of the Pillar 1 RWA SME support factor. As such, we expect the UK implementation of Basel 3.1 to have a less significant impact on the group's overall capital headroom position than initially anticipated.

Composition of regulatory capital and Pillar 1 RWAs

	31 July 2025 £ million	31 July 2024 £ million
CET1 capital		
Shareholders' equity per balance sheet	**1,735.5**	1,842.5
Regulatory adjustments to CET1 capital		
Contingent convertible securities recognised as AT1 capital[1]	**(197.6)**	(197.6)
Intangible assets, net of associated deferred tax liabilities	**(176.1)**	(264.0)
Foreseeable AT1 coupon charges[2]	**(3.8)**	(3.8)
Cash flow hedging reserve	**(3.8)**	(13.0)
Pension asset, net of associated deferred tax liabilities	**(0.1)**	(0.6)
Prudent valuation adjustment	**(1.0)**	(0.8)
Securitisation positions which can alternatively be subject to a 1,250% risk weight[3]	**(11.3)**	–
IFRS 9 transitional arrangements[4]	**6.3**	12.1
CET1 capital[5]	**1,348.1**	1,374.8
Additional Tier 1 capital	**200.0**	200.0
Total Tier 1 capital[5]	**1,548.1**	1,574.8
Tier 2 capital – subordinated debt	**200.0**	200.0
Total regulatory capital[5] (audited)	**1,748.1**	1,774.8
RWAs		
Credit and counterparty credit risk	**8,864.4**	9,548.4
Operational risk	**820.1**	1,044.5
Market risk	**114.0**	108.3
	9,798.5	10,701.2
CET1 capital ratio[5]	**13.8%**	12.8%
Tier 1 capital ratio[5]	**15.8%**	14.7%
Total capital ratio[5]	**17.8%**	16.6%

1. The contingent convertible securities are classified as an equity instrument for accounting but treated as AT1 for regulatory capital purposes; see note 20 to the financial statements.
2. Under CRR Article 26, a deduction for foreseeable charges has been recognised at 31 July 2025 and 31 July 2024. The deduction at 31 July 2025 reflects charges for the coupon on the group's contingent convertible securities.
3. Under CRR Article 36, a deduction for securitisations positions, which are subject to a 1,250% risk weight, but alternatively are allowed to be deducted from CET1, has been recognised at 31 July 2025. For more information on this securitisation with the British Business Bank, refer to the Banking Commercial section of the Financial Overview. The deduction is applicable from 31 July 2025 (31 July 2024: £nil).
4. The group has elected to apply IFRS 9 transitional arrangements for 31 July 2025, which allow the capital impact of expected credit losses to be phased in over the transitional period.
5. 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% (31 July 2024: CET1 capital ratio 12.7%, tier 1 capital ratio 14.6% and total capital ratio 16.5%).

Movement in CET1 capital during the year

	2025 £ million	2024 £ million
CET1 capital at 1 August	**1,374.8**	1,310.8
(Loss)/profit in the period attributable to shareholders	**(77.9)**	100.4
AT1 coupon charges (audited)	**(22.3)**	(15.0)
IFRS 9 transitional arrangements	**(5.8)**	(19.7)
Decrease/(increase) in intangible assets, net of associated deferred tax liabilities	**87.8**	(1.2)
Other movements in reserves recognised for CET1 capital	**2.4**	(0.8)
Other movements in adjustments from CET1 capital	**(10.9)**	0.3
CET1 capital at 31 July	**1,348.1**	1,374.8

Change execution risk

Simplify
Optimise
Grow

Change execution risk is the strategic, reputation, regulatory or financial risk that can occur as a result of failure to execute, embed and deliver the outcomes of change successfully.

Exposure

As the group undertakes multiple strategic initiatives and change programmes driven by an evolving regulatory landscape and cost optimisation agenda, it faces increased exposure to associated risks.

Failure to effectively deliver business and technology change may hinder our ability to achieve strategic objectives and meet the expectations of customers, regulators, colleagues, and shareholders — both at the group level and within individual businesses.

Depending on the nature of the change, delays or failures in implementation could also impact financial performance. In addition, there is potential for regulatory and reputational consequences.

Risk appetite

Acknowledging that change initiatives carry an inherent level of risk, the group has limited appetite for risks with significant residual exposure.

The group seeks to avoid entering into change programmes that would incur a disproportionate level of risk exposure, as well as risks that, should they crystallise, would trigger secondary impacts, especially those that run counter to its ethical stance and could either cause customer harm or have reputational impacts.

Measurement

Change execution risk is measured via reporting undertaken by a multi-faceted approach governing group-wide change initiatives. Change initiatives follow a designated governance path which is managed via an established governance structure subject to governance standards and reporting requirements. Where appropriate, confidentiality and project list considerations are implemented in full. The group's enterprise-wide change team and designated business change functions includes a body of project professionals who are experienced in running and managing change and also ensuring that governance requirements are fully met. The group's extensive measurement capabilities deployed to monitor wider operational risk includes indicators which enable losses associated with execution, delivery and process management to be identified. For more information on this, please see the operational risk section on page 106.

Mitigation

The group's Enterprise Risk Management Framework — comprising a comprehensive suite of policies, standards, and the three lines of defence operating model — establishes consistent control objectives across all risk disciplines.

This unified approach to defining and embedding control expectations helps reduce both the likelihood and impact of events that could lead to change execution risk.

Processes and procedures are in place to govern all levels of change management, ensuring effective prioritisation, oversight, and decision-making across the investment portfolio. Senior management receives regular updates on the change portfolio and individual projects, supporting strong governance and oversight of execution risks, while ensuring that resources are appropriately allocated to enable successful delivery.

The Enterprise PMO function conducts periodic reviews of change delivery progress, associated risks, and resource deployment across the portfolio. These reviews help identify and mitigate potential delivery and capacity risks.

This structured approach ensures that risks are effectively managed and that investment and capacity are aligned with the group's risk appetite, thereby minimising overall exposure.

Monitoring

The business change function holds a monthly Enterprise Change Portfolio Review Board, which provides management with updates on the progress and costs of change programmes. During these sessions, key milestone approvals are sought based on the latest available management information. The Review Board also serves as a gateway to the Bank Investment Committee, whose approval is required for any investment-related expenditure.

Upon completion of a project, a formal review is conducted prior to closure. This process serves as a valuable learning opportunity, helping to inform and improve future projects and change initiatives.

In addition, the risk function maintains oversight of the group's business planning process. This includes analysing industry trends and identifying forward-looking threats that could materially impact the delivery of strategic objectives or significantly influence the assessment of operational risk capital.

Outlook

The outlook pertaining to change execution risk is considered increasing in the prevailing environment.

Delivery capacity and capability remain key areas of management focus to ensure the safe execution of the significant change programmes both planned and in progress to support the group's transformation. Additional management oversight required may place further strain on existing resources.

Conduct risk

Optimise
Grow

Conduct risk is the risk that the group's behaviours, or those of its colleagues, whether intentional or unintentional, result in poor outcomes for customers or the markets in which it operates. It is rooted in the importance of delivering good customer outcomes at every stage of the customer journey.

Exposure

The group is exposed to conduct risk in its provision of products and services to customers either directly or via its distributors, and through other business activities that enable delivery. This can relate to existing and legacy matters. The regulatory change agenda continues at pace and is expected in the near term to continue to enhance consumer protection given the macroeconomic environment. Regulatory expectations, including with respect to retail customer savings and borrowing and trading activities continue to evolve, with impact on the group's businesses in each of these markets.

Risk appetite

The group recognises the importance of delivering good customer outcomes and seeks to reasonably avoid customer detriment or foreseeable harm resulting from inappropriate judgements or behaviours in the creation and execution of business activities. To support this, it strives to maintain a culture aligned to its values which places the customer at the heart of the business model and remains dedicated to addressing customer dissatisfaction or detriment in a timely and fair manner to ensure good customer outcomes.

The group is committed to maintaining the integrity of the markets in which it operates, avoiding any abusive or anti-competitive behaviour.

Measurement

Conduct risk is measured throughout the Enterprise Risk Management Framework by management information and risk indicators. A number of quantitative and qualitative key risk indicators are determined at an individual business level, with reporting to, and oversight via, the relevant divisional Risk and Compliance Committee ("RCC"). Performance against the key risk indicators is reported to the GRCC and the Risk Committee.

Customer outcome monitoring metrics are key contributors to conduct risk monitoring. Customer outcome monitoring metrics are designed to identify potential or actual poor customer outcomes. Where potential or actual customer harm is identified via outcome monitoring, businesses are required to consider and deploy, where appropriate, remedial actions.

For businesses with products in scope of the FCA's Consumer Duty, indicators feed into the local and group reporting (RCCs/GRCC) and into the quarterly Customer Outcomes Report which is shared with the Board.

The aforementioned report supports the annual assessment of customer outcomes where the Board is required to review and approve an assessment of whether the firm is delivering good customer outcomes.

The Board report has been revised and updated in line with FCA best practice guidance to evidence good customer outcomes.

Mitigation

The following controls and procedures are in place to help mitigate conduct risk:

- The group takes steps to proactively identify conduct risks and encourages all individuals across the organisation to feel responsible for managing conduct risks within their business area and/or function.
- The group provides support to colleagues to enable them to improve the conduct of their business or function, including group-wide and specialist training where required.
- The group's remuneration strategy seeks to incentivise good behaviours and due consideration is given to individual conduct as part of any remuneration.
- Policies and standards set out expectations of employees and key controls to ensure conduct risk is managed within the agreed risk appetite, including for essential areas such as dealing with clients, dealing with markets, complaint handling, vulnerable customers and conflicts of interest. Mandatory staff training on key conduct areas is provided on a regular basis.
- All products are subject to a robust risk-based product development and review process.

During the year, implementation activities for Consumer Duty continued with further embedding and enhancements for open book products. Completion of work with respect to closed book products was also achieved during 2024.

The Board has actively engaged with the Consumer Duty journey of each division in the light of each unique market and considers the distinct conduct risks that present across the business lines. The Board has oversight of each regulated entity and their own annual assessment of customer outcomes.

Monitoring Consumer Duty has transitioned to business as usual and is expected to evolve with further regulatory change expectations.

On an ongoing basis, the Board actively oversees Consumer Duty, including through engagement with regular management information to identify risks to these outcomes, and through monitoring the status of work to improve outcomes where necessary. This included oversight of identification and resolution of any customer harms, such as that which arose out of historical deficiencies in early settlement processes in Motor Finance.

Conduct Risk Framework

Monitoring

Risk identification and timely action are undertaken by management and employees as the first line of defence. The risk and compliance functions seek to ensure conduct risk reporting is robust, remains fit for purpose, and agreed management actions appropriately mitigate the identified risks.

The compliance monitoring function undertakes regular reviews of key areas, such as complaint handling, vulnerable customer processes and customer communications, to confirm customers are experiencing good outcomes. Group internal audit provides independent assurance on the adequacy, completeness and control effectiveness of key areas using a risk-based approach. Compliance monitoring and audit findings assist with detection of potential conduct risk or poor customer outcomes in order that appropriate action plans can be put in place.

All RCCs are required to review conduct risk reporting and outputs and consider any required action. Where appropriate, issues may be escalated to both the GRCC and the Risk Committee.

With the introduction of the enhanced regulatory requirements of the FCA's Consumer Duty for retail customers, reporting continues to evolve and metrics will be evaluated with the introduction of new regulatory requirements.

Outlook

Conduct risk remains elevated as the macroeconomic environment continues to place financial pressure on customers as a result of the cost of living and interest rates. The importance of appropriate support for customers in financial difficulty, including vulnerable customers, is expected to remain elevated. The group is focused on maintaining its culture which enables tailoring its approach to supporting customers to drive good consumer outcomes.

With the strategic repositioning of the Premium Finance business to increase its focus on commercial lines products, management attention remains focused on sustaining good customer outcomes for customers with finance through impacted personal lines brokers.

The group's regulators continue to evolve market-wide expectations for firms to deliver good customer outcomes. The group continues to engage with its regulators in an open and cooperative manner, including with respect to historical motor finance commissions matters. Where it becomes evident that good customer outcomes may not have been achieved, the group takes steps to support affected customers and to prevent recurrence.

Credit risk

Optimise
Grow

Credit risk is the risk of a reduction in earnings and/or value, as a result of the failure of a counterparty or associated party, with whom the group has contracted, to meet its obligations as they fall due. Across the group, credit risk arises primarily from the lending and treasury activities of the Banking division.

The Banking division applies consistent and prudent lending criteria to mitigate credit risk. Its lending activities are predominantly secured across a diverse range of asset classes. This ensures concentration risk is controlled in both the loan book and associated collateral. Credit risk appetites are set around unsecured and structurally protected lending to ensure portfolios remain predominantly secured. At 31 July 2025, secured lending accounts for 92.5% (31 July 2024: 90.0%) of the loan book.

The group has established limits for all financial counterparties with whom it places deposits, enters into derivative contracts or whose debt securities are held, and the credit quality of the counterparties is monitored. While these amounts may be material, the counterparties are all regulated institutions with investment grade credit ratings assigned by international credit rating agencies and are monitored in accordance with the regulatory large exposures framework.

The group's principal credit risk exposure is to the loan book, which is the focus of the credit risk part of the Risk Report.

Managing credit risk

Exposure

As a lender to businesses and individuals, the group is exposed to credit losses if customers are unable to repay loans and outstanding interest and fees. At 31 July 2025, gross loans and advances to customers was £9.7 billion (31 July 2024: £10.3 billion).

Further details on loans and advances to customers and debt securities held are in Notes 10 and 11 to the Financial Statements. Further commentary on the credit quality of the loan book is outlined on pages 90 to 99.

Risk appetite

The group seeks to maintain the discipline of its lending criteria, both to preserve its business model and to maintain an acceptable return that appropriately balances risk and reward. This is underpinned by a strong customer focus and credit culture that extend across people, structures, policies and principles. This in turn provides an environment for long-term sustainable growth and low, predictable loan losses.

To support this approach, the group maintains a credit risk appetite framework to define and align credit risk strategy with its overall appetite for risk and business strategies, as defined by the Board.

The group Credit Risk Appetite Statement ("CRAS") outlines the specific level of credit risk that the group is willing to assume, utilising defined quantitative limits and triggers against agreed measures, and covers both credit concentration and portfolio performance measures.

The measures supporting the group CRAS are based on the following key principles:

- To lend within familiar asset classes, in well-known and understood markets.
- To operate as a predominantly secured, or structurally protected, lender against identifiable and accessible assets, and maintain conservative loan-to-value ("LTV") ratios across the Banking division's portfolios.
- To maintain a diversified loan portfolio (by business, asset class and UK geography), as well as a short average tenor and low average loan size.
- To rely on local underwriting expertise, with authority delegated from the Risk Committee, and ongoing central oversight.
- To maintain rigorous and timely collections and arrears management processes.
- To operate strong control and governance within the lending businesses, overseen by a central group credit risk team.

Ultimate responsibility for the approval and governance of the group CRAS lies with the Board, on recommendation from the GRCC, with support from the Credit Risk Management Committee ("CRMC"). Performance is monitored against agreed appetites on a monthly basis.

The CRAS is embedded into business unit credit risk management through a hierarchy of local triggers and limits, which are approved by the Chief Credit Officer ("CCO") and noted at CRMC. Performance is also monitored monthly via divisional RCCs. Material breaches are escalated via established governance channels.

CRAS metrics are closely aligned with the group's overall strategy to facilitate monitoring of the composition and quality of the loan book to ensure it remains within defined appetite.

Measurement

A consolidated central credit reporting framework is in place and facilitates effective credit risk management and measurement by the central group credit risk team. The framework enables the identification, measurement, monitoring and control of all material credit risks within the lending portfolios, setting clear credit risk appetite within which all lending is originated and ensuring that asset portfolios are grown responsibly and profitably.

A centralised framework incorporates:

- the use of common data definitions across all businesses;
- consistent and controlled extraction and housing of credit data from the group's core business systems;
- dynamic credit risk management to improve strategic policy decision-making;
- oversight and control of the profile of the lending book to manage credit risk appetite; and
- identification, monitoring and control of material credit risks against a clear and communicated CRAS.

Mitigation (audited)

Credit assessment and lending criteria

The Banking division's general approach to credit mitigation is based on the provision of affordable lending on a secured or structurally protected basis, against assets that are known and understood. These assets are typically easily realisable with strong secondary markets and predictable values, and spread across a broad range of classes within established sectors.

Whilst diverse, the businesses adhere to a set of common lending principles resulting in stable portfolio credit quality and consistently low loss rates through the cycle.

The common lending principles are as follows:
- Predominantly secured lending: 97.3% of loan book secured or structurally protected.
- Short average tenor: portfolio residual maturity of 15 months.
- Small average loan size and low single-name concentration risk: balance for the top 10 facility limits represents 6.4% of book.
- Further diversification by sector, asset class and UK geography.
- Local underwriting expertise with central oversight and focus on assets that are known and understood.

All lending criteria and assessment procedures are thoroughly documented in robust credit policies and standards, at both a bank and business level.

Expertise

Across the various businesses, credit risk employees are specialists in their area and can support loan book growth in a manner that is consistent with both risk strategy and appetite. This business-level distribution allows the formation of strong relationships with customers and intermediaries based on a deep understanding of their needs and the markets in which they operate. Consistent underwriting discipline and lending against assets that are known and understood benefits customers through the cycle and allows maintenance of a track record of strong margins and profitability.

Governance framework and oversight

Lending is underpinned by a strong control and governance framework both within the lending businesses and through oversight via a central group credit risk team.

Credit underwriting is undertaken either centrally or through regional office networks, depending on the nature of the business and the size and complexity of the transaction. Underwriting authority is delegated from the Risk Committee, with lending businesses approving lower-risk exposures locally subject to compliance with credit policy and risk appetite.

Local risk directors assure the quality of underwriting decisions for all facilities within the business' delegated sanctioning authority level via a quality assurance programme. This programme samples new business underwritten, with a particular focus on lending hotspots: for example, long-tenor agreements, new asset classes or high LTVs. Outputs are reported biannually with consolidated summaries presented to the CRMC.

These underwriting approaches are reinforced by timely collections and arrears management, working in conjunction with the customer to ensure the best possible outcome for customers.

The local model is supported by central oversight and control. An independent central group credit risk team provides ongoing monitoring of material credit risks through regular reviews of appetite and policy.

Monitoring

High-level requirements are outlined in documented standards covering the identification, monitoring and management of customers in financial difficulty, with detailed credit policy and guidance formalised within local credit policies, including guidelines on the identification and treatment of vulnerable customers.

Documented policy includes business-specific definitions for identifying customers in, or likely to experience, financial difficulty. There are accompanying courses of action outlined that protect the group's position, taking account of the terms/covenants of facilities, security enforcement options, legal remedies and third-party intervention (for example, brokers).

This process is owned by the risk directors, ensuring that prompt action is taken to review the financial conditions of customers when warning signs indicate deterioration in financial health, credit quality, covenant compliance or asset strength/coverage. Where possible, credit limits are amended where there is evidence of delinquency or deteriorating financial condition/capacity to repay.

The credit risk framework aligns with the broader three lines of defence approach, with a governance structure flowing from local first-line business teams up to second-line risk directors (and key oversight committees such as credit committees, divisional RCCs, the CRMC, the Model Governance Committee ("MGC") and the Risk Committee) overlaid with a third line formed by the group internal audit function.

First line of defence: Credit risk management

The lending businesses have primary responsibility for ensuring that a robust risk and control environment is established as part of day-to-day operations, and that good-quality credit applications are brought forward for consideration.

They are also responsible for ensuring that their activities are compliant with the rules and guidance set out in local credit policies and processes. Each business unit has its own formalised credit risk appetite and policy documents, approved by divisional RCCs. This risk culture is facilitated by local profit and loss ownership, ensuring a long-term approach is taken, with an understanding of how loans will be repaid.

Second line of defence: Risk oversight and control

The second line of defence has three tiers: business-aligned risk directors and their teams, the central group credit risk team, and oversight committees. The risk directors, who report to the CCO, are responsible for setting and communicating credit risk strategy, identifying exceptions and ensuring local compliance.

Similarly, the risk heads in the Securities divisions, and the asset and liability management function, ensure that their respective operations are performed in line with the group financial institution and non-banking financial institution credit risk standards and also report up through their divisional RCCs.

The central group credit risk team provides a further layer of oversight and approval, supported by credit committees, and the CRMC, MGC, GRCC and Risk Committee. Together, the second line of defence provides a clear tactical and strategic understanding of credit risk, proposing enhancements to the credit risk framework for ongoing effective management and control.

Third line of defence: Internal audit

The third line of defence is the group internal audit function. This team uses both a risk-based approach and a rolling programme of reviews to ensure that the first and second lines of defence are working effectively.

Banking overview

The Commercial business is a combination of several specialist, predominantly secured, lending businesses.

The nature of assets financed varies across the businesses. The majority of the loan book comprises loans of less than £2.5 million. Credit assessment is undertaken predominantly on an individual loan-by-loan basis.

Collection and recovery activity is executed promptly by experts with relevant experience in specialised assets. This approach allows remedial action to be implemented at the appropriate time to minimise potential loss and support good and fair customer outcomes.

The Retail business is predominantly high-volume secured or structurally protected lending. The majority of the loan book comprises loans less than £20,000 and includes both regulated and unregulated agreements. Credit issues are identified via largely automated monitoring and tracking processes. Collections processes and actions, focused on good and fair customer outcomes, are designed and implemented to restore customers to a performing status, with recovery methods applied to minimise potential loss.

The Property business is predominantly a low-volume, specialised lending portfolio with credit assessment undertaken on an individual loan-by-loan basis. The majority of the loan book comprises residential development loans of less than £10 million. All loans are regularly reviewed to ensure that they are performing satisfactorily, with Residential Development facilities monitored monthly by independently appointed project monitoring surveyors to certify build payments and the residual cost to complete. This ensures the thorough supervision of all live developments and facilitates the monthly checking of on-site progress against the original build plan.

In the Commercial and Property businesses, performing loans with elevated levels of credit risk may be placed on watch lists depending on the perceived severity of the credit risk. Loans appearing on watch lists are subject to monthly management meetings where appropriate strategies are determined.

Outlook

Expected credit losses decreased in the year to 31 July 2025, primarily resulting from the derecognition of net loans and advances in Novitas. Further details relating to Novitas are outlined on pages 90 to 91. Excluding Novitas, expected credit losses increased, largely driven by increases to existing impaired accounts and migrations into Stage 3, primarily in the Property division. This underlying increase is set against a backdrop of uncertain market conditions, which continue to be monitored closely.

The external environment has been mixed this year. While the UK economy has shown resilience, overall growth has been modest and consumer spending remains cautious. Despite some improvement in macroeconomic indicators, uncertainty has persisted for both individuals and SMEs.

Notwithstanding the modest reductions in the Bank of England base rate over the last 12 months, headwinds remain, with higher interest rates, elevated input costs, increased trade-related uncertainty and cost-of-living pressures all continuing. All of these factors could result in higher credit losses in the future.

Consumer affordability has continued to be challenged in the higher interest rate environment and the resilience of SMEs has been tested by changes in the UK's Budget, and the market volatility and uncertainty from tariffs.

Risk appetite has remained consistent, maintaining the Banking division's prudent, through-the-cycle underwriting standards.

Further details on loans and advances to customers and debt securities held are in Notes 10 and 11 to the Financial Statements.

Credit risk highlights (audited)[1]

	31 July 2025 £ million	31 July 2024 £ million
Gross loans and advances to customers		
Property	**1,933.6**	2,015.4
Retail	**2,974.0**	3,136.8
Commercial	**4,789.7**	5,112.6
Of which Novitas:	*2.8*	*283.1*
Excluding Novitas:	*4,786.9*	*4,829.5*
Total gross loans and advances to customers	**9,697.3**	10,264.8
Impairment provisions		
Property	**81.1**	60.2
Retail	**95.1**	94.9
Commercial	**73.5**	290.7
Of which Novitas:	*2.8*	*220.7*
Excluding Novitas:	*70.7*	*70.0*
Total impairment provision	**249.7**	445.8
Provision coverage ratio		
Property	**4.2 %**	3.0 %
Retail	**3.2 %**	3.0 %
Commercial	**1.5 %**	5.7 %
Novitas only:	*100.0 %*	*78.0 %*
Excluding Novitas:	*1.5 %*	*1.4 %*
Total impairment coverage ratio	**2.6 %**	4.3 %
Part and non-performing loans		
Loans in Stage 2	**1,291.0**	1,128.8
Of which Novitas:	*0.5*	*1.0*
Loans in Stage 3	**492.1**	725.5
Of which Novitas:	*2.3*	*282.1*
Stage 2 coverage	**2.6 %**	2.8 %
Excluding Novitas:	*2.6 %*	*2.7 %*
Stage 3 coverage	**33.6 %**	49.9 %
Excluding Novitas:	*33.3 %*	*32.2 %*

1. The credit risk highlights table relates to assets held at amortised cost, which excludes £11.8 million of loans held at fair value through profit and loss ("FVTPL") under IFRS 9.

Disclosures are provided for loans and advances to customers held at amortised cost under IFRS 9. This excludes £11.8 million of loans and advances to customers measured at fair value through profit or loss which are managed on a consistent basis as detailed on pages 86 to 88, but do not attract an ECL under IFRS 9. Stage allocation of loans and advances to customers has been applied in line with the definitions set out in Note 1 to the Financial Statements.

At 31 July 2025, 81.6% (31 July 2024: 81.9%) of gross loans and advances to customers were Stage 1. Stage 2 loans and advances to customers increased to 13.3% (31 July 2024: 11.0%). The remaining 5.1% (31 July 2024: 7.1%) of loans and advances to customers were deemed to be credit-impaired and were classified as Stage 3.

Excluding Novitas, the staging profile of loans and advances to customers has deteriorated, primarily as a result of stage migrations across the bank in the context of lower net new business volumes during the year.

Overall impairment provisions decreased to £249.7 million (31 July 2024: £445.8 million), following impacts of the derecognition of net loans and advances in Novitas, alongside regular reviews of staging and provision coverage for individual loans and portfolios.

Excluding Novitas, impairment provisions increased across the Banking division to £246.9 million (31 July 2024: £225.1 million), reflecting increases to existing impaired accounts and migrations into Stage 3. These factors are set against the backdrop of persistent external pressures resulting from uncertainty in the macroeconomic environment.

As a result, there has been an overall decrease in provision coverage to 2.6% (31 July 2024: 4.3%).

Novitas loans

Novitas provided funding to individuals who wished to pursue legal cases. The decision was made to wind down Novitas and withdraw from the legal services financing market following a strategic review in July 2021, which concluded that the overall risk profile of the business was no longer compatible with the group's long-term strategy and risk appetite.

To protect customers in the event that their case failed, it was a condition of the Novitas loan agreements that an individual purchased an After the Event ("ATE") insurance policy which covered the loan. As previously announced, the group accelerated its efforts to resolve the issues surrounding Novitas and actively sought recovery from the customers' ATE insurers.

During the year, the group entered into settlement with two insurers. This resulted in the derecognition of net loans and advances to customers of £76.1 million from the consolidated balance sheet, comprising gross loans and advances to customers of £318.1 million and expected credit loss ("ECL") provisions of £242.0 million, resulting in a £6.7 million impairment credit, which has been recorded within impairment losses on financial assets in the consolidated income statement.

At 31 July 2025, net loans and advances to customers relating to Novitas of £nil, comprising gross loans and advances to customers of £2.8 million and ECL provisions of £2.8 million, remained on the consolidated balance sheet. These loans are expected to be closed during the next financial period.

An insurance receivable has been recognised within lending receivables, representing the amounts due from the insurers at 31 July 2025. £48.5 million was subsequently settled and received in August 2025. The insurance receivable is classified as a Stage 1 financial asset held at amortised cost under IFRS 9 with an immaterial ECL provision.

Further detail on the impairment provision is included in Note 10 to the Financial Statements.

Provision coverage analysis by business (audited)

In Commercial, the impairment coverage ratio decreased to 1.5% (31 July 2024: 5.7%), reflecting the impacts of the derecognition of net loans and advances in Novitas.

Excluding Novitas, the Commercial provision coverage ratio increased to 1.5% (31 July 2024: 1.4%) as migrations into Stages 2 and 3 offset lower new business levels during the financial year.

In Retail, the provision coverage ratio increased to 3.2% (31 July 2024: 3.0%), reflecting a continuation of macroeconomic pressures from the previous financial year which has seen higher but stable levels of arrears and forbearance in the Motor Finance business as a result of persistent cost-of-living pressures on customers.

In Property, the provision coverage ratio increased to 4.2% (31 July 2024: 3.0%), primarily as a result of migrations into Stage 3 and increased provisions for some existing impaired accounts during the financial year.

See Note 10 to the Financial Statements for full staging tables and analysis, and pages 93 to 95 for additional detail on changes to macroeconomic forecasts that have impacted provisions during this financial year.

Measuring credit risk across our businesses

To assess credit risk effectively across the Banking division, a number of judgements and estimates are used. These are based on historical experience and reasonable expectations of future events and are reviewed on an ongoing basis.

In particular, the calculation of the group's expected credit loss provision under IFRS 9 requires the group to make a number of judgements, assumptions and estimates, which have a material impact on the accounts.

This assessment, which requires judgement, is unbiased and probability-weighted and uses historical, current and forward-looking information. The most significant judgements and estimates are set out below.

While the impact of climate change represents a source of uncertainty, the group does not consider climate-related risks to be a critical accounting judgement or estimate at 31 July 2025. Climate risk continues to be a key area of focus for the group and it continues to assess the sensitivity of assets and customers to climate-related risks as part of regular credit monitoring. Transitional climate risks are considered to be largely mitigated by short average loan book tenors (15 months), conservatively secured and diversified portfolios, and the rigorous underwriting, monitoring and control processes that are in place.

Use of judgements (audited)

In the application of the group's accounting policies, which are described in Note 1 to the Financial Statements, judgements that are considered by the Board to have the most significant effect on the amounts in the Financial Statements are as follows.

Significant increase in credit risk

Assets are transferred from Stage 1 to Stage 2 when there has been a significant increase in credit risk since initial recognition. Typically, the group assesses whether a significant increase in credit risk has occurred based on a quantitative and qualitative assessment, with a "30 days past due" backstop.

Due to the diverse nature of the group's lending businesses, the specific indicators of a significant increase in credit risk vary by business and may include some or all of the following factors:

- quantitative assessment: the lifetime probability of default ("PD") has increased by more than an agreed threshold relative to the equivalent at origination. Thresholds are based on a fixed number of risk grade movements which are bespoke to each business to ensure that the increased risk since origination is appropriately captured;
- qualitative assessment: events or observed behaviour indicate credit deterioration. This includes a wide range of information that is reasonably available, including individual credit assessments of the financial performance of borrowers as appropriate during routine reviews, plus forbearance and watch list information; or
- backstop criteria: the "30 days past due" backstop is met.

Definition of default

The definition of default is an important building block for expected credit loss models and is considered a key judgement. A default is considered to have occurred if any unlikeliness to pay criterion is met or when a financial asset meets a "90 days past due" backstop. While some criteria are factual (e.g. administration, insolvency or bankruptcy), others require a judgemental assessment of whether the borrower has financial difficulties which are expected to have a detrimental impact on their ability to meet contractual obligations. A change in the definition of default may have a material impact on the expected credit loss provision.

Use of estimates (audited)

Expected credit loss provisions are a key source of estimation uncertainty which, depending on a wide range of factors, could result in a material adjustment to the carrying amounts of assets and liabilities in the next financial year.

The accuracy of expected credit loss provisions can be impacted by unpredictable effects or unanticipated changes to modelled estimates. In addition, forecasting errors could also occur due to macroeconomic scenarios or weightings differing from actual outcomes observed. Regular model monitoring, validations and provision adequacy reviews are key mechanisms to manage estimation uncertainty across model estimates. Further detail on these most significant estimates is set out in the following section.

In the previous financial year there were two critical estimates relating to the expected credit loss provision for Novitas, relating to time to recover periods and recovery rates, which are no longer relevant for this financial year end following the insurance settlements described in the credit risk highlights section.

Modelled estimates

The calculation of expected credit losses ("ECL") for loans and advances to customers, either on a 12-month or lifetime basis, is based on the PD, the exposure at default ("EAD") and the loss given default ("LGD") and includes forward-looking macroeconomic information where appropriate.

PD, EAD and LGD parameters are projected over the remaining life of each exposure. ECL is calculated for each future quarter by multiplying the three parameters and is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the effective interest rate.

IFRS 9 risk parameters are estimated using historical data wherever possible, and in the absence of sufficient loss history an expert judgement approach is considered for some parameters.

Probability of default

PD estimates represent the likelihood of a borrower defaulting on their financial obligation. Bespoke model-based approaches to estimate PDs are employed across the Commercial, Retail and Property businesses. The framework applied typically includes an economic response model to quantify the impact of macroeconomic forecasts and a risk ranking mechanism (e.g. a scorecard) to quantify obligor-level likelihood of default. Risk characteristics that feed into the PD model framework include current and past information related to borrowers, transaction and payment profiles, and future economic forecasts. Statistical techniques, based on evidence observed in historical data, and business knowledge are used to determine which characteristics are predictive of default behaviour.

Exposure at default

EAD represents the amounts expected to be owed at the time of default and is estimated using an amortising schedule for the large majority of exposures, or a credit conversion factor, depending on the nature of lending.

Loss given default

LGD represents an expectation of the extent of loss on a defaulted exposure after taking into account cash recoveries, including the value of collateral held and other credit risk mitigants. LGD methodologies vary by the nature of assets financed and can include estimates for the likelihood of collateral recovery and a separate calculation for the likely loss on recovery. For some businesses, LGDs are estimated using liquidation curves based on historical cash flows. Recoveries are adjusted to account for the impact of discounting using the effective interest rate.

Forward-looking information

Determining expected credit losses under IFRS 9 requires the incorporation of forward-looking macroeconomic information that is reasonable, supportable and includes assumptions linked to economic variables that impact losses in each portfolio. The introduction of macroeconomic information introduces additional volatility to provisions.

In order to calculate forward-looking provisions, economic scenarios are sourced from Moody's Analytics. These cover a range of plausible economic paths that are used in conjunction with PD, EAD and LGD parameters for each portfolio to assess expected credit loss provisions across a range of conditions. An overview of these scenarios using key macroeconomic indicators is provided on pages 93 to 95. Ongoing benchmarking of the scenarios to other economic providers is carried out monthly to provide management with comfort on Moody's Analytics scenario paths.

Five different projected economic scenarios are currently considered to cover a range of possible outcomes. These include a baseline scenario, which reflects the best view of future economic events. In addition, one upside scenario and three downside scenario paths are defined relative to the baseline. Management assigns the scenarios a probability weighting to reflect the likelihood of specific scenarios, and therefore loss outcomes, materialising, using a combination of quantitative analysis and expert judgement.

The impact of forward-looking information varies across the group's lending businesses because of the differing sensitivity of each portfolio to specific macroeconomic variables. This is reflected through the development of bespoke macroeconomic models that recognise the specific response of each business to the macroeconomic environment.

The modelled impact of macroeconomic scenarios and their respective weightings is reviewed by business experts in relation to stage allocation and coverage ratios at the individual and portfolio level, incorporating management's experience and knowledge of customers, the sectors in which they operate, and the assets financed.

This includes assessment of the reaction of the ECL in the context of the prevailing and forecast economic conditions, for example where currently higher interest rates and inflationary conditions exist compared to recent periods.

Economic forecasts have evolved over the course of 2025 and reflect the mixed external backdrop observed in the year. Forecasts deployed in IFRS 9 macroeconomic models are updated on a monthly basis. At 31 July 2025, the latest baseline scenario forecasts gross domestic product ("GDP") growth of 1.1% in calendar year 2025 and an average base rate of 4.2% across the same period. Consumer Price Index ("CPI") inflation is forecast to be 3.1% in calendar year 2025 in the baseline scenario, with 1.3% forecast in the protracted downside scenario over the same period.

At 31 July 2025, the scenario weightings were: 30% upside, 32.5% baseline, 20% mild downside, 10.5% moderate downside and 7% protracted downside. As economic forecasts are considered to recognise developments in the macroeconomic environment appropriately, no change has been made to the weightings ascribed to the scenarios since 31 July 2024.

Given the current economic uncertainty, further analysis has been undertaken to assess the appropriateness of the five scenarios used. This included benchmarking the baseline scenario to consensus economic views, as well as consideration of an additional forecast related to stagflation, which could be considered as an alternative downside scenario.

Compared to the scenarios in use in the expected credit losses calculation, the stagflation scenario includes a longer period of higher interest rates coupled with a shallower but extended impact on GDP. Due to the relatively short tenor of the portfolios, the stagflation scenario is considered to be of less relevance than those deployed. This is supported by the fact that, due to the higher severity of recessionary factors in the existing scenarios, using the stagflation scenario instead of the moderate or protracted downside scenario would result in lower expected credit losses.

The final scenarios deployed reflect modest improvement in the UK economic outlook relative to 31 July 2024. Under the baseline scenario, UK headline CPI inflation is expected to moderate from current levels and meet the Bank of England's 2% target during the second half of 2026. Aligned to the overall downward trend in inflation from its 2022 peak, the Bank of England base rate is forecast to continue to reduce in all scenarios. House price outlook has improved across all scenarios, recognising more resilient housing market performance than previously anticipated. Unemployment rate forecasts have marginally deteriorated compared to 31 July 2024.

The tables below show economic assumptions within each scenario, and the weighting applied to each at 31 July 2025. The metrics shown are key UK economic indicators, chosen to describe the economic scenarios. These are the main metrics used to set scenario paths, which then influence a wide range of additional metrics that are used in expected credit loss models. The first tables show the forecasts of the key metrics for the scenarios utilised for calendar years 2025 and 2026. The subsequent tables show averages and peak-to-trough ranges for the same key metrics over the five-year period from 2025 to 2029.

Scenario forecasts and weights

	Baseline		**Upside (strong)**		**Downside (mild)**		**Downside (moderate)**		**Downside (protracted)**	
	2025	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**	**2025**	**2026**
At 31 July 2025										
UK GDP growth	**1.1%**	**1.0%**	**1.9%**	**3.7%**	**0.4%**	**(1.9%)**	**0.2%**	**(3.4%)**	**0.1%**	**(4.3%)**
UK unemployment	**4.7%**	**4.7%**	**4.5%**	**4.1%**	**4.8%**	**5.2%**	**5.0%**	**6.8%**	**5.1%**	**8.0%**
UK HPI growth	**3.3%**	**3.2%**	**9.9%**	**13.4%**	**0.2%**	**(2.6%)**	**(1.6%)**	**(9.2%)**	**(3.6%)**	**(16.4%)**
BoE base rate	**4.2%**	**3.2%**	**4.3%**	**3.5%**	**4.1%**	**2.4%**	**4.1%**	**1.8%**	**3.9%**	**1.3%**
Consumer Price Index	**3.1%**	**2.0%**	**3.2%**	**2.1%**	**2.1%**	**0.3%**	**1.7%**	**(0.6%)**	**1.3%**	**(1.1%)**
Weighting	**32.5%**		**30%**		**20%**		**10.5%**		**7%**	

	Baseline		Upside (strong)		Downside (mild)		Downside (moderate)		Downside (protracted)	
	2024	2025	2024	2025	2024	2025	2024	2025	2024	2025
At 31 July 2024										
UK GDP growth	1.0%	1.2%	1.8%	3.9%	0.3%	(1.4)%	(0.1)%	(3.9)%	(0.3)%	(5.4)%
UK unemployment	4.4%	4.5%	4.2%	4.0%	4.5%	4.9%	4.7%	6.6%	4.8%	7.8%
UK HPI growth	0.7%	3.2%	7.1%	13.3%	(2.3)%	(2.6)%	(4.1)%	(9.2)%	(6.0)%	(16.4)%
BoE base rate	5.1%	4.2%	5.2%	4.4%	5.0%	3.5%	5.0%	2.9%	4.8%	2.3%
Consumer Price Index	2.5%	2.1%	2.6%	2.2%	1.6%	0.4%	1.1%	(0.5)%	0.7%	(1.0)%
Weighting	32.5%		30%		20%		10.5%		7%	

Notes:
UK GDP growth: National Accounts Annual Real Gross Domestic Product, Seasonally Adjusted – year-on-year change (%).
UK unemployment: ONS Labour Force Survey, Seasonally Adjusted – Average (%).
UK HPI growth: Average nominal house prices, Land Registry, Seasonally Adjusted – Q4-to-Q4 change (%).
BoE base rate: Bank of England base rate – Average (%).
Consumer Price Index: ONS, All items, annual inflation – Q4-to-Q4 change (%).

	Five-year average (calendar years 2025 to 2029)				
	Baseline	**Upside (strong)**	**Downside (mild)**	**Downside (moderate)**	**Downside (protracted)**
At 31 July 2025					
UK GDP growth	**1.6 %**	**2.3 %**	**1.1 %**	**0.8 %**	**0.7 %**
UK unemployment	**4.7 %**	**4.1 %**	**4.9 %**	**6.7 %**	**7.6 %**
UK HPI growth	**2.5 %**	**4.2 %**	**0.8 %**	**(1.0)%**	**(3.5)%**
BoE base rate	**3.0 %**	**3.1 %**	**2.7 %**	**2.0 %**	**1.5 %**
Consumer Price Index	**2.2 %**	**2.3 %**	**1.6 %**	**1.2 %**	**0.9 %**
Weighting	**32.5 %**	**30 %**	**20 %**	**10.5 %**	**7 %**

	Five-year average (calendar years 2024 to 2028)				
	Baseline	Upside (strong)	Downside (mild)	Downside (moderate)	Downside (protracted)
At 31 July 2024					
UK GDP growth	1.5%	2.3%	1.1%	0.6%	0.4%
UK unemployment	4.6%	4.0%	4.8%	6.6%	7.4%
UK HPI growth	2.5%	4.2%	0.9%	(1.0)%	(3.5)%
BoE base rate	3.5%	3.6%	3.2%	2.5%	2.0%
Consumer Price Index	2.1%	2.2%	1.5%	1.2%	0.8%
Weighting	32.5 %	30 %	20 %	10.5 %	7 %

Notes:
UK GDP growth: National Accounts Annual Real Gross Domestic Product, Seasonally Adjusted – CAGR (%).
UK unemployment: ONS Labour Force Survey, Seasonally Adjusted – Average (%).
UK HPI growth: Average nominal house prices, Land Registry, Seasonally Adjusted – CAGR (%).
BoE base rate: Bank of England base rate – Average (%).
Consumer Price Index: ONS, All items, annual inflation – CAGR (%).

The forecasts represent an economic view at 31 July 2025, after which there have been further economic developments, including the latest base rate reduction to 4.0% at the August Monetary Policy Committee meeting. These developments, and their impact on scenarios and weightings, are subject to ongoing monitoring by management.

These periods have been included as they demonstrate the short, medium and long-term outlooks for the key macroeconomic indicators which form the basis of the scenario forecasts. The portfolio has an average residual maturity of 15 months, with 99% of loan value having a maturity of five years or less.

The following charts on page 95 represent the quarterly forecast data included in the above tables incorporating actual metrics up to 31 July 2025. The dark blue line shows the baseline scenario, while the other lines represent the various upside and downside scenarios.

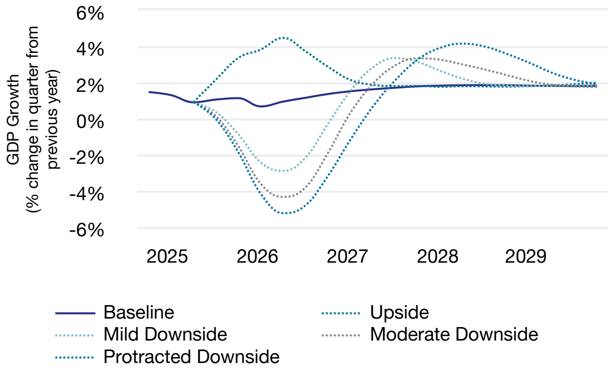
The tables below provide a summary for the five-year period (calendar years 2025 to 2029) of the peak-to-trough range of values of the key UK economic variables used within the economic scenarios at 31 July 2025 and 31 July 2024.

	Five-year period (calendar year 2025 to 2029)									
	Baseline		**Upside (strong)**		**Downside (mild)**		**Downside (moderate)**		**Downside (protracted)**	
	Peak	**Trough**	**Peak**	**Trough**	**Peak**	**Trough**	**Peak**	**Trough**	**Peak**	**Trough**
At 31 July 2025										
UK GDP growth	**8.2%**	**0.7%**	**12.3%**	**0.7%**	**5.7%**	**(2.1)%**	**4.0%**	**(3.8)%**	**3.6%**	**(5.0)%**
UK unemployment	**4.8%**	**4.5%**	**4.7%**	**3.8%**	**5.2%**	**4.5%**	**7.5%**	**4.5%**	**8.8%**	**4.5%**
UK HPI growth	**13.2%**	**1.5%**	**27.8%**	**1.5%**	**4.3%**	**(3.1)%**	**2.2%**	**(12.6)%**	**2.2%**	**(22.0)%**
BoE base rate	**4.6%**	**2.5%**	**4.6%**	**2.5%**	**4.6%**	**1.8%**	**4.6%**	**1.0%**	**4.6%**	**0.6%**
Consumer Price Index	**3.4%**	**1.9%**	**3.4%**	**2.0%**	**3.4%**	**(0.5)%**	**3.4%**	**(1.2)%**	**3.4%**	**(2.1)%**
Weighting	**32.5%**		**30%**		**20%**		**10.5%**		**7%**	

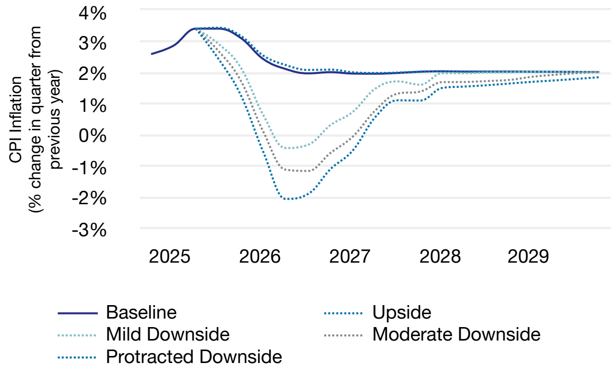
	Five-year period (calendar year 2024 to 2028)									
	Baseline		Upside (strong)		Downside (mild)		Downside (moderate)		Downside (protracted)	
	Peak	Trough	Peak	Trough	Peak	Trough	Peak	Trough	Peak	Trough
At 31 July 2024										
UK GDP growth	7.7%	0.7%	11.8%	0.7%	5.5%	(1.4)%	2.8%	(4.2)%	2.2%	(6.3)%
UK unemployment	4.8%	4.3%	4.3%	3.7%	4.9%	4.3%	7.4%	4.3%	8.6%	4.3%
UK HPI growth	13.3%	0.7%	27.2%	0.7%	4.4%	(5.7)%	0.9%	(14.2)%	0.9%	(23.4)%
BoE base rate	5.3%	2.5%	5.3%	2.5%	5.3%	2.1%	5.3%	1.1%	5.3%	0.6%
Consumer Price Index	3.6%	2.0%	3.6%	2.0%	3.6%	(0.4)%	3.6%	(1.1)%	3.6%	(2.0)%
Weighting	32.5%		30%		20%		10.5%		7%	

Notes:
UK GDP growth: Maximum and minimum quarterly GDP as a percentage change from start of period (%).
UK unemployment: Maximum and minimum unemployment rate (%).
UK HPI growth: Maximum and minimum average nominal house price as a percentage change from start of period (%).
BoE base rate: Maximum and minimum Bank of England base rate (%).
Consumer Price Index: Maximum and minimum inflation rate over the five-year period (%).

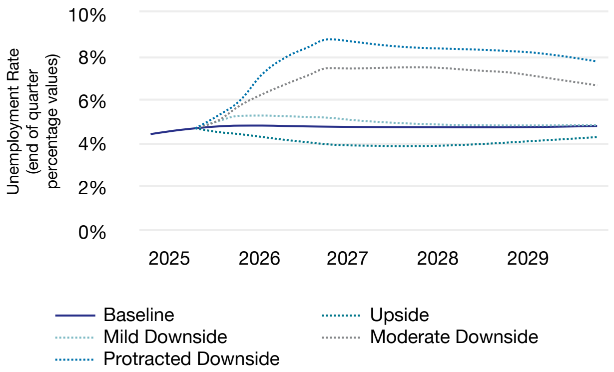
Real gross domestic product (annual % change)



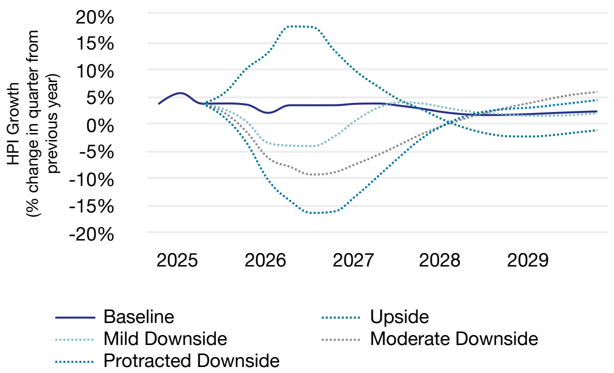
Consumer price index (annual % change)



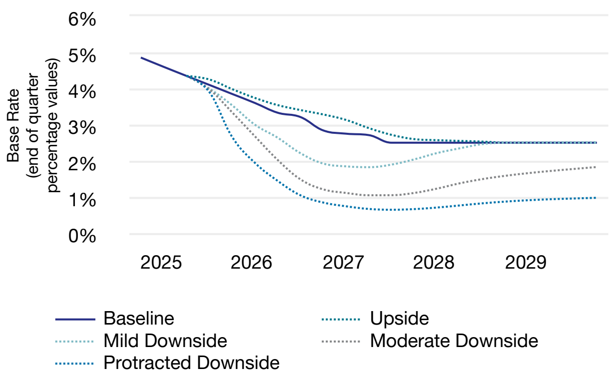
Unemployment rate (%)



House price index – current prices (annual % change)



Bank of England base rate (%)



Scenario sensitivity analysis (audited)

The expected credit loss provision is sensitive to judgements and estimations made with regard to the selection and weighting of multiple economic scenarios. As a result, management has assessed and considered the sensitivity of the provision as follows:

- For the majority of the portfolios, the modelled expected credit loss provision has been recalculated under the upside strong and downside protracted scenarios described above, applying a 100% weighting to each scenario in turn. The change in provision requirement is driven by the movement in risk metrics under each scenario and resulting impact on stage allocation.
- Expected credit losses based on a simplified approach, which do not utilise a macroeconomic model and require expert judgement, are excluded from the sensitivity analysis.
- In addition to the above, key considerations for the sensitivity analysis are set out below, by segment:
  - In Commercial, the sensitivity analysis excludes Novitas, given the low materiality of remaining provisions.
  - In Retail, the sensitivity analysis does not apply further stress to the expected credit loss provision on loans and advances to customers in Stage 3, because the measurement of expected credit losses is considered more sensitive to credit factors specific to the borrower than macroeconomic scenarios.
  - In Property, the sensitivity analysis excludes individually assessed provisions, and certain sub-portfolios which are deemed more sensitive to credit factors than the macroeconomic scenarios.

Based on the above analysis, at 31 July 2025, application of 100% weighting to the upside strong scenario would decrease the expected credit loss by £17.4 million whilst application of 100% weighting to the protracted downside scenario would increase the expected credit loss by £32.4 million, driven by the aforementioned changes in risk metrics and stage allocation of the portfolios.

When performing sensitivity analysis there is a high degree of estimation uncertainty. On this basis, 100% weighted expected credit loss provisions presented for the upside and downside scenarios should not be taken to represent the lower or upper range of possible and actual expected credit loss outcomes. The recalculated expected credit loss provision for each of the scenarios should be read in the context of the sensitivity analysis as a whole and in conjunction with the disclosures provided in Note 10 to the Financial Statements. The modelled impact presented is based on gross loans and advances to customers at 31 July 2025; it does not incorporate future changes relating to performance, growth or credit risk. In addition, given the change in the macroeconomic conditions, underlying modelled provisions and methodology, and refined approach to adjustments, comparison between the sensitivity results at 31 July 2025 and 31 July 2024 is not appropriate.

The economic environment remains uncertain and future impairment charges may be subject to further volatility, including from updates to macroeconomic variable forecasts impacted by sustained cost-of-living pressures, changes in fiscal policy, trade-related uncertainty (including the impact of tariffs), and ongoing geopolitical conflicts.

Use of adjustments (audited)

Limitations in the group's expected credit loss models or input data may be identified through ongoing model monitoring and validation of models. In certain circumstances, management make appropriate adjustments to model-calculated expected credit losses. These adjustments are based on management judgements or quantitative back-testing to ensure expected credit loss provisions adequately reflect all known information. These adjustments are generally determined by considering the attributes or risks of a financial asset which are not captured by existing expected credit loss model outputs. Management adjustments are actively monitored, reviewed and incorporated into future model developments where applicable.

Macroeconomic forecasts continue to react to a range of external factors including changes in the UK's Budget, inflationary pressures, the ongoing conflict in Ukraine, and uncertainty from tariffs. In response, our use of adjustments has evolved.

In particular, adjustments were applied in the previous financial year in response to improvements in macroeconomic forecasts that resulted in releases in modelled provisions. A number of these releases were considered premature or counterintuitive by management and adjustments were made as a result. Portfolio performance has been closely monitored during the financial year under review, over which modelled provisions have increased and external forecasts have remained broadly stable. As a result, macroeconomic adjustments have gradually reduced in recognition of the portfolio and models appropriately reacting to changes in the external environment.

While macroeconomic adjustment values have decreased, the overall value of adjustments has increased since 31 July 2024 as a result of changes in the application of adjustments relating to individual customers where, in management's judgement, modelled provisions do not adequately reflect expected credit losses.

The approach to adjustments continues to reflect the use of expert management judgement which incorporates management's experience and knowledge of customers, the areas in which they operate, and the underlying assets financed.

The need for adjustments will continue to be monitored as new information emerges which might not be recognised in existing models.

At 31 July 2025, £4.0 million (31 July 2024: £(1.5) million) of the expected credit loss provision was attributable to adjustments, which reflects a combination of positive and negative adjustments depending on the adjustment purpose or model requirement. Adjustments include £2.1 million held to reflect ongoing economic uncertainty (31 July 2024: £2.4 million).

Other credit risk tables (audited)

Segmental credit risk

The following tables set out loans and advances to customers, trade receivables and undrawn facilities by the group's internal credit risk grading and illustrates the allocation of these per IFRS 9 staging category for comparative purposes. The analysis of lending has been prepared based on the following risk categories:

- Low risk: The credit risk profile of the borrower is considered acceptable with the borrower considered likely to meet obligations as they fall due. Standard monitoring is in place.
- Medium risk: Evidence of deterioration in the credit risk profile of the borrower exists which requires increased monitoring. Potential concerns over their ability to meet obligations as they fall due may exist.
- High risk: Evidence of significant deterioration in the credit risk profile of the borrower exists which requires enhanced management. Full repayment may not be achieved, with potential for loss identified.

Low risk loans and advances to customers have increased to 85% of the overall portfolio (31 July 2024: 84%), reflective of relative portfolio resilience against the backdrop of persistent macroeconomic pressures during the financial year.

77% (31 July 2024: 77%) of total advances were classified as low risk Stage 1. Low risk Stage 2 represented 8% (31 July 2024: 7%) of loans and advances to customers, largely comprising early arrears cases, or agreements which have triggered a significant increase in credit risk indicator, or the "30 days past due" backstop. Low risk Stage 3 loans and advances to customers primarily related to agreements which have triggered the "90 days past due" backstop but where full repayment is expected.

Medium risk loans account for 9% (31 July 2024: 8%) of total loans and advances to customers, of which the majority were spread across Stages 1 and 2. Medium risk Stage 1 decreased to 4% (31 July 2024: 5%). Medium risk Stage 2 represented 5% (31 July 2024: 4%) of the overall portfolio. Loans and advances to customers reflected as medium risk Stage 3 primarily related to agreements that have triggered the "90 days past due" backstop in addition to other significant increases in credit risk triggers.

High risk loans accounted for 5% (31 July 2024: 8%) of total loans and advances to customers, with the majority corresponding to Stage 3. This decrease primarily reflected the impacts of derecognition of net loans and advances in Novitas during the financial year.

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Total £ million
At 31 July 2025				
Gross loans and advances to customers[1]				
Low risk	**7,491.4**	**769.6**	**18.7**	**8,279.7**
Medium risk	**422.1**	**461.4**	**23.1**	**906.6**
High risk	**4.0**	**68.5**	**450.3**	**522.8**
Total	**7,917.5**	**1,299.5**	**492.1**	**9,709.1**
Undrawn commitments				
Low risk	**809.8**	**7.7**	**–**	**817.5**
Medium risk	**–**	**2.2**	**–**	**2.2**
High risk	**–**	**–**	**3.3**	**3.3**
Total	**809.8**	**9.9**	**3.3**	**823.0**
Gross trade receivables[2]				
Low risk	**8.2**	**–**	**–**	**8.2**
Medium risk	**–**	**0.5**	**–**	**0.5**
High risk	**–**	**–**	**1.9**	**1.9**
Total	**8.2**	**0.5**	**1.9**	**10.6**

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Total £ million
At 31 July 2024				
Gross loans and advances to customers				
Low risk	7,943.3	679.6	15.4	8,638.3
Medium risk	474.6	360.6	16.2	851.4
High risk	4.4	88.6	693.9	786.9
Total	8,422.3	1,128.8	725.5	10,276.6
Undrawn commitments				
Low risk	1,025.1	18.3	–	1,043.4
Medium risk	–	1.2	–	1.2
High risk	–	–	3.1	3.1
Total	1,025.1	19.5	3.1	1,047.7
Gross trade receivables[2]				
Low risk	11.8	–	–	11.8
Medium risk	–	1.5	–	1.5
High risk	–	–	3.2	3.2
Total	11.8	1.5	3.2	16.5

1. Gross loans and advances to customers include £11.8 million of loans and advances held at FVTPL, allocated as Stage 1 Low risk (£3.3 million) and Stage 2 Medium risk (£8.5 million) based on management judgement.
2. Lifetime expected credit losses are recognised for all trade receivables under the IFRS 9 simplified approach. The figures presented are on a gross basis before deducting for expected credit losses of £2.1 million (31 July 2024: £2.7 million) relating to predominantly Stage 3 receivables.

Forbearance

Forbearance occurs when a customer is experiencing difficulty in meeting their financial commitments and a concession is granted, by changing the terms of the financial arrangement, which would not otherwise be considered. This arrangement can be temporary or permanent, depending on the customer's circumstances. The Banking division reports on forborne exposures as either performing or non-performing in line with regulatory requirements. A forbearance policy is maintained to ensure the necessary processes are in place to enable consistently fair treatment of all customers and that each is managed based on their individual circumstances. The arrangements agreed with customers will aim to create a sustainable and affordable financial position, thereby reducing the likelihood of suffering a credit loss. The forbearance policy is periodically reviewed to ensure it remains effective.

The Banking division offers a range of concessions to support customers which vary depending on the product and the customer's status. Such concessions include grace periods/payment moratoria, extensions of the loan term, and refinancing.

Loans are classified as forborne at the time a customer in financial difficulty is granted a concession and the loan will remain treated and recorded as forborne until the following exit conditions are met:

- the loan is considered as performing and there is no past-due amount according to the amended contractual terms;
- a minimum two-year probation period has passed from the date the forborne exposure was considered as performing, during which time regular and timely payments have been made; and
- none of the customer's exposures with Close Brothers are more than 30 days past due at the end of the probation period.

At 31 July 2025, the gross carrying amount of exposures with forbearance measures was £406.1 million (31 July 2024: £363.8 million). The key drivers of this increase have been higher forbearance in Motor Finance, reflecting continued macroeconomic challenges and enduring cost-of-living pressures on customers, and project-specific issues in our Property business.

An analysis of forborne loans is shown in the table below:

	31 July 2025	31 July 2024
Gross loans and advances to customers (£ million)	**9,709.1**	10,276.6
Forborne loans (£ million)	**406.1**	363.8
Forborne loans as a percentage of gross loans and advances to customers (%)	**4.2 %**	3.5%
Provision on forborne loans (£ million)	**113.8**	89.4
Number of customers supported	**15,882**	13,166

The following is a breakdown of forborne loans by segment:

	31 July 2025 £ million	31 July 2024 £ million
Commercial	**112.9**	118.5
Retail	**50.6**	42.8
Property	**242.6**	202.5
Total	**406.1**	363.8

The following is a breakdown of the number of customers supported by segment:

	31 July 2025 Number of customers supported	31 July 2024 Number of customers supported
Commercial	**948**	839
Retail	**14,880**	12,275
Property	**54**	52
Total	**15,882**	13,166

Following review, the concession types reported below have been updated from those used in the Annual Report 2024 to align to the broader list of concessions used in regulatory reporting. This change has been made to support consistency with regulatory frameworks and improve ease of interpretation. The majority of concessions shown as “Other forbearance measures” relates to agreements where collections and recoveries activity has been deferred.

The following is a breakdown of forborne loans by concession type, based on the updated approach:

	31 July 2025 £ million	31 July 2024 £ million[1]
Grace period/payment moratorium	**136.3**	147.0
Extension of maturity/term	**139.5**	98.8
Rescheduled payments	**32.7**	28.0
Debt forgiveness	**0.2**	—
Other forbearance measures	**97.4**	90.0
Total	**406.1**	363.8

1. Comparatives have been updated to align to the expanded concession type categories used in this financial year’s reporting.

Government lending schemes

Since the pandemic period, following accreditation, customers have been offered facilities under various UK and Irish government-introduced loan schemes, thereby enabling the Banking division to maximise its support to small businesses. At 31 July 2025, there are 3,350 (31 July 2024: 4,112) remaining facilities, with residual balance of £461.6 million (31 July 2024: £543.0 million) following further repayments across the Commercial businesses.

The Banking division maintains a regular reporting cycle of these facilities to monitor performance. To date, a number of claims have been made and payments received under the government guarantee.

Collateral held

The group mitigates credit risk through holding collateral against loans and advances to customers. The group has internal policies on the acceptability of specific collateral types, the requirements for ensuring effective enforceability and monitoring of collateral in-life. Internal policies define, amongst other things, legal documentation requirements, the nature of assets accepted, LTV and age at origination, and exposure maturity and in-life inspection requirements. An asset valuation is undertaken as part of the loan origination process.

The principal types of collateral held by the group against loans and advances to customers in the Property and Commercial businesses include residential and commercial property and charges over business assets such as equipment, inventory and accounts receivable. Within Retail, the group holds collateral primarily in the form of vehicles in Motor Finance and refundable insurance premiums in Premium Finance, where an additional layer of protection may exist through broker recourse.

The Banking division’s collateral policies have not materially changed during the reporting period. There has been an increase in the proportion of exposures in higher LTV bands as exposures backed by government lending schemes have run-off and been replaced by more normalised LTV profiles.

Analysis of gross loans and advances to customers by LTV ratio is provided below. The value of collateral used in determining the LTV ratio is based upon data captured at loan origination or, where available, a more recent valuation.

	Commercial £ million	Retail £ million	Property £ million	Total £ million
LTV[1]				
60% or lower	**650.7**	**131.7**	**976.1**	**1,758.5**
>60% to 70%	**622.3**	**139.2**	**709.1**	**1,470.6**
>70% to 80%	**423.8**	**330.4**	**40.6**	**794.8**
>80% to 90%	**972.1**	**976.3**	**30.3**	**1,978.7**
>90% to 100%	**1,492.3**	**534.7**	**67.7**	**2,094.7**
Greater than 100%	**342.4**	**434.5**	**109.6**	**886.5**
Structurally protected[2]	**69.9**	**394.9**	**—**	**464.8**
Unsecured	**228.0**	**32.3**	**0.2**	**260.5**
Total at 31 July 2025[3]	**4,801.5**	**2,974.0**	**1,933.6**	**9,709.1**

	Commercial £ million	Retail £ million	Property £ million	Total £ million
LTV[1]				
60% or lower	828.3	143.4	1,100.1	2,071.8
>60% to 70%	552.7	150.1	667.1	1,369.9
>70% to 80%	575.3	332.7	56.2	964.2
>80% to 90%	848.5	1,056.9	56.5	1,961.9
>90% to 100%	1,451.4	550.3	27.3	2,029.0
Greater than 100%	326.0	419.9	107.6	853.5
Structurally protected[2]	329.3	445.8	–	775.1
Unsecured	212.9	37.7	0.6	251.2
Total at 31 July 2024	5,124.4	3,136.8	2,015.4	10,276.6

Gross loans and advances to customers which are credit-impaired split by LTV ratio:

	Commercial £ million	Retail £ million	Property £ million	Total £ million
LTV				
60% or lower	**27.2**	**2.0**	**40.8**	**70.0**
>60% to 70%	**4.4**	**3.1**	**37.7**	**45.2**
>70% to 80%	**6.0**	**9.4**	**6.7**	**22.1**
>80% to 90%	**14.5**	**23.1**	**26.1**	**63.7**
>90% to 100%	**30.9**	**29.8**	**67.7**	**128.4**
Greater than 100%	**15.0**	**21.4**	**109.6**	**146.0**
Structurally protected[2]	**1.9**	**5.3**	**—**	**7.2**
Unsecured	**8.2**	**1.1**	**0.2**	**9.5**
Total at 31 July 2025	**108.1**	**95.2**	**288.8**	**492.1**

	Commercial £ million	Retail £ million	Property £ million	Total £ million
LTV				
60% or lower	39.2	1.8	12.3	53.3
>60% to 70%	5.6	2.5	11.3	19.4
>70% to 80%	5.8	8.2	24.6	38.6
>80% to 90%	13.9	23.2	52.1	89.2
>90% to 100%	35.2	28.1	27.3	90.6
Greater than 100%	12.6	19.4	107.1	139.1
Structurally protected[2]	274.4	5.4	–	279.8
Unsecured	13.5	1.4	0.6	15.5
Total at 31 July 2024	400.2	90.0	235.3	725.5

1. Government lending scheme facilities totalling £461.6 million (31 July 2024: £543.0 million) are allocated to a low LTV category reflecting the nature of the government guarantee and resultant level of lending risk.
2. Exposures are considered structurally protected when, in management's judgement, they have characteristics which mitigate the credit risk of the exposure to a significant extent, in spite of not representing tangible security.
3. Total gross loans and advances to customers includes £11.8 million of loans and advances held at FVTPL.

Cyber risk

Simplify
Optimise

Cyber risk is risk arising from inadequate internal and external information and cyber security, where failures impact the confidentiality, integrity and availability of electronic data or critical technology services.

Exposure

Cyber risks arise from the organisation's routine operations and use of technology, and may lead to service disruptions, breaches of sensitive data, reputational harm, or adverse effects on the group's financial performance and customer trust.

The group's exposure to cyber risk is shaped by its engagement with third parties, the introduction of new digital products and services, and the need for secure, reliable data to conduct its business. These elements are integral to achieving the group's strategic goals.

The group is committed to upholding high standards of cyber security in pursuit of its strategic goals, acknowledging that exposure may arise as threats and vulnerabilities evolve. To address these challenges, robust cyber controls and continuous monitoring are employed to ensure risks are managed within acceptable levels.

Day-to-day management of cyber risk is the responsibility of the business, complemented by guidance and oversight from the information security and risk and compliance functions, and subject to independent assurance from group internal audit.

Requirements and responsibilities are defined in the Information Security Policy and supporting standards. These form part of the Enterprise Risk Management Framework to identify, assess, mitigate, monitor, and report cyber risks, incidents, and vulnerabilities that could affect the achievement of business objectives or disrupt critical systems and processes.

Risk appetite

The group seeks to prevent cyber risk incidents causing losses, impacting customers or resulting in disruption to the availability and integrity of systems and data, and where impractical, to detect and take immediate steps to respond and recover from them efficiently and effectively.

The group tolerates a level of cyber risk exposure within defined thresholds but has limited appetite for cyber risks with significant residual exposure. In such cases, mitigation strategies are required to reduce exposure to an acceptable level, with controls implemented to reduce the likelihood and impact of high-severity events.

Measurement

The group measures cyber risk through key risk indicators, observed impact of risk events and periodic risk and control assessment and risk scenario analysis. Conservative trigger and limit thresholds for key risk indicators are regularly monitored within each business, with exceptions reported to the Group Risk and Compliance Committee ("GRCC") to oversee any necessary corrective actions.

Material cyber risk events are identified, reviewed and escalated in line with criteria set out in the Enterprise Risk Management Framework, the Information Security Policy and supporting standards. Where appropriate, this may include a formal post-incident review led by the group's information security function, with oversight provided by the risk and compliance function. Root cause analysis is undertaken and lessons learned are captured, with appropriate management action plans implemented.

Mitigation

The group adopts a risk-based approach to mitigation of cyber risk, using an industry-standard control framework aligned with relevant laws and regulations, to inform its cyber risk management, and continually assesses its maturity. The group maintains robust cyber and information security standards and policies, and controls are in place and operating, with periodic assurance completed. The group invests in business and technical controls and continues to enhance its cyber security capabilities, including threat intelligence, cloud security, identity and access management, education and awareness, partnerships with strategic third parties and effective deployment across the three lines of defence model to manage and undertake assurance of controls within the group and our third parties.

Where deviations from risk thresholds or emergent cyber threats are observed, the group undertakes assessment and remediation activities to address identified historical deficiencies to bring them within risk appetite.

Monitoring

The Board delegates authority to the GRCC, supported by the Operations and Technology Risk Committee ("OTRC"), to manage the group's cyber risk on a day-to-day basis and provide oversight of its exposure. Regular management information related to the group's cyber risk profile and exposure is presented to and discussed by these committees and additionally local business risk and compliance committees ("RCCs").

Specialist internal resources and third-party consultancies are engaged to periodically assess the group's cyber security programme and the efficacy of its controls, supporting improvements to the management of material risks from cyber security threats.

In addition to routine monitoring of known risks, the group undertakes continuous horizon scanning of trends and emerging cyber risks to support a programme of continuous improvement. These include changes in the tactics, techniques and procedures employed by external threat actors and technological developments with the potential to affect the group's cyber security posture, such as artificial intelligence ("AI") and quantum computing.

Outlook

Cyber risk is an increasing concern for the group, consistent with the financial services industry and other sectors. As cyber threats become increasingly sophisticated, the group will uphold a balanced, risk-based strategy in managing related risks, with capital investments and control improvements directed toward areas of significant risk concentration.

The group expects increased levels of risk of data loss or service disruption resulting from technology failures or malicious activities involving external or internal threats. Wider availability of advanced tools for conducting cyber attacks, such as ransomware-as-a-service and AI technologies, are expected to lower technical barriers to entry in launching sophisticated and opportunistic attacks, leading to an increase in their frequency and intensity.

The group will continuously monitor the cyber threat landscape and engage collaboratively with regulators, industry bodies, trusted third parties, and peer organisations to ensure robust oversight. We will implement measures to address risks that exceed established thresholds, including strengthening cyber security policies, procedures, and controls to minimise both the likelihood and impact of such events.

Funding and liquidity risk

Optimise
Grow

Funding risk is the risk of loss caused by the inability to raise funds at an acceptable price or to access markets in a timely manner or any decrease in the stability of the current funding base.

Liquidity risk is the risk that the group or any of its entities do not have sufficient liquid assets to meet liabilities as they come due during normal and disrupted markets.

Exposure

Funding and liquidity are managed on a legal entity basis with each of the group's divisions (Banking and Winterflood) responsible for ensuring it maintains sufficient liquidity for its own purposes. The group's divisions operate independently of each other with no liquidity reliance between them.

The company has relatively few cash requirements and all requirements are known in advance, for example external dividends. It meets its cash requirements through deposits placed with the Banking division and its committed borrowing facilities.

The Banking division's funding profile comprises a broad range of channels. Its diversified approach to funding includes secured funding, unsecured funding, retail deposits and non-retail deposits. Funding risk exposure primarily arises if the Banking division is unable to obtain the necessary funding to support its asset positions. Unsustainable or undiversified funding bases, such as an over-reliance on short-term deposits, can increase the level of risk and can lead to a deviation from the funding plan. In turn, this can increase the costs of raising new funds, reducing the bank's ability to originate new assets and potentially leading to negative market or customer perception.

The Banking division's ILAAP covers potential event drivers from a range of stress testing scenarios, including idiosyncratic examples. This ensures liquidity management remains a source of strength and features a robust and prudent approach to assessing and maintaining liquidity requirements. The Banking division's ILAAP is combined with the Internal Capital Adequacy and Risk Assessments ("ICARA") from Winterflood, alongside the company considerations, to form the group ILAAP.

Funding and liquidity risk in Winterflood is driven by four primary sources: long trading book risk positions; overnight and intraday settlements; margin requirements; and multi-day client orders. Winterflood maintains risk appetites sufficient to ensure continued compliance with the rules under the Investment Firm Prudential Regulation ("IFPR").

Further detail on the group's funding and liquidity exposure is provided on pages 57 and 58 of the Financial Overview and Note 26 "Financial risk management".

Risk appetite

The group adopts a conservative approach to funding and liquidity risk and seeks to maintain a funding and liquidity position characterised by preserving a simple and transparent balance sheet, sustaining a diverse range of funding sources and holding a prudent level of high-quality liquidity. As such, the weighted average maturity of funding allocated to the loan book is longer than the weighted average maturity of its lending portfolio.

These objectives form the basis for the group's Funding and Liquidity Risk Appetite Statement, approved annually by the Board, which outlines the levels of funding and liquidity risk that the group is willing to assume. Given the materiality of the Banking division, this is primarily focused on the levels of risk assumed within the bank.

Measurement

A variety of metrics are used to measure the Banking division's funding and liquidity position to ensure compliance with both external regulatory requirements and internal risk appetite. These metrics cover both the short and long-term view of liquidity and funding and have limits and early warning indicators in place that are approved via the Asset and Liability Committee ("ALCO"). These metrics include term funding as a percentage of loan book, weighted average tenor of loan book versus weighted average tenor of funding, available cash balance with the Bank of England, and liquid to total assets ratio.

Funding is measured and monitored in accordance with the Banking division's funding plan, which seeks to ensure that the bank maintains a balanced and prudent approach to its funding risk that is in line with risk appetite. The funding plan is supplemented by metrics that highlight any funding concentration risks, funding ratios and levels of encumbrance. The net stable funding ratio ("NSFR") was implemented by the PRA on 1 January 2022. The four-quarter average ratio to 31 July 2025 was 145.9% (31 July 2024: 134.4%), comfortably in excess of the minimum requirement of 100%.

Liquidity is managed in accordance with regulatory requirements and the ILAAP which is approved by the Board. The group's liquidity coverage ratio ("LCR") is significantly above the regulatory requirement. This is because the nature of the funding model means that it holds higher inflows compared to outflows within the 30-day period and significantly more high quality liquid assets ("HQLA") than is required under regulatory metrics. The group's 12-month average LCR to 31 July 2025 was 1,012% (31 July 2024: 1,034%). Our liquidity coverage ratio is substantially above the minimum regulatory requirements of 100%, as we continue to adopt a conservative liquidity position and prudently manage our financial resource.

In addition to regulatory metrics, the Banking division also uses a suite of internally developed liquidity stress scenarios to monitor its potential liquidity exposure daily and determine its HQLA requirements. This ensures that the Banking division remains within risk appetite and identifies potential areas of vulnerability. The outcomes of these scenarios are formally reported to the ALCO, GRCC and Board.

Mitigation (audited)

This funding approach is based on the principles of "borrow long, lend short" and ensuring a diverse range of sources and channels of funding. Economic uncertainty has continued over the last 12 months, increasing market competitiveness. Despite the challenges this has presented, the Banking division's ability to fund the loan book has been largely unaffected. The Banking division has actively sought to grow the retail deposit base and optimise the funding mix in light of market conditions. The Banking division's deposits continue to remain diverse in terms of source, type and tenor, ensuring flexibility and greater optionality. Retail and corporate customer funding is supported by wholesale funding programmes including unsecured medium-term notes and secured funding programmes. The bank has now repaid all funds drawn under the Bank of England TFSME. The balance sheet and subsequent funding plan continues to remain well within internal risk appetites and total available funding is kept well in excess of the loan book funding requirement to ensure funding is available when needed as shown by the NSFR metrics.

The following tables analyse the contractual maturities of the group's on-balance sheet financial liabilities on an undiscounted cash flow basis.

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
31 July 2025							
Deposits by banks	**9.3**	**78.9**	**—**	**—**	**—**	**—**	**88.2**
Deposits by customers	**1,161.7**	**2,625.6**	**1,570.5**	**2,070.3**	**1,614.3**	**—**	**9,042.4**
Loans and overdrafts from banks	**1.5**	**—**	**—**	**—**	**—**	**—**	**1.5**
Debt securities in issue	**—**	**71.2**	**84.3**	**114.4**	**1,577.6**	**403.3**	**2,250.9**
Subordinated loan capital	**—**	**2.0**	**—**	**3.0**	**15.0**	**205.0**	**225.0**
Total 31 July 2025	**1,172.5**	**2,777.7**	**1,654.8**	**2,187.7**	**3,206.9**	**608.3**	**11,608.0**

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
31 July 2024							
Deposits by banks	0.9	53.2	86.1	—	—	—	140.2
Deposits by customers	708.9	2,309.5	1,502.1	2,008.7	2,474.8	—	9,004.0
Loans and overdrafts from banks	46.7	9.9	1.4	2.7	111.7	—	172.4
Debt securities in issue	—	40.0	119.3	195.4	1,541.7	409.8	2,306.2
Subordinated loan capital	—	2.0	—	2.0	16.0	209.0	229.0
Total 31 July 2024	756.5	2,414.6	1,708.9	2,208.8	4,144.2	618.8	11,851.8

Monitoring

Funding and liquidity are measured and monitored on a daily basis with monthly reports forming standing items for discussion at both the ALCO and GRCC, with the Risk Committee maintaining overall oversight. Any liquidity and funding issues are escalated as required to the ALCO, and then onwards to the GRCC and Risk Committee.

The Banking division operates a three lines of defence model with the treasury function responsible for the measurement and management of the Banking division's funding and liquidity position and asset and liability management risk, providing independent review and challenge. ALCO provides oversight of funding and liquidity and supports the relevant senior managers in discharging their senior management function responsibilities. Internal audit provides independent assurance on first and second lines of defence, the appropriateness and effectiveness of internal controls and policy implementation.

Outlook

Notwithstanding the outcome of the Supreme Court's judgment following the FCA's review of historical motor commissions, uncertainty regarding the design and scope of an industry-wide redress scheme remains. Accordingly, the bank has consciously maintained a higher level of liquidity, with the majority of its large, high quality liquid asset portfolio held in cash and government bonds. During the year, treasury assets increased 20% to £2.8 billion (31 July 2024: £2.3 billion) and were predominantly held on deposit with the Bank of England. Consistent with the funding plan, the bank expects to continue to lose a number of rate sensitive corporate customers and the expected attrition from this segment to continue to be met through growth in retail deposits. During the 2026 financial year, the focus will be on maintaining secured funding programmes and continuing to fund primarily through retail deposits. The funding model continues to provide robust support, and the strength of the "borrow long, lend short" business model provides significant funding resilience, resulting in a stable funding base.

Legal and regulatory risk

Simplify
Optimise
Grow

Legal and regulatory risk is the risk of non-compliance with laws and regulations which could give rise to fines, litigation, sanctions and the potential for material adverse impact upon the group.

Exposure

The group is subject to the laws and regulations of the various jurisdictions in which it operates. This exposure includes risks of breaching financial services regulations and laws, as well as action resulting from contractual breach and litigation (including direct customer claims based on regulatory breaches).

Failure to comply with existing legal or regulatory requirements, or to adapt to changes in a timely fashion in the course of the provision of products and services, may result in legal and regulatory risk.

Changes could also affect our financial performance, capital liquidity and access to markets in which we operate.

With an increased regulatory focus on protecting customers, any failure to implement and/or adapt to these changes quickly may expose the group to reputational harm, legal or regulatory sanctions and/or customer redress requirements.

Risk appetite

The group has minimal appetite for legal and regulatory risk, seeking to operate to high ethical standards and expecting its staff to operate in accordance with the laws, regulations and voluntary codes which impact the group and its activities.

The group seeks to avoid knowingly operating in a manner which is contrary to the provisions of the regulatory system and has no tolerance for knowingly transacting business outside the scope of its regulatory permissions or relevant legislation.

The group will respond in an appropriate, risk-based and proportionate manner to any changes to the legal and regulatory environment, as well as changes driven by any strategic initiatives.

Measurement

The group monitors and manages its legal, regulatory and compliance risks through regular engagement and interaction across the organisation, and the implementation of appropriate policies, standards and procedures. This includes reliance on a formal horizon scanning capability to identify changes, as well as regular management information which enables oversight and challenge via RCCs.

Mitigation

The group's Enterprise Risk Management Framework, including its suite of policies and standards and the associated three lines of defence operating model, sets common control objectives across risk disciplines. This consistent approach to setting and embedding control expectations acts to mitigate the likelihood and impact of events which could give rise to legal and regulatory risk.

Clear accountability and ownership for meeting regulatory requirements is overseen by business heads, thus driving oversight and action.

Dedicated specialist legal and compliance teams with relevant knowledge and experience provide advice, support and challenge to the group's businesses, enabling alignment with legal and regulatory requirements. These teams further have the ability to consult with external experts on technical or otherwise complex matters as appropriate.

Internal change and investment processes consider regulatory and legal inputs, such that sufficient funding can be allocated to deliver system and process changes in line with evolving regulatory and legal expectations.

Monitoring

In line with the group's three lines of defence model, businesses monitor their alignment with standards on an ongoing basis. Relevant management information, including the output of quality assurance activities, is reviewed by the RCCs.

An independent compliance monitoring team undertakes assurance to assess compliance with key regulations and the effectiveness of associated controls. Reports are provided to management and any remedial actions identified are tracked to completion.

Legal and compliance teams monitor for external developments through both structured horizon scanning activity, regular external updates on relevant issues and engagement in industry forums.

Outlook

Legal and regulatory risk continues to be inherently elevated across the financial services industry. The UK government's current proposals to reform UK financial services regulation and potential divergence between the UK and EU regulatory regimes could affect and provide further challenges for the group.

The ongoing inherent risk exposure for the group continues to increase across the jurisdictions in which it operates. The nature and scale of any risk exposure related to Consumer Duty by the FCA remains to be seen as it continues to evolve across the industry. Separately, the group's retail lending offerings in the Republic of Ireland operate in an environment with increasing regulatory activity – the Central Bank of Ireland continues to embed further regulatory expectations with respect to operational resilience and securing customer interests.

The group faces legal risks that could result in awards of substantial monetary damages, remediation exercises or fines. Specifically, the group has received a number of complaints, some of which are with the Financial Ombudsman Service ("FOS"), and is subject to a number of claims through the courts regarding historical commission arrangements with intermediaries on its Motor Finance products.

This inflow of complaints commenced following the FCA's 2021 changes to its Handbook rules after its consideration of historical motor finance commission arrangements and has increased following the January 2024 publication of three FOS decisions against other lenders on this topic, and the

FCA's simultaneous announcement of a review of this sector. This has resulted in an announcement by the FCA on 3 August 2025 that it will consult on an industry-wide scheme to compensate motor finance customers who were treated unfairly, with the consultation to begin by early October 2025.

This industry-wide scheme, once implemented, may give rise to a potential future obligation to compensate customers with historic claims. In its H1 2025 financial statements, the group recognised a provision in relation to motor finance commissions of up to £165 million. This provision has been reassessed in light of all available information and recent developments, and remains unchanged. The ultimate cost to the group could be materially higher or lower than the provision taken and remains subject to further clarity from the FCA on the scope and design of a redress scheme.

As outlined in Note 16, the group has recognised a provision of £33.0 million in relation to a proactive customer redress programme to be implemented by the group, following identification of historical deficiencies in certain operational processes related to early settlements of loans in the Motor Finance business.

Non-traded market risk

Optimise
Grow

Non-traded market risk is the current or prospective risk to the group's capital or earnings arising from changes in interest rates, credit spreads and foreign exchange rates applied to the group's non-trading book.

Exposure

The group's non-traded market risk exposure consists of interest rate risk in the banking book ("IRRBB"), credit spread risk in the banking book ("CSRBB") and foreign exchange risk.

IRRBB is predominantly incurred in the Banking division as a result of its lending and funding activities and from funding activities for the group holding company. Interest rate risk in the other division is immaterial.

CSRBB arises from the HQLA portfolio held in the Banking division.

Foreign exchange risk is incurred across the group and arises from foreign currency loan commitments; translating foreign currency assets, liabilities and profits; and non-sterling investments.

Risk appetite

The group has a restricted appetite for interest rate risk which is limited to that required to operate efficiently. The group's policy is to match repricing characteristics of assets and liabilities naturally. Where this is not possible, vanilla interest rate swaps are used to hedge the risk within prescribed limits.

The group has a limited appetite for credit spread risk which occurs due to the HQLA portfolio. The portfolio primarily comprises of Bank of England reserves, highly rated UK and European sovereign debt, sovereign-guaranteed debt, supranational debt and UK covered bonds.

The group has a restricted appetite for foreign exchange risk. It avoids large open positions and sets individual currency limits to mitigate the risk.

Measurement

Interest rate risk

The group recognises three main sources of IRRBB which could adversely impact future income or the value of the balance sheet:

- repricing risk – the risk presented by assets and liabilities that reprice at different times;
- embedded optionality risk – the risk presented by contractual terms embedded into certain assets and liabilities; and
- basis risk – the risk presented by a mismatch in the reference interest rate for assets and liabilities.

IRRBB is assessed and measured on a behavioural basis by applying key behavioural and modelling assumptions including, but not limited to, those related to fixed rate loans subject to prepayment risk, the behaviour of non-maturity assets and liabilities, the treatment of own equity, and the expectation of embedded interest rate options. This assessment is performed across a range of regulatory prescribed and internal interest rate shock scenarios approved by the bank's ALCO.

Two measures are used for measuring IRRBB, namely Earnings at Risk ("EaR") and Economic Value ("EV"):
- EaR measures short-term impacts to earnings, highlighting any earnings sensitivity, should interest rates change unexpectedly.
- EV measures longer-term earnings sensitivity, highlighting the potential future sensitivity of earnings, and any risk to capital, should interest rates change unexpectedly.

No material exposure exists in the other parts of the group, and accordingly the analysis below relates to the Banking division and company.

EaR impact (audited)

The table below sets out the assessed impact on group net interest income over a 12-month period from interest rate changes. The results shown are for an instantaneous and parallel change in interest rates at 31 July 2025:

	31 July 2025 £ million	31 July 2024 £ million
0.5% increase	**2.1**	0.1
2.5% increase	**10.1**	0.5
0.5% decrease	**(2.1)**	(0.1)
2.5% decrease	**(9.3)**	(0.8)

The group also monitors any potential earning exposure from basis mismatches between its lending and funding activities on a monthly cadence. To provide a clearer assessment of the group's exposure to interest rate changes, basis risk is excluded from the EaR numbers.

The group's EaR at 31 July 2025 reflects its policy to ensure exposure to interest rate shocks is managed within the group's risk appetites and the group's strategy to manage and minimise interest rate risk, to that required to operate efficiently. The EaR measure is a combination of the group's repricing profile and the embedded optionality risk, of which the latter is negligible in the current interest rate environment.

Earnings at Risk changed from £(0.1) million as at 31 July 2024, to £(2.1) million, as at 31 July 2025, for a 0.5% reduction in interest rates. This reflects the group's decision to maintain a higher level of liquidity in light of the uncertainty regarding the FCA's review of motor finance commission arrangements, noting that for liquidity holdings, earnings reduce when interest rates fall.

EV impact (audited)

The table below sets out the assessed impact on group EV, which measures the potential change in the balance sheet value following an instantaneous and parallel change in interest rates at 31 July 2025:

	31 July 2025 £ million	31 July 2024 £ million
0.5% increase	**1.0**	3.5
2.5% increase	**4.8**	17.2
0.5% decrease	**(0.9)**	(3.5)
2.5% decrease	**(0.3)**	(14.4)

The group's EV at 31 July 2025 reflects its policy to ensure exposure to interest rate shocks is managed within the group's risk appetites, and the group's strategy to manage and minimise interest rate risk, to that required to operate efficiently. The EV measure is a combination of the repricing profile and the embedded optionality. Economic Value at 31 July 2025, improved to £(0.9) million for a 0.5% decrease in interest rates due to the group bond being closer to maturity, and more active group hedging.

For a 2.5% decrease in interest rates, Economic Value benefited from the interest rate floors embedded in some of the customer loans.

Credit spread risk in the banking book

The group's HQLA portfolio is held for the purpose of liquidity management. The table below sets out the total exposure to each asset class held within the HQLA portfolio by the Banking division.

Credit spread risk arises on the bonds held in the HQLA portfolio and specifically to the change in the value of a bond relating to a change in a bond's credit spread, which is the difference between a bond's total interest rate and the corresponding risk-free interest rate, and represents the perceived creditworthiness of that bond.

In the HQLA portfolio, each bond's interest rate exposure is hedged, leaving the residual credit spread. Credit spread risk is monitored, assessed and measured. Measurement techniques include a historical stress methodology that is consistent with PRA requirements. The historical stress estimate is monitored against an internal risk appetite limit. Credit spread risk is only realised if the bond is sold and the swap hedging the interest rate risk is unwound before maturity.

	31 July 2025 £ million	31 July 2024 £ million
Cash and balances at central banks	**1,917.0**	1,584.0
Sovereign and central bank debt (LCR Level 1)	**601.6**	383.7
Covered bonds (LCR Level 1)	**100.4**	187.7
Covered bonds (LCR Level 2)	**5.2**	0
SSA bonds (LCR Level 1)	**146.2**	145.5
Total treasury liquid asset holdings	**2,770.4**	2,300.9

At 31 July 2025, the Banking division did not hold any encumbered assets in its HQLA portfolio.

Foreign exchange risk (audited)

The group recognises three categories of FX risk:

1. transaction risk: the risk relating to foreign currency loan commitments;
2. translation risk: the risk relating to converting foreign currency balances and profits into sterling; and
3. structural FX risk: the risk relating to the potential impact on capital ratios relating to non-GBP exposures.

Transaction risk is measured daily within treasury based on net cash flows and contracted future exposures. Treasury's strategy is to hedge the FX risk as soon as it arrives, and to have zero FX transaction exposure each day at close of business.

Translation risk is monitored within each business monthly, translating non-UK profits regularly to mitigate fluctuations in foreign exchange rates. The group's largest FX exposure is from its euro lending and funding activities. A change in the euro exchange rate would increase the group's equity by the following amounts:

	31 July 2025 £ million	31 July 2024 £ million
15% strengthening of sterling against the euro	**2.0**	0.5

The bank seeks to match its assets and liabilities by currency; any remaining gaps are hedged using exchange rate derivative contracts. Details of these derivatives are disclosed in Note 13 "Derivative financial instruments". Structural FX risk is assessed at least annually and is deemed to be immaterial.

The group also has exposures which arise from share trading settled in foreign currency in Winterflood and foreign currency equity investments. The group has policies and processes in place to manage foreign currency risk, and as such the impact of any reasonably expected exchange rate fluctuations would not be material.

Mitigation (audited)

The group maintains a limited appetite for interest rate risk with simple hedging strategies in place to mitigate risk. The Banking division's treasury is responsible for hedging the non-traded interest rate risk. Any residual risk which cannot be naturally matched is hedged utilising vanilla derivative transactions to remain within prescribed risk limits. The Group Asset and Liability Committee ("GALCO") and ALCO are respectively responsible for approving any changes to hedging strategies before implementation for the company and bank.

Derivative transactions can only be undertaken with approved counterparties and within the respective credit risk limits assigned to those counterparties.

All marketable securities are “hold to collect and sell” and have their interest rate exposure hedged on a back-to-back basis with vanilla interest rate swaps. The exception to this is the £250 million group bond, which is hedged as part of the overall group exposure.

Foreign exchange exposures are generally hedged using foreign exchange forwards or currency swaps with exposures monitored daily against approved limits.

Monitoring

The GALCO monitors the non-traded market risk exposure across the group’s balance sheet. ALCO monitors the non-traded market risk exposure for the Banking division. Treasury is responsible for day-to-day management of all non-traded market risks. Day-to-day oversight is exercised via a combination of daily reporting by the treasury finance team, and divisional RCC review and challenge. Further independent oversight is provided via the second line of defence through the asset liability management risk team (“ALM Risk”), with monthly reporting into ALCO and GALCO.

Banking businesses have operational processes and controls in place to monitor their exposure to IRRBB and ensure it remains within approved local risk appetites. Any exceptions are reported to ALM Risk on the same working day. Residual IRRBB that is not transferred into treasury for central management through the Banking division’s funding transference process, is monitored by the businesses through their respective RCCs, treasury’s first line of defence, and ALM Risk.

ALM Risk is responsible for maintaining processes and controls to monitor the group position and report exposures to ALCO and GALCO, and subsequently to GRCC and the Risk Committee. An ALM system is deployed as the primary source for IRRBB reporting and risk measurement.

Outlook

The group expects exposure to interest rate risk, credit spread risk and foreign exchange risk to remain broadly stable.

Operational risk

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Grow

Operational risk is the risk of loss or customer harm resulting from inadequate or failed processes, people and systems or external events. This includes the risk of being unable to recover systems quickly and maintain critical services.

Exposure

Operational risks arise from day-to-day business activities, many of which have the potential to result in direct or indirect financial loss or adverse impact, including impact to the group's financial performance, levels of customer care or reputation.

The group strives to deliver operational efficiency in the implementation of its objectives and accepts that a level of loss may arise from operational failure. Implementing key controls and monitoring helps ensure that risks are managed, and losses remain within acceptable limits.

Operational risk is a core component of the Enterprise Risk Management Framework and is embedded in day-to-day business activities. Requirements and responsibilities are set out in the Operational Risk Policy and supporting standards as part of the framework to identify, assess, mitigate, monitor and report the operational risks, events and issues that could impact the achievement of business objectives or impact core business processes.

The business is responsible for the day-to-day management of operational risk, with advice and oversight provided by the risk and compliance function with assurance activities undertaken by group internal audit.

The group’s exposure to operational risk is impacted through the need to engage with innovative, dynamic third parties; delivery of new products and services; and effective use of reliable data in a changing external environment, to support delivery of the group’s strategic objectives.

Alongside ongoing risk and control monitoring, operational risk oversight is aligned across the following key risk categories:

IT resilience risk

The group’s ability to adapt to disruptions, while maintaining continuous operations on critical processes and safeguarding technology in the face of severe but plausible adverse events, operational disruptions or incremental changes. The group recognises the significant regulatory focus on resilience with increased reliance on remote working, use of third parties, cloud solutions and automated digital solutions.

How this risk is managed

The group’s technology estate is undergoing significant transformation, with a strategic shift towards simplification and optimisation. This includes the migration of core business services to cloud platforms and deepening partnerships with key third-party providers. Over the next two reporting periods, the group will prioritise resilience through enhanced business continuity and disaster recovery planning, while also improving agility in the delivery of banking products.

Financial crime and fraud risk

The risk that the group’s products and services are used to facilitate financial crime and fraud against the group, its customers and third parties. If the group does not take measures to minimise the impact of financial crime and fraud risk, or adhere with the relevant laws and regulations, it risks financial loss, regulatory fines and reputational damage.

The group has an established control framework to help prevent and mitigate financial crime and fraud risks, including policies, standards and procedures including fraud loss recovery plans that are consistent with the group’s purpose and designed to help safeguard the interest of customers.

Whilst external environmental drivers may now be easing cost-of-living causal factors, the opportunism and sophistication of individuals and groups, and the technology to support financial crime and fraud, is increasing. The largest driver of events is third-party identity fraud, with the largest losses coming as a result of credit facility misuse.

How this risk is managed

The group has established a framework of systems and controls to help prevent and detect financial crime and fraud. The group continuously evolves and enhances the control framework to prevent its products and services being used to facilitate financial crime and fraud. The group is also taking advantage of new technologies to combat emerging threats.

Third-party risk

The risk associated with ensuring that the group's outsourced and offshoring arrangements are controlled effectively, including the risk of failure which may impact customer service; the potential cessation of specific activities; the risk of personally identifiable information or group sensitive data being exposed or exploited; and the risk of financial, reputational and regulatory censure should the third party enter into any illegal or unethical activities.

In line with the group's increased strategic appetite for material outsourcing to provide greater agility to meet strategic goals, our risk frameworks are evolving to maintain effective risk management.

How this risk is managed

The group continues to enhance its third-party risk and controls framework, and oversight approach, with ongoing performance management and due diligence undertaken, to seek to ensure that supplier relationships are controlled effectively.

Workplace risk (property, physical and personal security risk)

The risk to the safety and protection of colleagues, customers and physical assets arising from unauthorised access to buildings, theft, robbery, intimidation, blackmail, sabotage, terrorism and other physical security risks.

How this risk is managed

Physical and personal security standards are managed by the group's property and workplace team. Controls are in place to protect physical assets, as well as the security of colleagues and customers.

Data risk

The risk of poor-quality data leading to loss, customer disruption, potential misrepresentation in regulatory reporting, non-compliance with General Data Protection Regulations ("GDPR") and unnecessary rework.

Quality data underpins decision-making at all levels of the organisation. The group views data risk holistically through the life cycle from acquisition to usage and eventual disposal.

Ongoing development and enhancement of the group's data strategy, methodology, framework and governance to identify, assess, treat and report risk and issues across our critical data elements continues.

How this risk is managed

The group is taking active steps to strengthen its data governance framework. In collaboration with a leading consultancy, efforts are focused on embedding governance across business units to seek to ensure data is well-managed, reliable, and of the quality required to support decision-making and regulatory compliance.

Model risk

The group has adopted the PRA's SS1/23 definition of a model, defined as "a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into output".

Model input data could be quantitative and/or qualitative, or expert judgement-based, and model outputs are quantitative or qualitative.

The use of models invariably presents an element of model risk, and the group has adopted the European Directive 2013/36/EU (Article 3(1)(11)) definition of model risk i.e. "the potential loss an institution may incur, as a consequence of decisions that could be principally based on the output of internal models, due to errors in the development, implementation or use of such models." Model risk increases with greater model complexity, higher uncertainty around inputs and assumptions, broader use, and larger potential impact. If left unmitigated, model risk may lead to poor decision-making, misreporting or a failure to identify risks.

How this risk is managed

The group has a robust model risk framework embedded across the group and deploys a risk-based approach to classify each model according to materiality. This is underpinned by a Model Risk Policy and various supporting standards and procedures.

The group has adopted a three lines of defence approach to the management of model risk, with the first line formed by model owners and model developers focusing on the build, maintenance and monitoring of models. The second line of defence is composed of two teams: the group model risk management and the risk operations and governance teams. The former is responsible for the model risk policy and associated standards along with the independent validation exercises across the group. The latter teams are responsible for the management of the model inventory (master source of the group's model management information) and the aggregate model risk reporting (based on governance status and performance of models). Finally, the third line of defence is formed by our internal audit function performing independent audits.

The Model Governance Committee is the primary model approval authority and body responsible for overseeing the framework used to manage model risk.

Information security risk

The risks arising from inadequate internal and external information, where failures impact the confidentiality, integrity and availability of electronic data.

In response to the evolving threat landscape, the group continues to mature. This includes strengthening defences through strategic partnerships and enhancing internal capabilities. Visibility and vigilance remain central to the group's approach, seeking to ensure proactive identification and mitigation of risks to technology and data.

How this risk is managed

The group uses an industry-standard framework to anchor its cyber risk management, continually assessing and developing its maturity. The group maintains robust cyber and information security standards and policies, and controls are in place and operating, with periodic assurance completed. This includes threat intelligence, education and awareness, partnerships with strategic partners and effective deployment across the three lines of defence model to manage and undertake assurance of controls within the group and our third parties.

People risk

The risk of not having sufficiently skilled, capable and engaged colleagues, who are clear on their responsibilities and accountabilities and who behave in an ethical way. This could lead to inappropriate decision-making that is detrimental to customers, colleagues, other key stakeholders or shareholders and could ultimately lead to regulatory sanction.

How this risk is managed

The group has a range of key risk indicator ("KRI") metrics in place which help to measure and report people risk. Operational controls are designed to mitigate the risks associated throughout each element of the colleague life cycle. Group-wide systems provide tools and online guidance to all colleagues to support them in discharging their accountabilities and creating a culture in which everyone can thrive. Periodic employee engagement surveys are also completed.

Risk appetite

The group is prepared to tolerate a level of operational risk exposure within agreed limits but has limited appetite for operational risks with significant residual exposure. In these instances a near-term mitigation strategy is required. The group monitors aggregate loss trends and seeks to limit aggregate losses arising in any given year. Where risks could impact not just financial loss but our ability to service customers, in line with the group's conservative approach to risk management, controls are implemented in a manner that reduces the likelihood of higher-impact events. Should they crystalise, immediate steps are taken to minimise disruption and ensure swift recovery.

Measurement

Operational risk is measured through KRIs, observed impact of risk events, periodic risk and control self-assessments and scenario analysis.

Each key risk has a set of defined KRIs which are regularly monitored via local, divisional and group committees with exceptions reported to the GRCC and the Board Risk Committee.

Material operational risk events are identified, reviewed and escalated in line with criteria set out in the Enterprise Risk Management Framework and supporting standards. Lessons are learned and root cause analysis is undertaken, with appropriate management action plans implemented.

Losses may result from both internal and external events and are categorised using risk categories defined as part of the taxonomy deployed within our risk management tool. Mapping to the Basel II categories is disclosed to support industry data and trends analysis. Due to the nature of risk events, losses and recoveries can take time to crystallise and therefore may be restated for prior or subsequent financial years.

Mitigation

The group seeks to deliver its strategic objectives and maintain operational resilience and accepts a level of loss may arise from operational failure.

A clear governance structure supports effective risk ownership and accountability across the group. Risk culture is reinforced through training, tone from the top and clear escalation routes for concerns.

We operate controls over the group's most significant operational risks ensuring there are near-term mitigation strategies where risks are greatest and seek to ensure these are sufficient to prevent material disruption of our service to customers and/or our businesses. Where appropriate we also maintain insurance policies to mitigate the financial impact of certain operational risks.

Monitoring

The Board delegates authority to the GRCC to manage the group's operational risk framework on a day-to-day basis and provide oversight of its exposure. The committee is supported by the OTRC which is responsible for oversight of technology, information security, third-party and certain other resilience-related risks. Regular management information is presented to and discussed by these committees and additionally local business RCCs.

The risk function has a dedicated operational risk team which is responsible for maintaining the framework, tool sets and reporting necessary for effective operational risk management. The group has identified, assessed and monitored all key operational and resilience risks, including undertaking a biannual assessment of control effectiveness, monitoring key risk indicator trends and escalating events, in accordance with policy and standard requirements.

Operational risk losses by Basel category

	% of total volume		% of total losses	
Operational risk losses by Basel category[1, 2, 3, 4, 5]	**2025**	2024	**2025**	2024
Business disruption and system failures	**1%**	1%	**0%**	0%
Clients, products and business practices	**4%**	6%	**9%**	8%
Execution, delivery and process management	**14%**	13%	**27%**	71%
External fraud	**80%**	81%	**63%**	20%
Internal fraud	**0%**	0%	**0%**	0%
Employment practices and workplace safety	**0%**	0%	**0%**	0%
Damage to physical assets	**0%**	0%	**0%**	0%

1. Gross losses greater than or equal to £5,000.
2. Historical loss amounts can change due to the dynamic and ongoing reporting of recoveries.
3. Losses from CBAM excluded from 2024 and 2025.
4. Percentages have been rounded where appropriate.
5. Table excludes any operational losses which may arise in line with the provision taken in relation to early settlements in Motor Finance.

In the second line, operational risk managers are aligned to businesses, with an additional technical second line of defence team providing specialist oversight of technology, workplace, information security, data, resilience and third-party risks. Monitoring of all operational risk domains is conducted via divisional RCCs with escalation to the GRCC and Risk Committee as appropriate.

The delivery of a standardised framework and management information across all operating risks is complemented by periodic thematic reviews conducted on key focus areas and reviewed by the GRCC and Board Risk Committee. Assurance is obtained through reviews conducted by second line and group internal audit.

Additionally, the group has an embedded Whistleblowing Policy which sets out the high-level framework for meeting regulatory requirements in relation to the handling of reportable concerns by whistleblowers. The policy and supporting standard sets out the process to raising aspects of concerns by all employees, past and current, across the group.

Furthermore, the risk function performs a level of oversight of the group's business planning process, including analysis of industry trends or forward-looking threats that could lead to material impact on our ability to deliver on the strategic objectives or result in a significant impact on assessment of operational risk capital.

Stress testing

The group develops and maintains a suite of operational risk scenarios using internal and external data. These scenarios provide insights into the stresses the business could be subject to given plausible but severe circumstances. Scenarios cover material operational risks across key risk domains and are developed by businesses and senior management across the group with the process facilitated by the risk function, GRCC and the Risk Committee, as part of the ICAAP process, and support the setting of operational risk Pillar 2a capital. Management actions are agreed and monitored and linked with business resilience and continuity testing where appropriate.

Outlook

The group is undertaking a significant change agenda in an effort to simplify and to reduce its cost base. Change delivery and capacity therefore continue to be areas of management focus. The group continues to plan resource needs to support its strategy, change execution and wider technology and information transformation, noting continued management strain is anticipated.

The established group-wide operational risk framework is currently being enhanced as part of the group's investment in improved capability. This includes transitioning to a new governance, risk and compliance system which will further enhance monitoring and oversight as well as the provision of group-wide operational risk training. The group is also undertaking a review of its Risk Target Operating Model to further enhance risk management capability, capacity and embedment of risk management across the group.

Reputational risk

Simplify
Optimise
Grow

Reputational risk is the risk of detriment to stakeholder perception of the group, leading to impairment of its reputation and its future goals, due to any action or inaction of the company, its employees or associated third parties.

Exposure

Protection and effective stewardship of the group's reputation are fundamental to its long-term success.

Detrimental stakeholder perception could lead to impairment of the group's current business and future goals. The group remains exposed to potential reputational risk in the course of its usual activities, such as through employee, supplier or intermediary conduct, the provision of products and services, crystallisation of another risk type, or as a result of changes outside its influence.

Risk appetite

The group has a strong reputation which it has built over many years and considers it a valuable asset, managing it accordingly through consistent focus on a set of cultural and ethical attributes. The group has no tolerance for behaviours that contradict these attributes in a manner that could harm it, and avoids engaging with third parties, markets or products that would inhibit the group's adherence to them.

The group seeks to operate in a responsible manner that has client outcomes at the heart of everything that it does. Protection of the group's reputation is firmly embedded in its business-as-usual activities, and the group, as part of its overall strategy, adopts a prudent approach to risk-taking.

The group also recognises that its reputation is linked to broader responsibilities to help address social, economic and environmental challenges, and maintains appropriate sustainable objectives that the group sets itself as a business.

Core drivers of reputational risk

Measurement

Risk identification and subsequent management actions are embedded within business-as-usual activities.

Additionally, the group actively monitors for changes in the business, legal, regulatory and social environment in which it operates to ensure the timely identification, assessment and mitigation of any potential reputation concerns that may arise following changes in the expectations of key stakeholders. For instance, the management of the increased media attention in relation to the FCA's review of historical motor finance commission arrangements.

Mitigation

Reputational risk management is embedded through the organisation, including via:

- focus on employee conduct, with cultural attributes embedded throughout the group;
- supplier and intermediary conduct management through the relationship life cycle;
- new product approval and existing product review processes for business products and services;
- a proactive approach to environmental, social and governance matters;
- embedding of reputational risk management within the management frameworks of other risk types;
- proactive communication and engagement with investors, analysts and other market participants; and
- proactive engagement with regulators on key matters.

In addition, the group maintains policies and standards that serve to protect the group's reputation, most notably those covering anti-bribery, conflicts of interest, dignity at work and high-risk client policies. These are regularly reviewed and updated with staff receiving annual training to reinforce understanding of their obligations.

The group crisis management team supports management of cases where there is a potential risk of reputational impact on the group on an exceptional basis. A communications plan also forms part of the group's Recovery Plan, which sets out core principles to ensure fair and transparent communication, to control the risk of misinformation and minimise any negative reaction to the implementation of recovery options.

Monitoring

Reputational risk is considered across all three lines of defence as part of oversight and assurance activities.

Adherence to the group's cultural framework is monitored through the culture dashboard, which is reported to the Board on a quarterly basis and includes key metrics in relation to culture across the group and each of its divisions. Customer forums are also in place across the group, reinforcing its commitment to favourable client outcomes. Regular engagement with investors also enables open communication with this stakeholder group.

Sustainability considerations are integrated across management forums at a business and group level. For more information on this see the Sustainability Report on page 27.

Outlook

Established group-wide and employee-level focus on responsibility and sustainability enables an approach in all businesses that aligns to a range of stakeholder expectations, which is supported by group-level oversight.

The continuation of elevated attention in relation to any redress schemes, including that associated with the FCA's review of historical motor finance commission arrangements, may lead to an adverse perception of the group.

Traded market risk

Traded market risk is the risk that a change in the value of an underlying market variable will give rise to an adverse movement in the value of the group's trading assets and trading liabilities.

Exposure

Traded market risk in the group only arises in Winterflood, whose core business is to provide liquidity and interact with the market on a principal basis, holding positions in financial instruments as a result of its client facilitation activity.

Winterflood operates as a market maker in equities, exchange-traded products, investment trusts and sovereign and corporate bonds, operating across three primary markets: the United Kingdom, North America and Europe. For hedging purposes, derivatives are also traded, although these are limited to listed futures in UK fixed income markets and FX forwards.

Risk appetite

Winterflood's strategic objectives and business plan are centred on its ability to continue transacting in the markets in which it operates, in the manner it has historically. The group sets its risk appetite accordingly, acknowledging that an acceptable level of traded market risk must be incurred for the business to operate effectively.

Winterflood maintains sufficient levels of capital and liquidity to cover its traded market risk exposure.

Measurement

Traded market risk is measured against a set of defined risk limits set at global, desk and individual stock levels, on both an intraday and end-of-day basis. These limits are monitored via a combination of internally-developed and external systems on an intraday and overnight basis against a limit framework aligned to the group's risk appetite.

The framework incorporates:

- market risk appetite being managed via trading book exposure limits. The limits are set on gross cash positions, also the sterling value of a basis point ("SV01") for products with interest rate exposure;
- adoption of a real-time limit monitoring system, along with end-of-day summary reports to track equity, fixed income and FX exposures against agreed limits; and
- minimal exposure to derivatives (limited to hedging of interest rate exposures and FX positions resulting from exposures in securities settling in foreign currency).

Mitigation (audited)

The management of traded market risk is fully embedded within Winterflood's governance and control framework. Key attributes include:

- oversight of all risk issues, including traded market risk, via Winterflood's RCC. Management information and KRIs are reported to the committee on a monthly basis with escalation to the GRCC and Risk Committee where needed;
- the maintenance of a group Market Risk Policy and a specific Traded Market Risk Standard at Winterflood, outlining minimum governance requirements and escalation. Implementation of these requirements is achieved through documented front office procedures and risk procedures;
- the maintenance of risk mandates for all traders, detailing the business' market-making strategy, controls frameworks and policies and procedures;
- order entry controls in place across the trading floor limiting, amongst other trading variables, the executable value per order (these are documented in a front office procedure); and
- the provision of training to all new joiners and newly certified staff by the Business and Trading Controls team. This training includes certain market risk considerations as well as details on order entry controls.

Monitoring

Building on the use of real-time limit monitoring, the monitoring of traded market risk is embedded across all three lines of defence. Top-down visibility is exercised via Winterflood's RCC, which retains oversight of core traded market risk management information and key risk indicators, as well as stress testing outputs, policies and standards.

The Winterflood risk team works in conjunction with the Business and Trading Controls team to ensure the management of traded market risk is correctly aligned to applicable controls. To support this, management information dashboards are utilised alongside daily reporting to help manage market risk on a daily and intraday basis.

Outlook

The following themes have driven markets over the past 12 months: fiscal credibility of advanced economies, falling inflation and interest rates, increased trade barriers and escalating conflicts. These themes look likely to continue over the next 12 months, with the potential to impact trading volumes and security valuations.

Trading financial instruments: Equity shares and debt securities (audited)

The group’s trading activities relate to Winterflood. The following table shows the group’s trading book exposure to market risk:

	Highest exposure £ million	Lowest exposure £ million	Average exposure £ million	Exposure at 31 July 2025 £ million
For the year ended 31 July 2025				
Equity shares				
Long	**46.7**	**18.5**	**25.6**	**28.3**
Short	**21.7**	**4.8**	**7.9**	**10.4**
Net position			**17.7**	**17.9**
Debt securities				
Long	**23.4**	**3.2**	**8.6**	**10.5**
Short	**15.1**	**2.0**	**5.4**	**6.0**
Net position			**3.2**	**4.5**

	Highest exposure £ million	Lowest exposure £ million	Average exposure £ million	Exposure at 31 July 2024 £ million
For the year ended 31 July 2024				
Equity shares				
Long	54.9	19.0	26.0	25.8
Short	35.1	3.8	7.2	9.3
Net position			18.8	16.5
Debt securities				
Long	31.9	4.7	12.9	16.0
Short	12.5	1.9	4.4	5.5
Net position			8.5	10.5

With respect to the long and short positions on debt securities, £1.6 million and £0.2 million (2024: £11.1 million and £0.1 million) were due to mature within one year respectively.

The average exposure has been calculated on a daily basis. The highest and lowest exposure columns reflect the absolute maximum and minimum long and short debt and equity exposures across the relevant period (rather than the maximum and minimum net position).

Based upon the trading book exposure given above, a 10% hypothetical fall in equity and debt market prices would result in a £1.8 million decrease in the group's earnings and net assets on the equity trading book and a £0.5 million decrease on the gilts trading book.

Going concern

The Directors have assessed whether they consider it appropriate that the company and the group adopt the going concern basis of accounting in preparing the financial statements. For the purposes of going concern, the Directors have reviewed the group's strategic plan to December 2026, being 15 months from the date of approval of the financial statements. This is in line with the assessment period (15 months) reviewed as part of the FY 2024 going concern assessment and is in excess of IAS 1 and UK Corporate Governance Code requirements of at least 12 months.

As part of the Directors' consideration of the appropriateness of adopting the going concern basis, a range of forward-looking scenario analyses have been considered. These include the 3 Year Strategic Plan ("3YSP") presented to the Board in July, the "severe but plausible" scenario, and the 2024 Internal Liquidity Adequacy Assessment Process ("ILAAP") and 2024 Internal Capital Adequacy Assessment Process ("ICAAP"). These were reviewed together with a number of key risks which are set out in the Risk Report under the heading Principal risks: Funding and liquidity risk on pages 101 to 102 and Capital risk on pages 81 to 83.

A key area of focus in the 2025 financial year has been the Financial Conduct Authority ("FCA") review of historical motor finance commission arrangements and the Supreme Court appeals, and their impact on the group's activities. The group recognised a provision of £165 million relating to motor finance commissions in January 2025. This provision is based on probability weighted scenarios using various assumptions and which included estimates for certain potential operational and legal costs, as well as estimates for potential customer redress. This provision has since been reviewed, considering developments since January 2025, namely the Supreme Court's judgment in relation to the Supreme Court appeals and the FCA announcement regarding its intention to consult on an industry wide redress scheme in respect of motor finance commissions. Based on further analysis and updated probability weighted scenarios, the Directors have concluded that the existing provision continues to be appropriate. Further details on motor finance commissions is outlined on pages 8 to 9.

Whilst the Supreme Court appeals have concluded and some clarity has been gained, the FCA's review of motor finance commission arrangements is ongoing and uncertainty as to the range of outcomes prevails. The group recognises the need to plan for a range of possible outcomes, and continues to prioritise maintaining a strong capital position, balance sheet, and prudent approach to managing its financial resources.

The group's "severe but plausible" going concern scenario builds on the 3YSP, and overlays with additional provision relating to motor finance commissions in January 2026, subdued loan book growth and higher-than-expected operational costs. Such an additional provision was derived by stressing the assumptions used to calculate the existing provision relating to motor finance commissions.

The modelling output of the "severe but plausible" scenario highlights the resilient capital position, with the group's capital ratios in excess of minimum regulatory requirements and capacity to absorb losses and increases in RWAs beyond the impacts modelled, strengthened by available management actions.

The two stress testing scenarios modelled for the group's most recent ICAAP, approved by the Board in January 2025, were used to provide additional context for the Directors alongside the going concern assessment. The ICAAP forms part of the group's overall capital risk framework, outlined on page 81.

The group continues to have a strong and conservative business model, lending in a variety of sectors across a diverse range of assets. The group remains well positioned in each of its businesses, is soundly funded, and has strong levels of liquidity. The group maintains strong headroom to minimum regulatory requirements to withstand the "severe but plausible" going concern scenario elements. 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.

Under all assessed scenarios, the group continues to operate with sufficient levels of capital for the next 15 months from the reporting date, with the group's capital ratios in excess of minimum regulatory requirements.

Separately from managing the group capital position, the group adopts a conservative approach to funding and liquidity risk and seeks to maintain a funding and liquidity position characterised by sustaining a diverse range of funding sources and holding a prudent level of high-quality liquidity. As such, the weighted average maturity of its funding is longer than the weighted average maturity of its lending portfolio. The Board reviewed these factors when concluding upon going concern.

These objectives form the basis for the group Funding and Liquidity Risk Appetite Statement, approved annually by the Board, which outlines the levels of funding and liquidity risk that the group is willing to assume. Given the materiality of the Banking division, this is primarily focused on the levels of risk assumed within the bank.

As part of the liquidity management process, the Banking division also uses a suite of internally developed liquidity stress scenarios to monitor its potential liquidity exposure daily and determine its HQLA requirements. This ensures that the Banking division remains within risk appetite and identifies potential areas of vulnerability. These stresses are formally approved by the ALCO, GRCC and Board and cover both idiosyncratic and market-wide stresses. The bank adopts the most severe stress to determine the amount of liquidity it needs to hold. At 31 July 2025, the bank held sufficient liquidity resources to meet the applicable stress.

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.

Viability statement

Consideration

In accordance with provision 31 of the UK Corporate Governance Code, the Board has assessed the prospects of the group and confirms that it has a reasonable expectation that the company and group will continue to operate and meet their liabilities, as they fall due, for the three-year period up to 31 July 2028.

Strategic and financial outlook

The Board has considered the longer-term viability of the group and considers three years to be an appropriate period for the assessment to be made. A period of three years has been chosen because it is the period covered by the group's well-embedded strategic planning cycle. A three-year period aligns with the group regulatory and internal stress testing processes, including: (i) group-wide internal forecasting and stress testing, which have undergone significant review and challenge, to confirm the viability of the group; (ii) the ICAAP, which assesses capital requirements; and (iii) the ILAAP, which identifies liquidity requirements.

Risk management and risk profile

In making its assessment, the Board has identified and assessed the principal and emerging risks facing the group and these are highlighted on pages 74 to 79. The group's approach to monitoring and managing the principal risks faced by the group's business, including financial, business, market and operational risks, has remained consistent given the group's activities, business model and strategy are unchanged.

The group utilises an established risk management framework to identify and monitor its portfolio of emerging risks incorporating the group's "bottom up" and "top down" approach. These approaches are monitored by the local and group risk and compliance committees. Key emerging risks can be found in the Risk Report on page 79.

Assessment

The group will continue to monitor and assess these risks, by: adhering to its established business model as outlined on pages 16 and 17; implementing an integrated risk management approach based on the concept of "three lines of defence"; and setting and operating within clearly defined and monitored risk appetites.

As outlined in the going concern statement, a key area of focus for the financial year has been the FCA's review of historical motor finance commission arrangements and the Supreme Court appeals, and their impact on the group's activities. Whilst the Supreme Court appeals have concluded and some clarity has been gained, the FCA's review is ongoing and uncertainty as to the range of outcomes prevails, and the group recognises the need to plan for a range of possible outcomes. The Board has placed considerable focus on its review and challenge of the group's 3YSP and the results of key scenario modelling.

The group's business model has worked well through a range of economic, social and environmental conditions over multiple economic cycles, and this is projected to continue over the medium term. Taking into account the group's lending in a variety of sectors across a diverse range of assets, the Board considers medium-term economic, social, environmental and technological trends at the individual business unit level as part of the strategic planning cycle. This includes focusing on the long-term strategic approach to simplify, optimise and grow the group business model, with key priorities outlined on pages 10 to 11.

The Board has also assessed the group's viability by considering several forward-looking scenarios, namely the ICAAP and ILAAP, as well as the "severe but plausible" scenario that was used for the going concern assessment. Various macroeconomic assumptions have been assessed across the scenarios including GDP growth, inflation, interest rates, unemployment, residential house prices and equity prices (refer to the Risk Report on pages 92 to 95). The modelling considers the group's future projections of profitability, cash flows, capital requirements and resources, and other key financial and regulatory ratios over the period. In the modelled scenarios, it has been assumed that no significant structural changes to the company or group will be required that are not known or planned at the time of the assessment.

The group's "severe but plausible" going concern scenario has been extended out to the 2028 financial year in order to support the viability assessment, with overlays to the 3YSP. The overlays include an additional provision relating to motor finance commissions in January 2026, subdued loan book growth and higher-than-expected operational costs. Headroom to regulatory requirements was maintained on all capital ratios in this scenario, demonstrating the group's capacity to absorb losses. In addition, the Directors have reviewed the key management actions which would be taken in the event of a stress scenario, in order to mitigate the stress, and the viability of these actions based on recent experience.

The group maintains capital ratios significantly above regulatory minima, which are currently set at a minimum common equity tier 1 ratio of 9.7% and a minimum total capital ratio of 13.7%. In all assessed scenarios, the company and group continue to operate with sufficient levels of capital, with the group's capital ratios and funding and liquidity positions in excess of minimum regulatory requirements.

In making this assessment, the Directors have considered a wide range of information, including:

- the Board's risk appetite and robust assessment of the principal and emerging risks which could impact the performance of the group, and how these are managed – please refer to the Risk Report on pages 68 to 112;
- the group's current financial position and prospects – please refer to the Financial Overview section on pages 51 to 67; and
- the group's business model and strategy – please refer to the Business model section on pages 16 to 17, and the Strategy and Key Performance Indicators sections on pages 10 to 13.

The Directors have also considered the results of the most recent iterations of the following reviews:

- the annual review of the Recovery Plan, which included employing a number of scenarios to test the group Recovery Plan, the wide range of risk indicators and the recovery options available to the group;
- the 2024 group ICAAP, which included both stress testing and scenario analysis. At a group level, two severe stress test scenarios were assessed representing protracted downside scenarios. These took account of the scope and likely effectiveness of mitigating actions that could be taken by management to avoid or reduce the impact or occurrence of underlying risks. As part of the ICAAP, reverse stress testing was also undertaken to support the identification of potential adverse circumstances and events; and
- the 2024 ILAAP, which was reviewed to assess the group's liquidity across a range of market-wide and idiosyncratic scenarios. This confirmed the ongoing strength of the group's funding and liquidity model. Please refer to note 26 on financial risk management for further details.

This forward-looking Viability Statement made by the Board is based on information and knowledge of the group at 30 September 2025. Unexpected risks and uncertainties may arise from future events or conditions, such as economic changes and business conditions, which are beyond the group's control and could cause the group's actual performance and results to differ from those anticipated.

In conclusion, the Directors have determined that they have a reasonable expectation that the group and company will be able to continue their operations and meet their liabilities as they fall due over the three-year period of the assessment.

This Strategic Report was approved by the board and signed on its behalf by

Mike Morgan
Chief Executive

30 September 2025

Chairman's introduction to governance

"The Board's purpose is to lead the group to generate long-term value for shareholders and all its stakeholders. High-quality and effective corporate governance and considered decision-making underpin the long-term, sustainable success of the group."

Michael N. Biggs
Chairman

Dear shareholder

On behalf of the Board, I am pleased to introduce the Corporate Governance Report (the "Report") for the year ended 31 July 2025.

The following pages explain the group's corporate governance arrangements and the key activities undertaken by the Board during the year to ensure effective decision-making and stewardship of the group's strategy, business model and performance. The report explains how we have complied with the UK Corporate Governance Code 2018 (the "Code") during the year.

Outlook

During the course of the 2025 financial year, the FCA's review of historical motor finance commission arrangements and the October Court of Appeal decision in Hopcraft, gave rise to significant industry-wide uncertainty. Notwithstanding the fact that the outcome of our Supreme Court appeal of Hopcraft provides clarity as to the law, there remains a significant amount of uncertainty pending the outcome of the FCA's review of motor finance commissions and any industry-wide redress scheme. As we navigate this continued uncertainty, now more than ever before, the importance of maintaining high standards of corporate governance is paramount. The Board's purpose is to lead the group to generate long-term value for shareholders and all its stakeholders. High-quality and effective corporate governance and considered decision-making underpin the long-term, sustainable success of the group.

Strategic priorities

This year has brought unique challenges for the group. The uncertainty relating to historical motor commissions has been the major focus for the year and has required the Board to lead dynamically and prepare the group to deal with a wide range of possible outcomes. We made the decision to appeal the Hopcraft judgment and the case was heard at the Supreme Court in April 2025, with the judgment announced on 1 August 2025. We look forward to the greater clarity that will come with the conclusion of the FCA's consultation on a redress scheme.

The Board also initiated a separate remediation exercise in relation to historical deficiencies which have been identified in certain operational processes in relation to the early settlements of loans in the Motor Finance business. Effective Board decision-making in these areas has been supported by a great deal of additional meeting time through a significant number of ad hoc Board meetings. I would like to thank my fellow Directors for the dedication and significant extra time commitment they have demonstrated this year in particular.

The Board has navigated these challenges while continuing to look more broadly to the group's strategic outlook, resilience and growth. During the year we continued to build capital through a variety of methods, including the sale of Close Brothers Asset Management, in line with our previously announced approach to further strengthening the group's capital position. We have also taken important strategic decisions to drive organisational simplification and efficiency to optimise our cost base, as shown on page 10.

The group's business model relies on the excellent service, specialist expertise and strong relationships with our customers, and I am pleased that these strong foundations continue to lie at the heart of what we do and why we do it.

Leadership and culture

During the year, following a period of medical leave, Adrian Sainsbury stood down from his position as Group Chief Executive to focus on his health. Mike Morgan was subsequently appointed Group Chief Executive in January 2025, following several years as Group Finance Director. Mike brings deep knowledge of the organisation to the role and his appointment ensures continuity in the leadership of the group and delivery of our strategy. On behalf of the entire Board, I sincerely thank Adrian for his contribution to the group which included overseeing a period of significant growth and development and successfully leading the organisation through challenging periods and heightened geopolitical uncertainty.

Following the end of the 2025 financial year, the Board was pleased to appoint Fiona McCarthy, Group Chief Finance Officer, as an Executive Director. Fiona has over 30 years' experience in financial services across the retail, commercial, corporate and investment banking sectors, including six years at Close Brothers. We are looking forward to working with Fiona in this new capacity.

As I approach the end of my tenure as Chairman, having been appointed in 2017, Mark Pain, Senior Independent Director, will lead the search for my successor over the next year. In the meantime, I look forward to continuing to lead the Board as we navigate the current uncertainty facing the market and ensure the group is well positioned for sustainable growth once there is greater clarity with regard to the FCA's review of historical motor finance commission arrangements.

Board composition and diversity

The Board is committed to ensuring that it possesses the right balance of skills and diversity to ensure the success of the group, and I am pleased to report that our Board is composed of 56% female Directors and includes one Director from a minority ethnic background. Furthermore, the Board now meets the FCA Listing Rule requirement to have one of the most senior Board positions occupied by a female Director, following Fiona McCarthy's appointment as an Executive Director post year end. Further information on the composition of the Board and its diversity can be found on pages 118 and 137.

I am pleased to report that, despite the challenges facing the group and the market as a whole, our distinctive culture remains embedded. Once again, our colleagues have demonstrated commitment to our values, providing our customers with the expertise and service we are renowned for. More information on the Board's oversight of culture can be found on page 133.

Board effectiveness

This year's annual review of the Board and committee effectiveness was led internally by the Company Secretary, building on the findings of last year's externally led performance review. The review was thorough and rigorous and found that the Board and its committees continue to operate effectively. More information is set out on page 130.

Sustainability, ESG and diversity and inclusion

During the year, the Board and its committees oversaw a range of ESG priorities. These support our continued commitment to aligning climate positioning with the business-led strategy that supports customers and clients in their transition to a low carbon future and achieving net zero across our operations, our supply chain and the activities we finance by 2050 or sooner.

To ensure that ESG matters are considered holistically as part of Board decision-making and strategy, responsibility for ESG will be transferred in the 2026 financial year to the Board from the Nomination and Governance Committee.

Diversity and Inclusion ("D&I") has been a key focus in the year and the Board has overseen progress made against the group's recently refreshed D&I strategy to continue the development of a diverse and inclusive talent pipeline. Further detail on how we oversee D&I can be found on pages 136 and 137.

Stakeholder engagement

The Board places great emphasis on stakeholder interests when steering the group's strategy and overseeing the group's risk profile. The uncertainty resulting from the Court of Appeal's October decision in Hopcraft and the FCA's review has had a significant effect on our stakeholders. The Board's response to these events and the decisive actions taken have been guided by stakeholder views.

During the year, the Board met with a number of stakeholder groups, and considered a wide range of stakeholder interests. Our formal statement in relation to Section 172 of the Companies Act 2006, together with further detail regarding how the Directors have engaged with and had regard to the interests of stakeholders, can be found on pages 22 and 132.

Shareholder engagement remains a key priority and members of the Board have been pleased to meet with investors during the year to discuss the group's immediate priorities and capital actions as well as the longer-term outlook. This included our annual corporate governance roadshow where I met with approximately 50% of the share register to engage and understand their views on a variety of topics. I look forward to meeting with shareholders at the forthcoming AGM on 20 November 2025. Further details will be set out in the Notice of AGM sent to shareholders in due course.

On behalf of the Board, I would like to thank shareholders and all stakeholders for their continued support. I, along with my fellow Directors, look forward to further engagement in the year ahead as we continue to create a more efficient and resilient business, delivering greater value for shareholders and continuing to support our valued customers.

Michael N. Biggs
Chairman

30 September 2025

Governance at a glance

Compliance with the UK Corporate Governance Code 2018

The UK Corporate Governance Code 2018, published by the Financial Reporting Council ("FRC"), applied to the company throughout the financial year ended 31 July 2025. A copy of the Code can be found on the FRC's website at www.frc.org.uk.

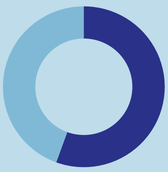
It is the Board's view that, throughout the year, the company has applied the principles and complied in full with the provisions set out in the Code. The following table sets out the relevant sections of this Annual Report 2025, where shareholders can read in more detail how we have embedded governance principles and specific provisions of the Code across our organisation.

Board leadership	Page 124
Division of responsibilities	Pages 128 to 129
Composition, succession and evaluation	Page 131
Audit, risk and internal control	Page 138
Remuneration	Page 147

The UK Corporate Governance Code 2024 (the "2024 Code") applies to the financial year beginning 1 August 2025. The principles and provisions of the 2024 Code have been robustly considered and the group is evolving its corporate governance practices to ensure continued compliance once the provisions of the 2024 Code become applicable. More information on the group's response to the 2024 Code can be found on page 135.

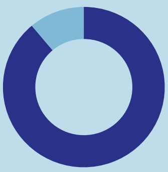
Board statistics

Board composition as at the date of publication is summarised below. Membership of the Board is continuously reviewed to ensure the group's current and future needs are met. More information can be found on pages 136.



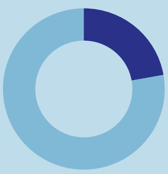
Gender diversity

Female	5
Male	4



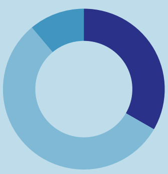
Ethnic diversity

White/White British	8
Asian/Asian British	1



Balance of the Board

Executive Directors	2
Non-executive Directors	7



Board tenure

0-3 years	3
4-6 years	5
7-9 years	1

Non-executive Directors' skills and experience

All appointments to the Board follow a robust decision-making process, which may include conducting an external search where appropriate. Our view is that the Board possesses the right balance of skills and experience to navigate the challenges ahead and to deliver long-term, sustainable growth. The effectiveness of the Board and its committees has been assessed this financial year by an internal approach led by the Company Secretary, which confirmed that the Board and its committees continue to be effective. The findings of the annual Board evaluation can be found on page 130. The number of Non-executive Directors possessing deep experience in each area as at the date of publication is shown in the chart below.

Broad financial services	6/7	●●●●●●
Finance, audit and accounting	7/7	●●●●●●●
People and culture	7/7	●●●●●●●
Risk	7/7	●●●●●●●
Regulatory framework	7/7	●●●●●●●
ESG	6/7	●●●●●●
Technology, digital and operations	6/7	●●●●●●
Strategy	7/7	●●●●●●●
Leadership	6/7	●●●●●●
Listed company governance	7/7	●●●●●●●

Our governance framework

The Board's principal responsibilities are to promote the long-term success of the group and to create and deliver value for shareholders, while protecting the interests of other stakeholders. The Board sets the group's strategy and has responsibility for the governance, performance, culture and risk management, and internal controls of the group.

The Board

Nomination and Governance Committee
See page 134

Audit Committee
See page 138

Risk Committee
See page 144

Remuneration Committee
See page 147

Disclosure Committee[1]

Executive Committee

Management committees

Overview of the Board's work this year

See page 126.

Leading the group's response to regulatory matters, in particular the ongoing uncertainty in relation to motor commissions, which included the decision to appeal the Court of Appeal's decision in Hopcraft to the Supreme Court.

Oversight of strategic activities to simplify the group and to ensure it is well positioned to generate strong returns. These decisions included the sale of Close Brothers Asset Management and Winterflood, the decision to wind down Close Brothers Vehicle Hire, and the repositioning of the Premium Finance business to focus the growth of the business towards commercial lines insurance premium finance.

Executing a number of actions to strengthen the group's available CET1 capital by approximately £400 million by the end of the 2025 financial year including loan book moderation, cost-saving initiatives, and the sale of Close Brothers Asset Management.

Further development of significant multi-year cost management initiatives, aimed at achieving at least £20 million of annualised cost savings by the end of the 2025 financial year, which has been exceeded with £25 million of savings achieved.

Board priorities for FY 2026

Concluding the execution of activities for simplification of the group and cost saving initiatives to drive sustainable growth and enhance efficiency.

Continuing to build on the findings of recent Board evaluations and the embedding of enhanced internal controls processes ahead of the adoption of the 2024 Code, to ensure the group operates under the highest standards of corporate governance.

Continuing to engage with a wide range of stakeholder groups to ensure the expectations of stakeholders are considered and embedded in Board decision-making, especially as the group emerges from the ongoing motor commissions uncertainty.

Overseeing orderly succession planning at Board level, taking into account the tenure of current Directors and the current Board's skill set against its current needs, along with diversity and inclusion.

Communities and environment · Investors · Colleagues · Customers and partners · Suppliers · Regulators and government

1. The Disclosure Committee is responsible for overseeing the timely and accurate disclosure of sensitive information and ensuring that adequate procedures and controls are in place to enable compliance with legal and regulatory disclosure obligations.

Board of Directors

Mike Biggs N R
Chairman

Appointed: Non-executive Director March 2017; Chairman May 2017

Experience and competencies

Mike has more than 50 years' experience within the financial services sector, gained in both executive and non-executive roles. He has extensive experience as a listed company chairman and uses his broad skills and deep knowledge to lead the Board and ensure that it operates effectively. Mike's considerable experience of engaging with key stakeholders, including major shareholders and regulators, makes him well placed to serve as Chairman and drive the strategy and culture of the group. Mike is an Associate of the ICAEW.

External roles

- Current – none

Past

- Direct Line Insurance Group plc, chairman[1]
- Resolution Limited, chairman
- Resolution plc, chief executive officer and group finance director[1]
- Aviva plc, finance director[1]

1. Directorship of publicly listed organisation.

Mike Morgan
Chief Executive

Appointed: Executive Director November 2018; Chief Executive January 2025

Experience and competencies

Mike was appointed Chief Executive in 2025. Prior to this, Mike served as Finance Director since 2018. Mike brings deep experience of the group to this role, having held a number of senior roles within the group and bank since joining Close Brothers in 2010. Mike is a chartered accountant and his combined extensive experience of financial services and financial leadership, as well as his strong understanding of the group and its businesses, make him suitable to serve as Chief Executive.

External roles

Current

- Member of the finance, audit and risk committee of Battersea Dogs & Cats Home

Past

- ICAEW Financial Services Faculty Board, chair
- RBS, divisional finance director
- Scottish Provident, various senior roles

Fiona McCarthy
Group Chief Finance Officer

Appointed: Executive Director August 2025; Group Chief Finance Officer January 2025

Experience and competencies

Fiona was appointed as Chief Finance Officer of the group in January 2025 and was appointed to the Board on 29 August 2025. Fiona has over 30 years of financial services experience, gained across the retail, commercial, corporate and investment banking sectors. She joined Close Brothers in 2019 as Group Financial Planning & Analysis Director and prior to this worked at UBS, most latterly as interim CFO for the global investment bank. Fiona started her career at NatWest, where she undertook a number of senior finance roles.

External roles

- Current – none

Past

- NatWest, various senior finance roles
- UBS, interim CFO for the global investment bank

Committee membership ○ Chair (N) Nomination and Governance (A) Audit (Ri) Risk (R) Remuneration

Mark Pain N Ri R
Senior Independent Director

Appointed: Non-executive Director and Senior Independent Director ("SID") January 2021

Experience and competencies

Mark brings to the Board more than 30 years' finance, risk management and commercial experience. He has held executive and non-executive roles in both listed and private financial services companies, including in retail banking and insurance. Mark has experience as a SID and makes a highly valuable contribution to the Board. He was previously finance director of Barratt Developments plc and Abbey National plc and this experience equips him to support the chair as SID.

External roles

Current

- AXA UK plc, chairman
- Empiric Student Property plc, non-executive chairman[1]

Past

- Barratt Developments plc, finance director[1]
- Abbey National plc, finance director[1]
- Yorkshire Building Society, senior independent director
- London Square Limited, non-executive chairman
- Ladbrokes Coral Group plc, non-executive director[1]
- Punch Taverns plc, non-executive director[1]
- Spirit Pub Company plc, non-executive director[1]
- Johnston Press plc, non-executive director[1]
- Aviva Insurance Limited, non-executive director

1. Directorship of publicly listed organisation.

Tracey Graham R N Ri
Independent Non-executive Director

Appointed: Non-executive Director March 2022

Experience and competencies

Tracey brings to the Board significant executive leadership experience from organisations in the financial and business services sectors, both in the UK and internationally. She is an experienced non-executive director, having served on a number of listed company boards across a range of financial services sectors and is experienced in leading large commercial transactions. She is an experienced remuneration committee chair and has extensive experience serving as a SID. Tracey's significant commercial, operational and customer service insights are of great benefit to the Board.

External roles

Current

- Nationwide Building Society, SID
- Virgin Money UK plc, non-executive director
- Clydesdale Bank plc, non-executive director
- Pension Insurance Corporation plc, non-executive director and SID
- Pension Insurance Corporation Group Limited, non-executive director and SID

Past

- Royal London Mutual Insurance Society Limited, non-executive director
- Ibstock plc, SID[1]
- AXA Insurance plc, director of customer services
- Talaris Limited, chief executive officer
- De La Rue plc, various executive roles
- HSBC, various senior positions
- LINK Scheme Limited, non-executive director
- DiscoverIE Group plc, SID[1]

Kari Hale A N Ri
Independent Non-executive Director

Appointed: Non-executive Director June 2023

Experience and competencies

Kari brings to the Board extensive audit and commercial expertise and a deep understanding of the audit and governance environment, drawing on his many years in senior audit roles at Deloitte, including membership of its financial services industry board. His expertise includes leading sensitive and complex audits of high-profile organisations. Kari has deep experience of the financial services sector and served as a senior adviser to the Financial Reporting Council, having previously been an executive director at the Financial Services Authority. Kari also brings experience of chairing audit committees at large financial services organisations, making him qualified to chair the Audit Committee of the group.

External roles

Current

- AXA UK plc, non-executive director

Past

- Deloitte, senior audit partner
- Financial Reporting Council, senior adviser
- Financial Services Authority, executive director

Committee membership ◯ Chair (N) Nomination and Governance (A) Audit (Ri) Risk (R) Remuneration

Patricia Halliday Ri A R
Independent Non-executive Director

Appointed: Non-executive Director
August 2021

Experience and competencies

Patricia brings considerable risk and commercial expertise to the Board. She has more than 30 years' experience in risk management across the investment, corporate and retail banking sectors, including serving as chief risk officer in financial services organisations. Her deep understanding of the regulatory, risk and governance environment is immeasurably valuable and supports the Board's leadership of the group. Her experience qualifies her to chair the Risk Committee.

External roles

Current

- State Street Corporation, director[1]
- TD Bank Europe Limited, non-executive director

Past

- Santander UK, chief risk officer
- GE Capital International Holdings Limited, chief risk officer
- Deutsche Bank, credit risk managing director
- Barclays Capital, various senior risk management roles

Tesula Mohindra A Ri
Independent Non-executive Director

Appointed: Non-executive Director
July 2021

Experience and competencies

Tesula brings to the Board extensive finance and commercial expertise, drawing on over 25 years' experience which includes senior executive and advisory roles in the banking, insurance and pension fund sectors. Tesula qualified as a chartered accountant with PwC and held managing director roles at JP Morgan and at UBS, specialising in corporate finance for financial institutions and pension fund risk management. She was a founding member of the management team of Paternoster, the specialist bulk annuity insurer, where she was a member of the executive committee. She has worked as an independent financial consultant advising on business plans and capital raising. Tesula's considerable financial services expertise gained in a broad range of organisations, from investment banks to start-ups, supports the Board's leadership of the group and makes her well positioned to serve the Board.

External roles

Current

- RAC Group, non-executive director
- NHBC (National House Building Council), non-executive director
- Variety, the Children's Charity, trustee

Past

- JP Morgan, managing director
- UBS, managing director

Sally Williams A Ri
Independent Non-executive Director

Appointed: Non-executive Director
January 2020

Experience and competencies

Sally brings extensive risk, regulatory and governance experience to the Board, having held senior executive positions at Marsh, National Australia Bank and Aviva. Prior to that, Sally held roles at PwC in both their risk management and audit teams, over a period of 15 years. She is a chartered accountant, and also has significant experience chairing audit committees. The Board benefits from Sally's considerable experience of the broader UK financial services and insurance sectors, and her understanding of risk management, compliance and audit matters.

External roles

Current

- Lancashire Holdings Limited, non-executive director[1]
- Ovarian Cancer Action, trustee

Past

- Marsh Ltd, director of risk and governance
- National Australia Bank, head of risk, London
- Aviva, group risk and governance director
- PwC, director, risk management
- Family Assurance Friendly Society Limited (OneFamily), non-executive director

1. Directorship of publicly listed organisation.

Executive Committee

The biographies of the Executive Committee members can be found at www.closebrothers.com/who-we-are. The role of the Executive Committee is described on page 124, and the process for succession planning and appointments is overseen by the Nomination and Governance Committee as described on page 135.

Mike Morgan
Chief Executive

Fiona McCarthy
Group Chief Finance Officer

Ian Cowie
Chief Executive Officer Retail

Bradley Dyer
Winterflood Chief Executive

Rebekah Etherington
Group Head of Human Resources

Phil Hooper
Chief Executive Officer Property

Nazrul Kazi
Group Head of Internal Audit

Sarah Peazer-Davies
General Counsel and Company Secretary

Matt Roper
Chief Executive Officer Commercial

Robert Sack
Group Chief Risk Officer

Yogesh Sholapurkar
Group Chief Technology Officer

Corporate governance report

Board governance and activities

Governance framework

Our governance framework, as illustrated on page 119, supports the delivery of the group's strategy through effective decision-making, long-term shareholder value and contribution to wider society.

Certain matters are reserved for the Board, primarily in relation to:

- setting and monitoring strategy for the group;
- corporate structure, capital and ensuring adequate financial resources;
- financial reporting and controls;
- oversight of risk management, regulatory compliance, internal controls and whistleblowing;
- significant financial matters including acquisitions, disposals and investments;
- shareholder, market and regulatory communications;
- Board and committee membership;
- delegation of authority; and
- corporate governance matters.

The matters reserved for the Board, which are periodically reviewed, are available at www.closebrothers.com/investor-relations/investor-information/corporate-governance. When carrying out its duties, the Board acts in accordance with relevant legislative and regulatory requirements while at all times having regard to the directors' duties set out in the Companies Act 2006, including the duty pursuant to s.172 of the Companies Act 2006, being the duty to promote the success of the company for the benefit of its members as a whole. Stakeholder considerations are a core focus of all Board decisions, about which you can read more on page 132.

The Board delegates responsibility for certain matters to its committees. Each committee has terms of reference, which are available at www.closebrothers.com/investor-relations/investor-information/corporate-governance. The chair of each committee reports at each subsequent Board meeting on matters discussed at committee meetings. All Non-executive Directors have access to committee papers and have a standing invitation to attend any committee meeting. Reports from the Board's committees are set out later in this Annual Report 2025 and they include further detail on each committee's role and responsibilities, along with a summary of the activities undertaken during the year.

The Board delegates the execution of the group's strategy and the day-to-day management of the business to the Executive Committee, which is led by the Chief Executive and supported by management committees.

Robust governance is embedded throughout the organisation, and numerous committees at management level provide oversight across day-to-day operations. Management committees ensure that matters are sufficiently developed and challenged as they are escalated upwards.

2025 Board strategy day

- The Board strategy day in 2025 focused the Board's thinking on where the group sits within its market, sector and the opportunities available to deliver returns for shareholders in the coming years.
- The Board reviewed the group's portfolio and plans to simplify the group and optimise its cost base, including detailed reviews of strategic programmes in each Banking division.
- The cost reduction programme, developed in three phases and aiming to save at least £20 million per year, was challenged by the Board alongside the three-year strategic plan.

Board leadership

The Board provides effective leadership and oversight of the group as a whole, to ensure the group's activities and performance continue to meet stakeholder expectations. The Board sets the group's purpose and strategic objectives and monitors management's performance against those objectives, ensuring alignment with the group's culture and values. The Board oversees the group's risk management and internal controls systems which enables risk to be appropriately assessed and managed.

This year, the Board has been particularly focused on reshaping and simplifying the group to position it well for growth and to enable it to deliver sustainable shareholder returns. Strategic decision-making has been supported by detailed insights from senior management and guidance from expert external advisers. Board decision-making is also influenced by the interests and views of our key stakeholders, including employees, customers, shareholders and regulators.

In a year where the Board's focus has been on navigating considerable market uncertainty arising from the FCA's review of historical motor commission arrangements and the Court of Appeal's October decision in Hopcraft, the annual Board strategy day was particularly significant. The strategy day allows the Board to engage with senior management on the long-term strategic direction of the group and to challenge and scrutinise longer-term planned investment and initiatives.

Risk management, internal controls and whistleblowing

The Board is responsible for, and actively monitors, the group's risk management and internal control systems. The Board considers a range of matters in relation to risk management and internal controls, and the Group Chief Risk Officer attends all scheduled Board meetings to report to the Board on risk management activities across the group.

During the year under review, the Board considered and approved:

- the group's ICAAP and ILAAP statements;
- the annual compliance plan;
- the Enterprise Risk Management Framework;
- the principal and emerging risks facing the group; and
- the group risk appetite statements.

Further information on the Board's work throughout the year can be found on page 124.

Effectiveness of risk management and internal control systems

The Board defines the level of risk the group is willing to accept in achieving its strategic goals and ensures that effective risk management internal control systems are in place. These systems are designed to provide reasonable, not absolute, assurance against material misstatement, loss, and fraud.

Controls aim to manage, not eliminate, risks to business objectives, support efficient operations, ensure reporting integrity, and maintain regulatory compliance. Key controls are regularly reviewed for design and operational effectiveness and to seek to ensure compliance with applicable laws and regulations.

In its annual review, the Board considered the group's key risks, the operation of the risk framework, and the evolving control culture. Following this review, the Board is satisfied that the systems are effective, with any identified weaknesses addressed through management oversight and action plans.

This assessment is supported by the work of the Risk Committee and the Audit Committee, which monitor effectiveness of the systems of risk management and internal control through regular updates and reviews by the second line of defence, internal audit, and external auditors. The Risk Committee also reviewed the Enterprise Risk Management Framework to ensure alignment with the group's risk appetite and regulatory requirements.

Detailed information in respect of the risk management and internal control systems is provided within the Risk Report on pages 68 to 112 and the Risk Committee report on pages 144 to 146.

Principal and emerging risks

The Board has performed a robust assessment of the principal and emerging risks facing the group, including those that would threaten the group's business model, future performance, solvency or liquidity. These principal and emerging risks are regularly reviewed and challenged by the Risk Committee and at management-level governance forums, via risk management information and commentary provided by the Group Chief Risk Officer. The risk management information provides a view of the risk profile of the group, performance in line with risk appetite, an assessment of the group-level emerging risks and mitigating actions to ensure the group's preparedness should a risk crystallise. The process for identifying, managing and mitigating these risks forms a core part of the Enterprise Risk Management Framework and further detail is provided in the Risk Report on pages 68 to 112.

Deep dives

During the year the Board held a number of deep dives to discuss significant matters in greater depth than would normally be possible in normal Board meetings. Where relevant, external advisers supported the delivery of the sessions.

Topics this year have included:

- group cost reduction initiatives and operational efficiency enhancements;
- strategic repositioning of the Premium Finance business to focus the growth of the business towards commercial lines insurance premium finance and to streamline operations;
- the group's successful appeal of the Hopcraft case to the Supreme Court, which included extensive scenario planning for a range of possible outcomes; and
- annual refresher on the Senior Managers and Certification Regime and regulatory obligations and expectations.

Further information on areas of specific focus can be found on page 127.

The Board confirms that throughout the year ended 31 July 2025 and up to the date of approval of this Annual Report 2025, there have been rigorous processes in place to identify, evaluate and manage the principal and emerging risks faced by the group. The Board has also assessed the likelihood of a risk crystallising and the costs of control in accordance with the Guidance on Risk Management, Internal Control and Related Financial and Business Reporting published by the FRC.

Further information on the group's principal and emerging risks can be found in the Risk Report on pages 68 to 112.

Whistleblowing arrangements

The Board oversees the group's whistleblowing arrangements, which include channels through which a person may raise matters of concern anonymously. It monitors the operation and effectiveness of these arrangements, ensuring that processes are in place for the proportionate and independent investigation of matters raised through the mechanisms available and for follow-up action. During the year, the Board received half-yearly updates from the Group Head of Operational Risk and Compliance. These updates covered:

- the status and outcomes of any whistleblowing matters raised within the six-month period;
- an overview of the group's whistleblowing arrangements across all jurisdictions in which the group operates and an assessment of the effectiveness of those arrangements; and
- information on steps taken by the group to ensure the protection of those using the group's whistleblowing arrangements.

In addition, the Board appoints one of the Directors, currently Kari Hale, to act as the group's whistleblowing champion. In this role, Kari engages with the Group Head of Operational Risk and Compliance regularly in relation to whistleblowing matters. For more details about the group's whistleblowing procedures, see page 41.

Board activities during the year

During the year, the Board and its committees considered various matters and took carefully considered decisions for the long-term benefit of the group and its stakeholders. The Board's focus this year was on the FCA motor commissions review and the appeal of the Court of Appeal's decision in Hopcraft to the Supreme Court, and also the longer-term activities to deliver simplification, optimisation and growth.

Colleagues
Regulators and government
Suppliers
Customers and partners
Communities and environment
Investors

Key events and areas of focus this year are set out below.

Area of focus	Summary of the Board's work in this area
Succession planning	• approved the appointment of Mike Morgan as Chief Executive • oversaw various key appointments to the Executive Committee • reviewed succession planning and the talent pipeline in each business and functional area
Motor commissions	• decided to appeal the Court of Appeal's decision in Hopcraft to the Supreme Court, which had an ultimately positive outcome • continued to navigate the group through a period of market uncertainty • executed the capital plan announced in March 2024, resulting in over £400 million of CET1 capital generated or preserved as of 31 July 2025
Simplification	• reviewed the group's portfolio and opportunities to simplify business activities • made several key decisions to reshape the group, including reaching agreement to sell Close Brothers Asset Management, Winterflood, and Close Brewery Rentals Limited, to wind down Close Brothers Vehicle Hire, and reposition the premium business to focus on commercial lines
Budget review	• implemented enhanced governance and scrutiny in relation to discretionary spend and third-party management to ensure prudence and challenge in balancing appropriate investment with cost discipline
Cost management	• developed and challenged wide-ranging proposals to reduce the group's cost base by at least £20 million of annualised cost savings by the end of the 2025 financial year, with £25 million already delivered. This has been achieved through streamlining of our technology, suppliers and property, and workforce, whilst having regard to the current and future expectations of customers and employees
External reporting	• considered and approved the half-year results and full-year results and accompanying reports, including scrutiny of the assumptions underpinning them in relation to the uncertainty pending the Supreme Court's decision in respect of the Hopcraft appeal and the FCA's review of historical motor finance commission arrangements • recognised and subsequently reconfirmed a £165 million charge for the provision in relation to motor finance commissions and other adjusting items
People and culture	• considered the results of the annual employee opinion survey, which this year was facilitated by a new external provider and was redesigned to provide enhanced insights, reaching the conclusion that employee sentiment remains positive in comparison to sector benchmarks despite the challenging environment
Corporate governance reforms	• assessed the group's readiness for the adoption of the new 2024 Code and continued to oversee management-led workstreams to develop the group's internal controls framework
Regulatory matters	• continued positive engagement with the PRA and FCA as well as other relevant regulators, and received updates on management-level interaction with the PRA and FCA • focused on maintaining strong relationships with regulators and embedding regulatory expectations within the business
Customers	• implemented enhanced customer documentation to ensure greater transparency regarding commission arrangements in light of the Court of Appeal's decision in the Hopcraft case

Financial calendar

September 2024

- Full-year results and roadshows
- Publication of Annual Report 2024
- Pillar 3 disclosures
- Announcement of sale of Close Brothers Asset Management

October 2024

- Court of Appeal's decision in Hopcraft handed down

November 2024

- Annual General Meeting 2024
- Q1 trading update

January 2025

- Mike Morgan appointed as Chief Executive

February 2025

- Announcement of anticipated £165 million provision relating to motor finance commissions

March 2025

- Half-year results and UK roadshow
- Sale of Close Brothers Asset Management completed

April 2025

- Hopcraft case appealed to the Supreme Court

May 2025

- Q3 trading update

June 2025

- Annual corporate governance roadshow

July 2025

- Announcement of the repositioning of the Premium business to focus on Commercial lines and the sale of each of the Brewery Rentals and Winterflood businesses

Workforce engagement

Workforce engagement is a valuable means by which the Directors, and in particular the Non-executive Directors, are able to ensure employee interests are understood and embedded in Board decision-making. Spending time with colleagues across the group also provides Directors with first-hand insight into the group's day-to-day operations.

In June 2025, and in celebration of 50 years of the Property business, a number of the Non-executive Directors met with a group of representatives from all levels and roles within the Property business to discuss current business trends and challenges and market outlook. The Board heard directly from colleagues about a variety of matters and it was an opportunity for the Board to congratulate the team on their recent successes.

The Property team then arranged a site visit for the Non-executive Directors to a development of former industrial space into residential properties and commercial space in east London. The development, which was nearing completion, is being built by a long-standing customer and financed by Close Brothers, and the Non-executive Directors were given a tour of the development by the customer. The visit was very well received by both the Non-executive Directors and the Property team.

Opportunities like this allow the Board to receive direct insights from customers and ensure that the Board is able to focus its decision-making on delivering outstanding service and expertise for customers.

Board governance and activities

Attendance at scheduled Board and committee meetings during FY 2025

	Board	Nomination and Governance Committee	Risk Committee	Audit Committee	Remuneration Committee
Mike Biggs	**8/8**	5/5	–	–	4/4
Mike Morgan	**8/8**	–	–	–	–
Mark Pain	**8/8**	5/5	6/7	–	4/4
Tracey Graham	**8/8**	5/5	7/7	–	4/4
Kari Hale	**8/8**	5/5	7/7	5/5	–
Patricia Halliday	**8/8**	–	7/7	5/5	4/4
Tesula Mohindra	**8/8**	–	7/7	5/5	–
Sally Williams	**8/8**	–	6/7	4/5	–
Former Directors					
Adrian Sainsbury[1]	**1/3**	–	–	–	–

1. Adrian Sainsbury resigned as Chief Executive and as Executive Director with effect from 6 January 2025.

Meetings of the Board

The ordinary schedule of Board and committee meetings is designed to ensure a sufficient number of meetings are held for each forum and that these fall at the optimal checkpoints during the financial year.

In addition to the scheduled Board and committee meetings as detailed in the table, 20 further ad hoc Board meetings were convened this year to ensure the Board was able to oversee additional important business that included managing developments with regard to the group's Supreme Court appeal of the Hopcraft case and the ongoing FCA review of historical motor finance commission arrangements.

Board and committee meeting dates are scheduled in advance to ensure, so far as possible, the availability of all Directors. In the event that, in exceptional circumstances, Directors are unable to attend a meeting, they receive papers as usual and have the opportunity to relay their comments and questions in advance of the meeting, as well as follow up with the Chairman or Committee Chair if necessary.

The agendas for Board and committee meetings are set by the Chairman and committee chairs working with the Company Secretary and with input from the Chief Executive and relevant functional heads. Management are invited to attend meetings as appropriate. Each scheduled Board and committee meeting includes dedicated time for discussion between the Non-executive Directors, without the Executive Directors and management present.

Board and committee papers are circulated to the Directors with sufficient time in advance of meetings and include dedicated reporting on stakeholder considerations and senior manager insights with regard to employee and customer sentiment and culture across the group.

The Board also makes use of a range of other engagement mechanisms to consider matters and steer the group including:
- The annual Board strategy day (refer to page 124)
- Workforce engagement opportunities as detailed on page 133
- Meetings with investors and significant shareholders, including at the corporate governance roadshow
- Separate informal Board sessions to explore important topics with management in the form of deep dives

Roles and responsibilities

In line with the Code, the role of the Chairman is distinct and separate from that of the Chief Executive and there is a clear division of responsibilities between the two. The roles of the Chairman, Chief Executive and Senior Independent Director, as approved by the Board in July 2025, can be found on the company's website at www.closebrothers.com/investor-relations/investor-information/corporate-governance. A summary of various Board roles is set out below.

In addition, the Chairman, Chief Executive and each of the committee chairs have various prescribed responsibilities under the Senior Managers and Certification Regime, overseen by the FCA. Other Board members also take on additional responsibilities required by legislation such as whistleblowing champion, although responsibility for oversight of these matters remains with the whole Board.

Division of responsibilities

Role	Responsibilities
Mike Biggs Chairman	• Responsible for leading the Board and ensuring that it operates effectively, observing the highest standards of corporate governance. • Promotes balanced and effective decision-making and challenge of executive management with sufficient time for constructive debate and discussion. • Ensures that the Board as a whole is responsible for developing the group's strategy and assessing and monitoring culture across the group. • Promotes effective engagement between the Board, its shareholders and other stakeholders. • Chairs the Nomination and Governance Committee, monitors the Board's composition and succession planning, and leads the annual Board evaluation process.

Role	Responsibilities
Mike Morgan Chief Executive	• Executes the group's strategy as agreed with the Board. • Leads the Executive Committee in the day-to-day management of the group. • Ensures that the group's business is conducted with the highest standards of integrity aligned with the group's culture. • Manages the group's risk exposure in line with Board policies and risk appetite. • Leads the group's investor relations activities.
Mark Pain Senior Independent Director	• Provides a sounding board for the Chairman. • Provides an alternative channel of communication for shareholders and other stakeholders. • Meets with Non-executive Directors annually without the Chairman present to appraise the Chairman's performance. • Leads the process for Chairman succession.
Non-executive Directors	• Provide constructive challenge and scrutiny of the performance of management. • Bring external perspective, knowledge and experience to the Board. • Assist in the development of strategy and the decision-making process. • Promote the highest standards of integrity and governance. • Through membership of the group's committees, determine appropriate levels of remuneration, review the integrity of the financial statements, review succession plans for the Board and the Executive Committee and monitor the risk profile of the group. • Gather the views of the workforce through attendance at key business events and through employee engagement.
Sarah Peazer-Davies General Counsel and Company Secretary	• Advises the Directors on corporate governance, legal matters and the discharge of their duties. • Ensures the Board receives high-quality information and in sufficient time. • Supports relationship-building and the flow of information between the Board and the Executive Committee. • Facilitates Board inductions, the annual Board evaluation and ongoing development. • Available to provide advice and support to all Directors on matters of corporate governance. • Organises all Board and committee meetings as well as the Annual General Meeting ("AGM").

Directors' independence

The Board considers that each Non-executive Director is independent under provision 10 of the Code. The Chairman, Mike Biggs, was considered to be independent on appointment in line with the provisions of the Code. Directors' independence is annually reviewed and challenged, taking into consideration (amongst other things) the factors set out within provision 10 of the Code.

Conflicts of interest

The Board, with the support of the Company Secretary, regularly reviews Directors' interests to identify any actual or potential conflicts of interest. Directors are responsible for notifying the Chairman and the Company Secretary of any changes to the nature of their interests and are reminded of this at the start of each Board and committee meeting. The Company Secretary maintains a register of Directors' interests, including those conflicts authorised by the Board.

As required by the Code, the Board's practice is to assess whether Directors' external appointments should be approved in advance of proposed additional appointments being taken on by any of our Directors, with significant consideration given to the following factors:

- whether the external appointment is likely to give rise to any actual or potential conflicts of interest;
- how any such conflicts could be managed or mitigated; and
- whether the proposed external appointment would be likely to compromise the Director's ability to dedicate appropriate time and diligence to their existing responsibilities to the group.

Time commitment

The Non-executive Directors' letters of appointment set out the time commitment expected of them, and all Directors must seek prior Board approval before taking on significant additional commitments. The Board is satisfied that each Non-executive Director continues to and is able to dedicate sufficient time to the company's affairs. The Directors' attendance at scheduled meetings is on page 128.

During the year, Tracey Graham was appointed to the boards of Virgin Money UK PLC, Clydesdale Bank PLC and Pension Insurance Corporation plc. Patricia Halliday was also appointed to the boards of State Street Corporation and TD Bank Europe Limited. Ahead of each of these appointments, the Board considered whether these roles would give rise to any conflicts of interest or affect Tracey Graham and Patricia Halliday's independence or ability to devote sufficient time to the company's business. The Board concluded that each of Tracey Graham and Patricia Halliday would be able to appropriately manage any conflicts of interest which may arise and continue to dedicate sufficient time to the business of the company.

Election and re-election of Directors at the 2025 AGM

In accordance with the Code, all Directors retire and submit themselves for election or re-election at each AGM. The Board will only recommend to shareholders that Executive and Non-executive Directors be proposed for election or re-election at an AGM after evaluating the performance of the individual Directors and considering their suitability, time commitment and ability to continue to contribute to the Board.

Fiona McCarthy was appointed to the Board on 29 August 2025 and will be proposed for election at the 2025 AGM.

The Board has determined that all Directors continue to be effective and demonstrate sufficient commitment to their role. At the recommendation of the Nomination and Governance Committee, the Board will therefore be recommending that all serving Directors be elected or re-elected by shareholders at the 2025 AGM. Please see page 164 for further information.

Board performance review, training and induction

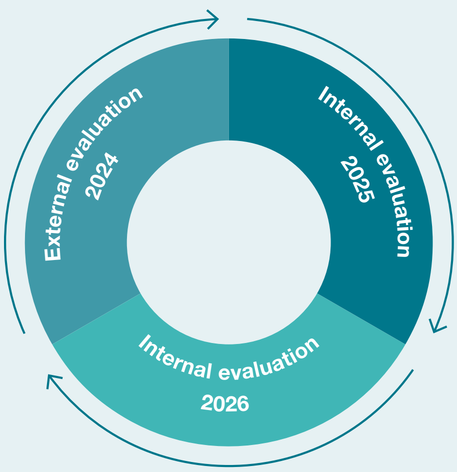
Board performance review

In line with recognised best practice and the recommendations of the Code, the Board undertakes a formal and rigorous review of its performance annually to assess the effectiveness of the Board and to identify areas for improvement. The performance review process is externally facilitated at least every three years by an independent provider.

This year the Board performance review was conducted internally. All Directors attended a private meeting with the Company Secretary which was guided by a series of questions put together by the Company Secretary and taking into account the Board's activity in the past year as well as the findings of the prior year's externally led evaluation. A number of senior managers who interact most closely with the Board were also interviewed so as to provide a broader perspective.

Following the interviews, the Company Secretary collated the feedback and produced a report outlining the performance of the Board and its committees. The report was shared with the Chairman in the first instance, with any committee feedback being provided directly to the committee chairs, and was then put to the Board for review. The findings of the review have informed a detailed action plan to be implemented over the coming year.

Evaluation cycle



The Nomination and Governance Committee is responsible for overseeing the annual Board performance review and considered and approved the proposals for the 2025 evaluation.

Findings of the performance review

The review of the Board's performance found that the Board and its committees continue to operate effectively. In particular, the review evidenced that the Board is focusing on the right matters, given the challenging backdrop against which the group is operating. The Board provides effective oversight of the overall business, is well led and provides valuable counsel to management. The dynamics inside and outside the boardroom, including the relationship with key leaders, received particularly positive feedback, and there was good consensus regarding the strategic priorities facing the group.

A number of priorities for the Board in the upcoming year were identified, including:

- ensuring appropriate focus on forward-looking strategy and growth opportunities to ensure that the group continues to develop its value proposition;
- continuing to ensure appropriate balance between strategy and risk in Board and committee discussions, while maintaining a prudent approach to risk appetite;
- continuing to maintain focus on efficiency and cost management to protect the group's valuable franchise;
- giving appropriate consideration to the balance of skills, experience and diversity of the Board when considering succession planning; and
- allowing additional opportunities for informal engagement with management where possible.

A detailed review of the findings will be undertaken, including a comparison to the findings of last year's external Board evaluation. The Board, together with the Company Secretary, will develop an action plan to build on and address the recommendations of the evaluation.

Implementation of the findings of the FY 2024 evaluation

The Board has also considered its progress against the findings of the FY 2024 evaluation, as shown in the following table:

Areas of focus	Progress made
Continued refinements to oversight of risk, strategy and people, ensuring appropriate mechanisms are in place to deal with emerging challenges	Increased NED-only time both during meetings and more informally to ensure greater opportunity for discussion; increased focus on horizon scanning through sessions led by legal and regulatory experts.
Maintaining alignment with management in key areas to ensure continued focus on overarching priorities and capacity to execute strategy	Detailed focus on cost management and delivery of cost reduction through the year (see page 6; continued emphasis on refined Board reporting from senior management and focused agendas; increased oversight and monitoring of progress against agreed strategic objectives.
Further review of decision-making processes and lessons learnt from past decisions to support future success	Greater emphasis within Board reporting to challenge core assumptions and inform key business priorities.

Directors' performance

In addition to the review of the Board's performance, the Chairman holds regular meetings with individual Directors at which, among other things, their individual performance is discussed. Informed by the Chairman's continuing observation of individual Directors during the year, these discussions form part of the basis for recommending the election and re-election of Directors at the company's AGM, and include consideration of the Director's performance and contribution to the Board and its committees, their time commitment and the Board's overall composition.

Chairman's performance

As in previous years, Mark Pain, in his role as the Senior Independent Director, led the annual assessment of the Chairman's performance. This involved discussions with the other Non-executive Directors individually, without the Chairman being present, and consultation with the Chief Executive. The Senior Independent Director subsequently provided feedback to the Chairman.

Directors' fitness and propriety

In line with its regulatory obligations, the group undertakes annual reviews of the fitness and propriety of all those in senior manager functions, including all of the company's Directors and a number of other senior executives. This process comprises assessments of individuals' honesty, integrity and reputation, financial soundness, competence and capability, and continuing professional development. This year's reviews have confirmed the fitness and propriety of all of the company's Directors and other senior executives who perform senior management functions. Consideration of matters relating to fitness and propriety also form an important part of the Board's recruitment process for Non-executive Directors.

Ongoing training and development

Each year, and taking into account the annual assessment of Directors' skills and experience and the findings of the Board performance review, the Nomination and Governance Committee considers the group's strategy and operating environment to identify development opportunities for the Board. A tailored programme of sessions covering topics of strategic, regulatory and operational relevance is approved and scheduled for the year. In addition, the Company Secretary is available to advise all Directors on all matters of corporate governance.

Induction

On appointment, all new Directors receive a comprehensive and personalised induction programme. The programme is developed and overseen by the Company Secretary to familiarise new Directors with the group.

Induction programmes are tailored to each Director and typically include visits to local offices, one-to-one meetings with Executive Directors, the Company Secretary and senior management, and a meeting with the external auditor. Directors also receive guidance on their statutory and regulatory responsibilities, together with a range of relevant current and historical information about the group and its business. A key aim of the induction is to ensure that new Board members are equipped to contribute to the group and the work of the Board as quickly as possible.

During the year, Mike Morgan was appointed as Chief Executive. As Mike had already served as Group Finance Director for a number of years and had held senior roles within the business prior to that, he was already familiar with the group and its activities on appointment to his new role. Mike was also interim Chief Executive during the former Chief Executive's period of medical absence, so he was well placed to take on the role on a permanent basis when appointed in January.

Fiona McCarthy will receive a tailored induction to her new role as Director in due course.

Director induction programme

Strategy
- Markets
- Opportunities
- Culture

Financial
- Forecast and budget
- Investor views
- Audit

Regulatory
- Risk management
- Regulatory landscape
- Corporate governance

Chief Executive induction

Notwithstanding his extensive prior experience, upon appointment as Chief Executive, Mike participated in additional training and development activities to support his transition into his new role. These included:

- meetings with each of his direct reports and other key individuals to discuss the strategy and priorities in each business area
- regular one-to-one meetings with the Chairman and SID
- tailored executive coaching

Stakeholder engagement

The Board recognises that the group's stakeholders have different values and priorities. It is important for the Board to understand and consider the interests of stakeholders. Further information about the company's key stakeholder groups, as well as the company's Section 172 Statement, can be found in the Strategic Report on pages 22 to 25.

The Board assesses stakeholder views and takes them into account when making decisions. The two case studies shown on this page provide practical examples of how the Board takes into account the company's different stakeholders as an integral part of its decision-making process.

Sale of Close Brothers Asset Management

In September 2024, the Board agreed to sell Close Brothers Asset Management ("CBAM") to Oaktree Capital Management ("Oaktree") for consideration of up to £200 million. The transaction completed in February 2025 following regulatory approval. The sale of CBAM supports our wider strategy of simplifying the group, driving operational efficiencies and growing the core lending business, as we seek to deliver sustainable risk-adjusted returns for shareholders. The proceeds from the sale also contributed to the previously announced plan to strengthen the group's capital base by £400 million. Due to the level of consideration received, the sale was deemed to be a significant transaction according to the UK Listing Rules and the Board was therefore required to confirm its view that the transaction was in the best interests of all stakeholders.

The Board considered the impact of the sale on CBAM's clients. Having regard to Oaktree's strong reputation and experience in UK wealth management, and their intention to continue to operate the business on an independent basis, the Board determined that a sale to Oaktree would help ensure continuity of service for clients. The Board noted Oaktree's intention to maintain CBAM's client-centric culture, invest in the business to accelerate its growth trajectory, and preserve the bespoke investment manager model within the business.

The Board also considered the need to ensure the CBAM team would be supportive of the new ownership structure and selected Oaktree as the preferred partner on the basis that they offered a good outcome for all stakeholders.

Hopcraft response and Supreme Court appeal

As a result of the Court of Appeal's decision in October 2024, the Board took several key decisions.

Following an assessment of the legal position, the Board decided to temporarily pause all new UK motor finance business while the impact of the judgment was analysed and customer documents and processes were updated. Though this resulted in a reduction of new business volumes in the Motor Finance business, the Board was clear as to the importance of ensuring compliance with the law. During the days following the handing down of the Court of Appeal's decision, Mike Morgan, acting as interim Chief Executive, initiated the group's executive crisis management committee, which met on a daily basis to monitor and manage the immediate response to, and impact of, the decision on the group. There were also a series of all-colleague briefings to keep colleagues updated as to the latest developments and to ensure transparency, giving colleagues the opportunity to ask questions.

The Board commissioned an urgent review of the customer journeys in other businesses within the group to identify any other areas in which improvements should be made outside of Motor Finance, with the result being that a number of other processes and documents were updated.

During the six weeks following the Court of Appeal's decision, the Board met a number of times to consider a number of impacts of the Court of Appeal's decision on the group, including customer, partner and shareholder queries, market reaction, regulatory engagement, industry body consultation and impact on employees.

After careful consideration, the Board decided to apply for permission to appeal the decision to the Supreme Court in order to challenge the legal position as set out in the Court of Appeal's judgment. Permission to Appeal was granted on 11 December 2024. In preparing for the Supreme Court appeal, the Board reviewed its advisory panel and approved the appointment of a new external legal and counsel team in order to maximise the group's chances of a successful outcome.

In February 2025, following a detailed assessment of the potential outcomes that could flow from each of the Supreme Court appeal and the FCA's ongoing review of historical motor finance commission arrangements, the Board took the decision to recognise a £165 million provision, based on a series of probability-weighted scenarios. This £165 million charge for the provision has subsequently been reassessed in light of all available information and recent developments and remains unchanged.

Throughout the period, the Board had the benefit of increased reporting, capital and liquidity analysis and updates from management on dialogue with the group's primary regulator, in each case in order to ensure full oversight as to the group's ability to respond to a range of potential outcomes.

The Supreme Court's judgment, which was announced on 1 August 2025, provided clarity on important legal and commercial principles. The FCA subsequently announced on 3 August its intention to launch a public consultation by early October 2025 on an industry-wide redress scheme. The Board remains poised to continue to respond pro-actively, taking into account the views of all stakeholders, as the FCA's consultation proceeds.

Culture and workforce engagement

Culture and values

The Board recognises the importance of our unique and distinctive culture for the long-term success of the group. The Board plays a key role in establishing, monitoring and assessing how culture has been embedded and leading by example to promote the desired culture. The Board spends time monitoring, and satisfying itself as to, the alignment of the group's purpose, values and strategy with its culture.

During the year, the Board monitored, assessed and promoted the embedding of the group's culture in the following ways:

- The Board received updates from the Group Head of HR on the results of the anonymous employee opinion survey which tracks against our own and sector-wide cultural markers in addition to a quarterly culture dashboard which includes external stakeholder considerations. This reporting is used by the Board to assess the extent to which desired behaviours are embedded across the employee population.
- The Chief Executive's updates to the Board included dedicated reporting on people and culture within each division to allow the Board to consider cultural issues with suitable granularity.
- Site visits and attendance by the Non-executive Directors at various employee events and management committees, as well as structured site visits with dedicated employee engagement sessions, more information about which can be found below.
- The Remuneration Committee considered culture, behaviour and conduct issues and the inclusion of culture-related objectives as part of the Executive Directors' performance assessment (further detail on which can be found in the Directors' Remuneration Report on page 147).
- The Board reviewed the group's whistleblowing arrangements. See page 125 for further detail.

Engagement with employees

The Board's engagement with employees is mutually beneficial. It allows the Board to monitor the group's culture and maintain an engaged and motivated workforce to support the group in delivering a high level of service to our customers. Our values of service, expertise, relationships, teamwork, integrity and prudence form an important part of who we are.

As permitted by the Code, the Board has put in place its own arrangements to engage with employees across the group. With oversight from the Nomination and Governance Committee, a programme to facilitate Board engagement is managed by the Company Secretary. The Board, through the work of the Nomination and Governance Committee, keeps its workforce engagement arrangements under review to ensure they remain appropriate to the group.

The Board values opportunities for Directors to engage with employees, across regional locations and at events of different levels of formality. This allows the Board to engage with the group's workforce authentically and for the workforce to raise topics which they might not otherwise have the opportunity to discuss with the Board. The Board acknowledges the benefits of meaningful engagement with senior management, who play an important role in embedding the group's culture through the business and in reporting to the Board on employee sentiment within the businesses.

Examples of engagement and consultation in the year with employees included:

- In June 2025, members of the Board met with representatives of the Property business and visited a residential development financed by Close Brothers, as described on page 127.
- Non-executive Directors' participation at local governance fora and events which are attended by significant numbers of employees and can include Q&A sessions.
- Participation by Directors in focused initiatives operated by the group's diversity and inclusion networks through the year.
- Informal networking events hosted by the Directors and which are open to smaller groups of employees to attend.
- Regular all-employee town halls run by the Executive Directors and Executive Committee, providing updates on the performance and operations of the group.

The Board considers that its employee engagement activities during the year have been effective, have allowed the Directors to engage widely with employees across a broad manner of settings and engagement styles, and afford the Board meaningful insight as to employee sentiment to ensure employee interests are embedded in Board decision-making.

Engagement with shareholders

The Board believes it is important to maintain an open and constructive relationship with shareholders in order to provide shareholders with reliable and timely information.

Examples of engagement and consultation with our shareholders undertaken by the Chairman and Chief Executive during the year include:

- The AGM, which is an opportunity for shareholders to engage with and question the Directors and senior management.
- The Chairman met with a number of institutional shareholders, covering c.50% of the share register by holding, to discuss matters such as strategy, corporate governance, succession planning and the Board's actions to strengthen the group's capital position.
- Frequent updates on shareholder engagement and investor feedback following results announcements and investor roadshows.

Additionally, the Remuneration Committee Chair is available to discuss remuneration matters with stakeholders, and the SID is available to meet with shareholders when required.

Nomination and Governance Committee report

Michael N. Biggs
Chair of the Nomination and Governance Committee

Dear Shareholder

On behalf of the Board, I am pleased to present the report of the Nomination and Governance Committee (the "Committee") for 2025. The report sets out the work of the Committee over the year and the key responsibilities of the Committee.

Succession planning was a key focus of the Committee this year. Adrian Sainsbury's unexpected leave of absence for medical reasons, and subsequent resignation as Chief Executive, required the Committee to put into place contingency measures before permanently appointing Mike Morgan as Chief Executive. Fiona McCarthy was appointed as Group Chief Finance Officer in January 2025 and was subsequently appointed as an Executive Director in August 2025.

The Committee has consequently placed greater focus this year on talent and development at Executive Committee level and below, recognising that once the group emerges from the current period of uncertainty arising from the FCA's review of historical motor finance commission arrangements, it is important that the group has effective leadership in place to deliver our strategy, optimisation and growth.

The Committee is responsible for ensuring that the highest standards of corporate governance are embedded at Board level and across the wider group, and this year the Committee's work in this area has focused on assessing the impact of the new 2024 Code for the group, evaluating the effectiveness of the Board's workforce engagement arrangements, and implementing the findings of the prior year's externally led Board evaluation.

Michael N. Biggs
Chair of the Nomination and Governance Committee

30 September 2025

Role of the Committee

To monitor the composition of the Board and its committees, ensure orderly succession planning and lead the Board appointments process.

Membership

Mike Biggs (Chair), Tracey Graham, Kari Hale and Mark Pain.

Other regular attendees by invitation

Chief Executive and Group Head of Human Resources.

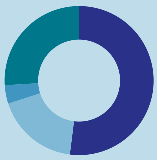
Meetings

- Number of scheduled meetings: Five
- For details of attendance, see page 128

2025 highlights

- Led the process for the appointment of Mike Morgan as Chief Executive and oversaw the succession of various key roles on the Executive Committee.
- Reviewed the group's executive succession plans and looked at the talent pipeline at a business/functional level through the year.
- Considered the group's corporate governance arrangements in light of the new 2024 Code and considered areas for incremental enhancement.
- Monitoring and oversight of ESG.

How time was spent



Succession planning	52%
Diversity, inclusion and engagement	18%
ESG	4%
Board composition and governance	26%

Interaction with other committees

The Nomination and Governance Committee makes recommendations to the Board and all other committees regarding the appointment and removal of their members and chair.

Key responsibilities of the Committee

- Regularly reviewing the structure, size and composition of the Board and its committees, and making recommendations to the Board with regard to any changes.
- Considering the leadership needs of the group both now and in the future and succession planning of Directors and senior management.
- Overseeing the group's approach to the development of a diverse talent pipeline.
- Reviewing the continued independence of the Non-executive Directors and assessing the Board's balance of skills, knowledge and experience.
- Evaluating the skills, knowledge and experience required for any particular Board appointment, where appropriate with the assistance of external advisers, to facilitate the search for suitable candidates.
- Leading the Board's annual evaluation process, including the appointment of an external Board evaluator, when appropriate.

Executive Director and Executive Committee succession

During the year, Adrian Sainsbury, the former Chief Executive, took a temporary medical leave of absence. Whilst Adrian was on leave, the Committee oversaw the implementation of its contingency plans to ensure continuity of leadership of the group during a critical period which included managing the period following the Court of Appeal's decision in the Hopcraft case in October 2024.

Recognising that Adrian held both an Executive Director role and a senior management function, the Committee was mindful of the needs of the group and its stakeholders, in particular, the Financial Conduct Authority. Mike Morgan assumed Adrian's principal responsibilities supported by the Chairman and other members of the Board and senior management. The Committee determined that appropriate expertise existed within the group to manage this period.

Given Mike Morgan's deep understanding of the group's activities and the current uncertainties facing the group as well as his track record of delivery against strategic objectives, the Committee recommended to the Board that he be appointed interim Chief Executive during Adrian's leave. When Adrian stepped down in January 2025, Mike Morgan received approval from the regulator and was appointed as permanent Chief Executive, which ensured continuity of leadership. Mike served as Finance Director for five years and prior to this had held a number of senior roles within the group.

After the year end, on 29 August 2025, the Board was pleased to appoint Fiona McCarthy, Group Chief Finance Officer, as an Executive Director. Fiona brings over 30 years' financial services experience in a variety of sectors, including six years at Close Brothers.

As part of Board succession planning, consideration is being given to the requirements of the Code and in particular the tenure of the Chairman, who was appointed as Chairman in May 2017. Mark Pain, in his capacity as Senior Independent Director, will lead the Board's search for a new Chairman over the coming year. It is recognised that Mike Biggs may serve beyond a nine-year term as Chairman during the period in which the search for his replacement is underway.

Succession planning

In addition to the matters set out above, the Committee also paid particular attention to succession planning at senior management level. As is typical each year, the senior management succession plan was reviewed by the Committee. This plan identifies emergency, three-year and five-year successors for each Executive Committee role and highlights areas of the group where there may be a shortage of internal talent in the medium term.

In light of the need to prepare the group for a refocusing on the strategy once the current uncertainty passes, the Committee conducted in-depth talent reviews of certain areas of the group focusing on Property, Commercial and Operations.

The Committee also oversaw a number of key appointments at Executive Committee level, including the appointment of a new Group Chief Finance Officer, General Counsel and Company Secretary and Chief Technology Officer.

Further information on talent and succession planning can be found in the Sustainability Report on pages 42 to 45.

Corporate governance

The new UK Corporate Governance Code 2024 (the "2024 Code") shall apply to the group for the financial year beginning 1 August 2025. In light of this, the Committee has undertaken a review of the group's corporate governance arrangements and practices to identify any areas for enhancement as a result of the 2024 Code. The Committee has concluded that gradual enhancements will be made over the coming years with regard to internal controls and these workstreams are supported by the Audit and Risk Committees.

Board evaluation

The prior year's Board evaluation was externally led and the Committee oversaw the design and progress of that evaluation. During FY 2025, the Committee reviewed the findings of the 2024 evaluation and supported the Board in agreeing an action plan to progress these findings. As the year progressed, the Committee ensured that the Board received periodic updates on the status of these actions and future initiatives to enhance the areas of focus.

In addition, the Committee reviewed proposals for the 2025 Board evaluation, which was internally facilitated. The Committee led the 2025 evaluation which took the form of one-to-one interviews between each Director and the Company Secretary. Key themes were collated and shared with the Committee and the full Board for consideration. You can read more about the 2025 Board evaluation process and outcomes on pages 130 to 131.

The Committee also conducted its annual review of the individual and collective skills possessed by members of the Board, and reaffirmed that the Non-executive Directors continue to possess the relevant skills and expertise, including extensive experience within financial services and in regulated or listed companies, to be effective in their roles. Where areas for further enhancement or additional Board professional development were identified, either from the findings of the prior year's Board evaluation or as a result of horizon scanning, these were incorporated into the deep dive sessions and annual training programme overseen by the Company Secretary with input from the Chairman and the Chief Executive and approved by the Committee.

The chart on page 118 indicates the key skills expected of the Board and possessed by the Non-executive Directors. Further information on the background and experience of each of the Non-executive Directors can be found in their biographies on pages 120 to 122. Given the regulated environment within which the group operates, Directors are also required to undergo an annual fitness and propriety assessment, pursuant to the Senior Managers and Certification Regime.

During the year, the Committee carried out a review of the expected time commitment of each Director based on their committee membership, other Board roles and industry benchmarking. The Committee considers that each Director is able to dedicate the required amount of time to the company's business. Given the heightened uncertainty arising from the Court of Appeal's decision in the Hopcraft case and the FCA's review of historical motor finance commission arrangements, a great number of additional unscheduled meetings have been held during the year and members of the Board have met with a range of stakeholders to discuss these matters.

Board roles and responsibilities

The Committee continues to keep under review the responsibilities of the Chairman, Senior Independent Director and the Chief Executive to ensure these remain fit for purpose and reflective of the expectations of these roles. In accordance with the Code, a statement of responsibilities can be found at www.closebrothers.com/investor-relations/investor-information/corporate-governance and further detail is available on pages 128 to 129.

Board and Committee composition

The composition of each committee is as follows:

	Nomination and Governance Committee	Audit Committee	Risk Committee	Remuneration Committee
Mike Biggs	Chair			•
Mark Pain	•		•	•
Tracey Graham	•		•	Chair
Kari Hale	•	Chair	•	
Patricia Halliday		•	Chair	•
Tesula Mohindra		•	•	
Sally Williams		•	•	

Election and re-election of Directors at the 2025 AGM

The Committee is responsible for considering and making recommendations to the Board concerning the election and re-election of Directors, having regard to their performance, suitability, time commitment and ability to continue to contribute to the Board. Following this year's review, the Committee has recommended to the Board that all serving Directors be elected or re-elected at the AGM.

You can read more about the Board's recommendation that all Directors be elected or re-elected at the 2025 AGM on page 164.

Diversity and inclusion

The group has made significant progress against its diversity and inclusion ("D&I") strategy, although the Committee recognises the need for D&I to remain a priority. Diversity at all levels of the organisation is critical to ensuring the group is able to execute its longer-term strategy and continue to meet and respond to stakeholder needs and expectations. Diversity in the boardroom ensures that different perspectives are considered and supports the challenge needed to ensure effective decision-making.

During the year, the Committee undertook its annual review of the Board Diversity Policy, which applies to both the Board and its committees. The policy sets out specific objectives with regard to diversity and inclusion in the boardroom, the recruitment of new Directors and longer-term targets, as well as corresponding governance responsibilities. The Committee considered that the policy remains appropriate and that no further updates were required at this stage. The Board Diversity Policy is available at www.closebrothers.com/investor-relations/investor-information/corporate-governance.

The Committee also considered the group's diversity in the context of the Listing Rule requirements on diversity metrics and reporting. At 31 July 2025, being the reference date for the purposes of Listing Rule 6.6.6(9), which requires the disclosure of certain diversity statistics, and as shown in the tables below:

- the Board met its target of having at least 40% female Directors;
- the Board met its target of having one Director from a minority ethnic background; and
- with the appointment of Fiona McCarthy, Group Chief Finance Officer, as an Executive Director post year end, the Board now meets its target of having one of its most senior roles occupied by a female Director.

In accordance with Listing Rule 6.6.6(9), the data for the above disclosure is as disclosed by the relevant individuals at 31 July 2025.

The Committee considers that the Board remains diverse, with Directors from a range of backgrounds, but will seek to take opportunities to further improve the diversity of the Board, where this is consistent with the skills, experience and expertise required at a particular point in time.

The following tables illustrate the gender and ethnic diversity of the executive management population, which comprises the Executive Committee pursuant to Listing Rule 6.6.6(10).

The Committee takes seriously its role in overseeing the development of a diverse pipeline for senior management positions and the link between diversity and inclusion and delivery of the company's purpose and strategic aims. To that end, the Committee considered updates during the year in relation to diversity and inclusion initiatives across the group and oversaw the group's refreshed three-year diversity and inclusion strategy, focusing on attraction and retention of diverse talent, enhancing the culture of the group, and shaping the group's inclusive brand and embedding inclusion in all interactions with stakeholders.

Gender identity reporting[1] under LR6.6.6(10)

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, SID and Chairman)	Number in executive management	Percentage of executive management
Men	4	50%	3	8	73%
Women	4	50%	–	3	27%
Not specified/prefer not to say	–	–	–	–	–

Ethnic background reporting[1] under LR6.6.6(10)

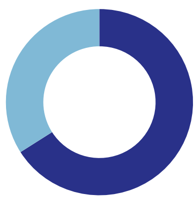
	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, SID and Chairman)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	88%	3	8	73%
Mixed/Multiple ethnic groups	–	–	–	1	9%
Asian/Asian British	1	12%	–	2	18%
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1. The numerical data detailing gender identity and ethnic background is as self-disclosed by the relevant individuals at 31 July 2025, being the chosen reference date for the purposes of LR6.6.6(9) and LR6.6.6(10), and reflects the composition of the Board and executive management at that date.

Board diversity

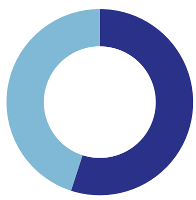
Male	**50%**
Female	**50%**

Senior management[1]



Male	**66%**
Female	**34%**

Workforce diversity[2]



Male	**55%**
Female	**45%**

1. Comprises all members of the Executive Committee as shown on page 123, as well as their direct reports, excluding administrative support.
2. Comprises all employees of the group including senior management.

The Committee continues to monitor the approach to diversity and inclusion across the group. Please see the charts above for a breakdown of the group's gender diversity. More detail on the group's approach to diversity and inclusion can be found in the Sustainability Report on pages 42 to 45.

Workforce engagement

The Committee keeps the Board's workforce engagement arrangements, which are described on page 133 as under review. During the year, the Committee considered the current workforce engagement arrangements in place and considered that they remain effective and suited to the size and structure of the group.

Environmental, social and governance matters and sustainability

Throughout the year, the Committee received and considered dedicated updates on ESG matters relevant to the group.

Areas of focus this year included:

- consideration of how the group will meet its longer-term goal of achieving net zero by 2050;
- oversight of the group's sustainability strategy including green lending growth aligned to existing businesses and customers;
- reviewing the group's sustainability credentials and climate ranking and stakeholders' perception of the group's climate strategy;
- consideration of the legislative and government-backed climate changes following changes to the UK political landscape; and
- receiving updates on the group's charitable and community involvement including colleague-led donations and group-initiative donations to corporate charity partners.

The Committee recognises and welcomes the continuing and increasing focus on sustainability and the contribution that the group makes to the wider community. To ensure that ESG matters are considered holistically as part of Board decision-making and strategy, responsibility for ESG will be transferred in FY 2026 from the Committee to the Board.

Further information on the group's approach to sustainability can be found in the Sustainability Report on pages 27 to 48 of this Annual Report.

Committee effectiveness

An internally led evaluation of the effectiveness of the Board and its committees was undertaken during the year in line with the requirements of the UK Corporate Governance Code, as described on page 131. The evaluation found that the Committee continues to operate effectively.

The Committee considers that it has access to sufficient resources to enable it to carry out its duties and it has continued to perform effectively.

Audit Committee report

Kari Hale
Chair of the Audit Committee

Dear shareholder

On behalf of the Board, I am pleased to present the report of the Audit Committee for 2025, outlining how the Committee discharged its responsibilities and met its objectives. I would like to thank the Committee members for their contributions and support throughout this challenging year in which the profile and sensitivity of certain key issues has been particularly high.

The Committee oversees and challenges the group's financial reporting and maintenance of an effective internal control environment. This year the Committee has considered a full schedule, and focus has remained on challenging the key accounting judgements and estimates set out on the following pages, assessing the integrity and fair presentation of the group's financial reporting and reviewing the group's internal controls.

The new UK Corporate Governance Code was a focus for the Committee this year and there have been enhancements made to international standards for internal audit which are being reflected in the group's internal procedures.

Looking ahead to 2026, we expect to receive an update on the FCA's review of historical motor finance commission arrangements and the Committee will remain focused on the implications of the outcomes of this review and the resultant accounting and reporting impacts for the group.

Kari Hale
Chair of the Audit Committee

30 September 2025

Role of the Committee

To oversee and independently challenge the management of financial reporting and maintenance of an effective internal control environment.

Membership

Kari Hale (Chair), Patricia Halliday, Tesula Mohindra and Sally Williams.

Other regular attendees by invitation

Chairman of the Board, Executive Directors, Group Chief Finance Officer, Group Head of Internal Audit, Group Chief Risk Officer, Group Financial Controller, Group Financial Planning and Analysis Director, General Counsel and Company Secretary, Group Head of Operational Risk and Compliance, external auditor.

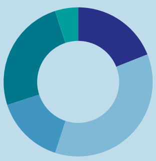
Meetings

- Number of scheduled meetings: Five
- For details of attendance, see page 128

2025 highlights

- Challenging key accounting judgements with focus on expected credit loss provisions, impairment assessments of goodwill, revenue recognition, and the implications of the FCA's review of motor finance commission arrangements and the Supreme Court appeals.
- Reviewing the integrity of the group's financial reporting and considering key disclosure matters, including the going concern and viability statements at year end.
- Reviewing material corporate transactions from a financial accounting and reporting perspective.
- Overseeing the development of enhancements to the internal control framework to align with the new UK Corporate Governance Code provisions.

How time was spent



Financial and regulatory reporting	**19%**
Business and accounting updates	**36%**
External audit	**15%**
Internal audit	**25%**
Other governance matters (including administration)	**5%**

Interaction with other committees

The Audit Committee oversees, along with the Risk Committee, the recommendations of the group's internal and external auditors and the effectiveness of the group's internal control and risk management systems.

Key responsibilities

The Committee's key responsibilities, on behalf of the Board, are to:

- monitor significant accounting judgements and estimates;
- monitor the integrity of financial reporting including recommending to the Board whether it is fair, balanced and understandable;
- oversee the effectiveness of the group's internal controls;
- review the activities and effectiveness of the group internal audit function;
- review the effectiveness and quality of the external audit process and the independence of the external auditor;
- recommend the external auditor of the group and their fees; and
- review the plan and findings of the audit with the external auditor.

The Committee reports to the Board on how it discharges its responsibilities and makes recommendations to the Board, all of which have been accepted during the year.

Committee composition, operation and effectiveness

The Committee operates independently of management to ensure the interests of shareholders are properly protected in relation to financial reporting and internal controls.

All members of the Committee are independent Non-executive Directors and continue to bring a diverse range of experience in finance, risk, control and business, with particular experience in the financial services sector. The Board has confirmed that the members of the Committee have the necessary expertise to provide effective challenge to management; this includes the chair. The qualifications of each of the members is outlined on pages 120 to 122. While the Committee's membership comprises the Non-executive Directors noted on page 138, all Non-executive Directors may attend meetings as agreed with the chair of the Committee. The Chief Executive, Group Chief Finance Officer, Group Head of Internal Audit, Group Chief Risk Officer, Group Financial Controller, Group Financial Planning and Analysis Director, Group Head of Operational Risk and Compliance, General Counsel and Company Secretary, and external auditor also attend meetings as appropriate. During the course of the year, the Committee held separate sessions with the internal and external audit teams, without management present.

The Committee undertook an annual review of its effectiveness, in line with the requirements of the UK Corporate Governance Code, as described on page 130. The review found that the Committee continues to operate effectively and has executed its responsibilities in line with its terms of reference. It is considered appropriately constituted and has access to sufficient resources to enable it to carry out its duties.

External audit

The Committee oversees the relationship with PricewaterhouseCoopers LLP ("PwC"), its external auditor, covering engagement terms, fees and independence. The Committee and the external auditor have policies and procedures designed to protect independence and objectivity. PwC has been auditor to the group since August 2017, following the group's last competitive tender during the financial year ended 31 July 2017. Heather Varley has been the group's lead audit partner since March 2022 and due to independence requirements, FY 2026 will represent Heather's last year as the group's lead audit partner. Heather attended all meetings of the Committee. Matters discussed with PwC are set out in its report on pages 168 to 176.

The Financial Reporting Council ("FRC") routinely monitors the quality of the audit work of certain UK audit firms through inspections of sample audits. During the year, the FRC conducted an Audit Quality Review of the audit performed by PwC of the group's 2024 financial statements. There were no significant recommendations made by the FRC for further improvement. One recommendation was made where further clarity could have been provided and two areas of good practice were highlighted. The findings of the review were discussed with the lead audit partner and the Committee is satisfied with the quality of the audit.

The Committee also reviewed PwC's audit plan, including the underlying methodology and PwC's risk identification processes. The Committee continues to hold private sessions with the external auditor without the presence of Executive Directors or management. These sessions facilitate open discussions and provide a forum for PwC to raise any concerns. In addition to this, the chair periodically meets with the audit partner.

External auditor effectiveness and appointment

The Committee assesses the independence and objectivity, qualifications and effectiveness of the external auditor on an annual basis as well as making a recommendation on the reappointment of the auditor to the Board. The evaluation includes consideration of quality, independence and objectivity, technical competence and auditor challenge.

The process was facilitated by a group-wide survey, a survey of the PwC senior audit team and a review of audit and non-audit fees. The feedback and scores from the review are shared with the external auditor and an action plan is developed to address remediation of any issues identified. Overall, the Committee has concluded that PwC remains independent, and it was satisfied with the auditor's performance and recommended to the Board a proposal for reappointment at the AGM. Looking ahead, subject to shareholder approval, PwC will undertake the audit of the company and the group for the year ending 31 July 2026.

As FY 2026 will represent PwC's ninth year as external auditor, in conformance with the required provisions and UK Corporate Governance Code in respect of audit tendering and rotation, the group has commenced planning for the next tender, taking into account shareholder interests as well as the FRC's "Audit Committees and the External Audit: Minimum Standard".

Financial reporting and critical accounting judgements and estimates

The Committee spent considerable time reviewing the half-year report and Annual Report. The Committee discussed and challenged the key accounting judgements made by management in preparing the financial statements. This included consideration of the internal controls over financial reporting and focus on revenue recognition in light of the remediation of early settlements of loans in the Motor Finance business. Particular focus was given to the accounting and disclosure considerations with respect to the businesses which have been classified as discontinued operations in the year. Additionally, the Committee reviewed and challenged the assessment performed against IAS 37 which determined that a provision should be recognised with regard to motor finance commissions arrangements. The Committee noted that there were no new material standards, or amendments to standards, relevant to the group that became effective for the reporting period. The key judgement areas were largely unchanged from the prior year, reflecting the group's adherence to its business model and the consistency of approach to financial reporting. The main areas of focus are outlined below. Each of these matters were discussed with the external auditor and, where appropriate, have been addressed in the external auditor's report.

In June 2025, the FRC's Corporate Reporting Review ("CRR") team carried out an ordinary course review of the Annual Report for the year ended 31 July 2024. As is its custom and practice, the FRC's review was based solely on the Annual Report 2024 with no detailed knowledge of the group or underlying transactions entered into. At the end of its review, the FRC raised no questions or queries and required no formal response. The FRC made a small number of suggestions to enhance certain disclosures. We welcome the FRC's feedback, and these points have been considered by the Committee and as part of the preparation of this year's Annual Report.

Summary of financial reporting and critical accounting judgements and estimates

Key issue	Committee review and conclusion
Expected credit loss ("ECL") provision **31 July 2025: £249.7 million** 31 July 2024: £445.8 million The group's ECL provision is dependent on management's judgements and estimates.	The Committee monitors management's judgements in relation to ECL, ensuring that the group's ECL models and related IFRS 9 judgements and disclosures are appropriate. Regular IFRS 9 updates were provided to the Committee throughout the year. The Committee challenged the level of provisions held by the group, and the judgements and estimates used to calculate these provisions. Particular focus was given to: • changes/updates to ECL models or methodology; • the impact of the macroeconomic environment and the extent to which models are able to capture these risks; • the use of post-model adjustments ("PMAs"), including the retention or release of PMAs; • whether coverage levels continue to reflect the economic risks for customers and the credit risk in the loan book; and • single name loss risks and appropriateness of specifically assessed provisions. Credit risk and provision disclosures were discussed to ensure they give a balanced articulation of the group's credit risk profile, and key drivers of the ECL charge. **Conclusion: the Committee was satisfied that the impairment provision and the disclosures provided in the financial statements are appropriate.**
Goodwill **31 July 2025: £34.1 million** 31 July 2024: £102.9 million Goodwill is allocated to eight (31 July 2024: nine) cash generating units ("CGUs"), all of which must be tested annually for impairment. This assessment is based on management judgement.	The Committee was presented with goodwill impairment assessments at both the half year and the year end. The Committee challenged the appropriateness of the assessment, conclusions and resulting disclosures. At the year end, Winterflood has been classified as held for sale under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations given the agreed sale to Marex Group plc. As a result, a partial goodwill impairment of £14.5 million has been recognised to reduce the carrying value of Winterflood down to fair value, less costs to sell. In addition, as disclosed in the half-year results, £2.1 million of goodwill was fully impaired in relation to the group's operating lease assets rental businesses. Separately, there was heightened focus on Motor Finance with the cash flows included in the impairment assessment based on the Board's updated growth and cost strategy for the business, as summarised in the "Our strategy" section of the Strategic Report. Committee updates included comprehensive information on the impairment assessment methodology, results and sensitivity analysis. The methodology and assumptions were discussed and challenged, including the approach to cash flows which takes into account a longer forecast period for certain CGUs, discount rate used, and calculation of carrying values. **Conclusion: The Committee was satisfied that, aside from the Winterflood and operating lease assets rental CGUs, there was no impairment and the disclosures provided in the financial statements are appropriate.**

Key issue	Committee review and conclusion
Revenue recognition The group offers a range of products and services for which revenue is recognised under IFRS 9, IFRS 15 and IFRS 16. Appropriate recognition is a key focus of the Committee.	The Committee reviewed management's approach to revenue recognition, highlighting the key areas where judgement is required across interest, fee and commission income. The Committee noted the materially consistent approach in comparison to prior years and the detailed assessment that is performed by management and challenged by PwC. The recognition of revenue in relation to early settlements has also been challenged in light of the customer remediation programme for early settlements of loans in the Motor Finance business, and the Committee is satisfied that it is materially appropriate in the current and each of the previous financial years. **Conclusion: The Committee was satisfied that revenue recognition for each of the group's key businesses is appropriate.**
Motor finance commission arrangements During the 2024 and 2025 financial years, the accounting judgements surrounding the FCA's review of historical motor finance commission arrangements were identified as a critical accounting judgement and estimate.	The FCA's review of historical motor finance commission arrangements is progressing and the FCA will be consulting on a compensation scheme for customers later this year. In 2024, it was concluded that this matter was a contingent liability under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. At the half year, a further detailed assessment against IAS 37 was performed, which determined that the criteria for a provision had been met and a £165 million charge for the provision was recognised. During the second half of the financial year, the provision on the balance sheet at 31 July 2025 reduced slightly to £163.9 million, reflecting some utilisation in relation to costs, partly offset by a discount unwind for the time value of money. Taking into account all available information, including the outcome of the appeal to the Supreme Court with respect to the Hopcraft case, and the FCA's updates thereafter, the provision on the balance sheet at 31 July 2025 has been reassessed and challenged by the Committee, and remains unchanged at £163.9 million. The range of risks has narrowed following the Supreme Court judgment and the underlying components of the provision have been updated. Notwithstanding this, determining the provision requires significant judgement and estimation; the critical accounting judgements and key sources of estimation uncertainty in relation to this provision have been disclosed in the financial statements with sensitivity provided where appropriate. **Conclusion: The Committee was satisfied with the judgement and estimation made with regard to the provision and the disclosures provided in the financial statements were concluded to be appropriate.**
Corporate transactions The group engaged in a number of corporate transactions during the year. The accounting and reporting impact of these transactions has been another area of key focus for the Committee.	The Committee reviewed management's accounting approach in relation to the sale of Close Brothers Asset Management, Winterflood and Close Brewery Rentals Limited, and the strategic exit of our Vehicle Hire business. Judgement is required in some areas, including in determining whether the "held for sale" and "discontinued operations" criteria under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations have been met, and in the value in use impairment assessment for the operating lease assets of the Vehicle Hire business. In addition, the Committee reviewed the presentation of these transactions and the associated disclosures. **Conclusion: The Committee was satisfied with the judgements and disclosures made in relation to the corporate transactions in the year.**
Going concern and Viability Statement The Directors are required to confirm whether they have a reasonable expectation that the company and the group will be able to continue to operate and meet their liabilities as they fall due for a specified period. The Viability Statement must also disclose the basis for the Directors' conclusions and explain why the period chosen is appropriate.	The Committee assisted the Board in determining the appropriateness of adopting the going concern basis of accounting and in performing the assessment of the viability of the group. The Committee reviewed and challenged papers which were in support of the going concern basis and the longer-term viability of the group. The analysis took into account a stressed going concern scenario. This scenario builds on the group's three-year strategic plan, and overlays the impact of a hypothetical severe but plausible motor finance commissions redress provision, subdued loan book growth and higher-than-expected operational costs. The Committee considered management's assessment that in all scenarios the group will continue to operate with sufficient levels of capital during the assessed period, as well as its sound funding and liquidity positions. In addition, the Committee reviewed the disclosures, including the information provided on a severe but plausible scenario. **Conclusion: The Committee concluded that it remained appropriate to prepare the accounts on a going concern basis, advised the Board that three years was a suitable period of review for the Viability Statement, and recommended the Viability Statement to the Board for approval, as set out on pages 114 to 115.**

Key issue	Committee review and conclusion
Fair, balanced and understandable Under the UK Corporate Governance Code, the Board is required to perform an assessment of fair, balanced and understandable reporting.	On behalf of the Board, the Committee considered whether the draft Annual Report 2025, when taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the group's position, performance, business model and strategy. The production of the Annual Report 2025 was managed by the Group Chief Finance Officer, with overall governance and coordination provided by a cross-functional team led by the Group Financial Controller. Ahead of presentation to the Committee, a robust review process was conducted, and content was assessed to ensure disclosures, taken as a whole, were accurate, balanced and verifiable. During its appraisal of the Annual Report 2025, the Committee reviewed the group's performance in light of the principal and emerging risks, along with the uncertainties surrounding the FCA's review of motor finance commission arrangements and the execution of the capital plan. Challenge was given regarding the use of adjusted measures, areas of significant judgement and estimation uncertainty, and emerging issues. The Committee discussed and challenged the balance and fairness of the overall report with management. The views of the external auditor were considered, including any feedback with regard to areas where disclosures could be enhanced. **Conclusion: The Committee was satisfied that the Annual Report 2025, taken as a whole, is fair, balanced and understandable and recommended this assessment to the Board.**

Financial reporting controls

Risk management and internal controls

The Board is required to make a statement in the Annual Report 2025 relating to the effectiveness of risk management systems and internal controls.

In considering the effectiveness of internal controls, the Committee received and discussed reports from internal audit and the external auditor. At each meeting the Committee is presented with a report from the Group Head of Internal Audit, and reviews major findings relating to control weaknesses and management's response. The Committee challenged management where appropriate on the timeframe for delivery of actions. In addition, metrics and updates are provided to the Committee throughout the year covering the group financial control framework.

The Committee has spent time considering enhancements to internal controls over financial reporting, both in the context of preparation for the new UK Corporate Governance Code and in response to enhancements required in light of any process issues identified.

In conjunction with the Risk Committee, we have satisfied ourselves that the group's internal financial control framework is effective and adequately aligned with the group's risk profile. Whilst controls aim to manage risk, ensure reporting integrity, and maintain regulatory compliance, they cannot eliminate risk entirely. Notwithstanding, through regular reviews of key controls for design and operational effectiveness, we are also satisfied that internal financial controls are appropriately designed and effective in identifying risks faced by the group, with any identified weakness addressed through management oversight and action plans. Full details of the internal control framework are given within the Risk Report on pages 68 to 73.

Revised UK Corporate Governance Code 2024

The Committee received updates through the course of the year covering the group's preparations for the revised UK Corporate Governance Code 2024. The Code shall apply to the financial year beginning 1 August 2025, with the exception of Provision 29, which shall apply to the financial year beginning 1 August 2026. Committee discussions particularly focused on controls transformation requirements.

Group internal audit

The Committee continued to have oversight of group internal audit through reports provided to the Committee and one-to-one meetings with the Group Head of Internal Audit.

The Committee reviewed, challenged and approved the internal audit plan and amendments made during the year and monitored progress against delivery of the plan. It also approved an updated internal audit charter, which sets out the mandate, authority and roles and responsibilities of the function.

The Committee received regular reports on internal audit activities across the group, including thematic root cause analysis, detailing areas identified during audits to support strengthening of the group's risk management and internal control framework and management's progress on remediation of issues. The Committee challenged management where appropriate on the timeframe for delivery of actions and, on occasion, invited relevant members of management to attend the Committee and provide progress updates on the remediation of issues.

The annual internal audit assessment was reviewed by the Committee, which found the governance and risk and control framework of the group to be generally effective, with strong Board oversight and challenge over strategy, culture, operations and risk management.

The Committee completed its annual review of the effectiveness of the internal audit function and its level of independence. This year an external quality assessment of the function was undertaken to assess conformance with the required standards, and benchmark internal audit against market practice. The review concluded that the internal audit function was found to be an established, highly regarded function and that it generally conforms with the International Professional Practices Framework, which includes the Institute of Internal Auditors Global Internal Audit Standards and Code of Ethics. "Generally conforms" is the highest rating attainable and means the function is compliant with the requirements of the Standards in all material aspects. The assessment found that there was a good culture of engagement between management and internal audit, and that the function provides a professional audit service which is independent and objective.

In addition to reviewing the internal audit function's effectiveness and independence, the Committee assessed the level of internal audit resource and the appropriateness of the skills and experience of the internal audit function to fulfil its mandate. It concluded the function was adequately resourced, experienced and skilled, with additional co-sourced expertise engaged, where required, for specialist skills.

Non-audit services

The Committee oversees the group's policy on the provision of non-audit services by the external auditor, which incorporates the Financial Reporting Council's Revised Ethical Standard published in January 2024.

The group's policy is that permission to engage the external auditor will always be refused where there is an actual or potential threat to independence. However, the Committee will give permission where the service complies with the group policy and where work is closely related to the audit, a detailed understanding of the group is required and the external auditor can provide a higher quality and/or better value service. The group follows the mandatory regulatory cap requirement of 70% which compares the annual value of non-audit services to the average of three years' audit fees.

The total audit fees for the financial year amounted to £6.1 million (2024: £5.0 million) while total non-audit fees including those relating to services required by legislation amounted to £0.9 million (2024: £1.4 million), representing 15% (2024: 28%) of the current year audit fee. This includes non-audit services not required by legislation of £0.6 million (2024: £0.7 million), 1% (2024: 14%) of the audit fee, predominantly relating to the review of the group's interim financial statements and funding assurance work.

During the year, an additional audit fee of £0.8 million was paid to the auditors in relation to scope changes in the prior year's audit, which is not included above. If this additional audit fee were to be included in the prior year comparatives, the total audit fees for the prior year would amount to £5.8 million. Total prior year non-audit fees would represent 24% of total audit fees and prior year non-audit fees relating to services not required by legislation would represent 12% of total audit fees.

The Committee was satisfied that these fees, individually and in aggregate, were consistent with the non-audit services policy and did not believe that they posed a threat to the external auditor's independence.

Statutory audit services order compliance

The company confirms compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the year to 31 July 2025.

Risk Committee report

Patricia Halliday
Chair of the Risk Committee

Dear shareholder

I am pleased to present the report of the Risk Committee (the "Committee") for 2025, outlining the Committee's key responsibilities and principal areas of risk we have focused on during the year. I would also like to thank the Committee members for their contributions and commitment.
The past year has brought unique challenges for the group, driven by the uncertainty relating to the FCA's review of historical motor finance commission arrangements, which remained high on the Committee's agenda, given the wide range of potential outcomes of this review and the associated outcome of the Supreme Court ruling.

In the context of the wide range of scenarios evaluated for motor commissions potential redress and contingency planning, close monitoring of the group's capital and liquidity position continued, with steps taken to build and further strengthen the group's capital and liquidity levels.

The Committee maintained a full agenda on principal risks, with regular reviews of credit risk, and consideration of the external environment, key risk indicators and the potential impact on our customers. Operational risk and resilience controls were important areas of focus, including updates on transition plans as we exited/sold businesses, operational impacts from potential outcomes in the Hopcraft case, and changes to our processes and systems. Conduct risk and Consumer Duty assessments also received attention, including oversight of related improvement programmes.

The year ahead is likely to remain challenging as we receive further clarity on the FCA's review of motor finance commission arrangements. Furthermore, we expect a volatile external economic environment and ongoing geopolitical tensions to add to the complexity of the prevailing risk environment. The steps taken to strengthen our financial position help enable the group to face into these challenges. Noting the further streamlining of the group, we will continue monitoring programmes of work to simplify our processes and systems to deliver enhanced control effectiveness.

Patricia Halliday
Chair of the Risk Committee

30 September 2025

Role of the Committee

To assist the Board in its oversight of risk and ensure a supportive risk culture is fully embedded.

Membership

Patricia Halliday (Chair), Kari Hale, Tracey Graham, Tesula Mohindra, Mark Pain and Sally Williams.

Other regular attendees by invitation

Chairman of the Board, Executive Directors, Group Chief Finance Officer, Group Head of Internal Audit, Group Chief Risk Officer, General Counsel and Company Secretary, Group Head of Operational Risk and Compliance, external auditor.

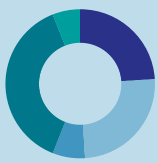
Meetings

- Number of scheduled meetings: Seven
- For details of attendance, see page 128

2025 highlights

- Ongoing oversight of the implication of the FCA's review of historical motor finance commission arrangements, including plans to ensure preparedness to quickly respond once further clarity on the regulatory position is received.
- Delivery of actions to address findings in response to the FCA's market-wide review of Borrowers in Financial Difficulty.
- Further strengthening the group's operational resilience, with enhancements made to continue to embed resilience into our business-as-usual operations.
- Oversight and monitoring of risks relating to the disposal of Close Brothers Asset Management mid-year and the risks associated with strategic changes to the Premium Finance business.
- Oversight of the planning of the group's migration to cloud as part of a wider technological transformation programme.

How time was spent



Principal risks and monitoring	24%
Business updates	25%
Policy and risk appetite	7%
Regulatory matters	38%
Other governance matters (including administration)	6%

Interaction with other committees

The Risk Committee jointly oversees, along with the Audit Committee, the recommendations of the group's internal and external auditors and the effectiveness of the group's internal control and risk management systems. It also provides advice and input to the Remuneration Committee on remuneration policies and performance objectives.

Key responsibilities

The Risk Committee's principal roles and responsibilities are to support the Board in its oversight of risk management across the group. The identification, management and mitigation of risk is fundamental to the success of the group. The Risk Committee also plays an important role in setting the tone and culture that promotes effective risk management across the group. The Risk Committee's key responsibilities are to:

- oversee the maintenance and development of a supportive culture and "tone from the top" in relation to the management of risk;
- review and recommend to the Board for approval the group's risk appetite, which is the level of risk the group is willing to take in pursuit of its strategic objectives;
- monitor the group's risk profile against the prescribed risk appetite;
- review the effectiveness of the risk management framework in ensuring that key risks are identified and appropriately managed;
- provide input from a risk perspective into the alignment of remuneration with performance against risk appetite (through the Remuneration Committee); and
- ensure a robust assessment of both the principal and emerging risks facing the group over the course of the year is undertaken, and review reports from the risk and compliance functions on the effectiveness of the processes that support the management and mitigation of those risks.

Overview of main activities during the year

The Committee receives a report from the Chief Risk Officer at each meeting to focus discussion on the key strategic risks, principal and emerging risks. A clear forward-looking agenda is in place and agendas are structured to facilitate effective discussion and debate on key topics.

At each regular meeting, the Committee has:

- reviewed and assessed the group's emerging and principal risks;
- reviewed and discussed any material risk events;
- reviewed and monitored the group's risk profile in respect of performance against risk appetite, risk trends, consumer outcomes, emerging risks and risk concentrations; and
- received updates in relation to compliance and regulatory matters.

During the year, the Committee considered the wide range of evolving risks facing the group. Areas of focus during the year were closely aligned to the regulatory agenda and the Committee maintained a balance between consideration of strategic risks as well as oversight of key remediation programmes and regulatory submissions. In addition to ensuring that we keep aligned to the supervisory priorities of our regulatory bodies, risk responses to singular regulatory initiatives and any resulting actions feature accordingly. The Committee oversaw the delivery of actions in response to the FCA's market-wide review of Borrowers in Financial Difficulty, which assessed forbearance and related practices, and has been materially completed, with embedding of changes ongoing.

The Committee and the Board have continued to assess the potential outcomes and impacts of the FCA's review of historical motor finance commission arrangements, and the outcome of the appeal to the Supreme Court in relation to the Hopcraft motor commissions case. Throughout this, we have continued to engage proactively with our regulators and time has been spent reviewing updates from management on the capital planning scenarios and funding and liquidity measures as we prepare for further clarity from the review and associated outcomes. The Committee has maintained close monitoring of the capital and liquidity position with focus on our forecasting of capital and liquidity throughout the period to ensure we are monitoring appropriately in line with our established capital planning measures. Overall, throughout the year we have continued to maintain robust and healthy liquidity levels consistent with our conservative approach to funding based on the principle of "borrow long, lend short". The Committee maintains regular oversight and visibility of funding and liquidity risk.

Credit risk has remained a core topic during the year, with the Committee receiving various deep dives as part of a rolling programme of credit portfolio reviews. Oversight of key lending portfolios including motor, property, premium, energy, and invoice finance have been regular features on the Risk Committee agenda this year. The Chief Risk Officer also provides insights on the overall credit environment when presenting their regular report. In the context of ongoing macroeconomic uncertainty, overall, our loan book has continued to display resilience, demonstrating the beneficial impact of our prudent lending criteria, the predominantly secured nature of lending and application of a consistent risk appetite. Notwithstanding some signs of credit stress being seen in pockets of our lending book due to the external environment, our vigilance and early engagement approach facilitates an ability to react as required.

Operational resilience has remained a key area of oversight, and this year's self-assessment demonstrated the good progress made in embedding operational resilience within our business-as-usual operations. Numerous enhancements have been made across the group, with a focus on increasing the resilience of our operations and services to customers. These enhancements include the deployment of new operational processes and technology services to further mitigate risk to service continuity, and together with associated documentation enhancements has built a greater understanding of resilience across the organisation.

The Committee has also spent time this year considering enhancements to our overall control environment in the context of preparation for the new UK Corporate Governance Code and in response to enhancements required in response to both the FCA review into historical motor finance commission arrangements together with any process issues identified. These enhancements mark a positive build on our existing control environment.

Similarly, cyber risk was a key feature on the Committee's agenda as we continue our cyber security journey and building on our cyber controls and capabilities. This included monitoring progress towards an enhanced risk-based approach to ensure we are appropriately positioned to address the ever-changing nature of the threat environment and the need to build appropriate security mechanisms to mitigate against cyber attacks.

Following approval of the first Consumer Duty self-assessment in June 2024, the Committee was satisfied to reconfirm approval for this financial year. The importance of good consumer outcomes has remained a priority as the Committee maintains oversight on the identification and remediation of any issues that need to be addressed and drive forward a culture of delivering good consumer outcomes at every stage of the customer journey. This year the Committee has been kept regularly updated on further embedding of the Conduct Risk Framework and additional enhancements made during the year. The Committee has also received and reviewed regular monitoring reports of consumer outcomes and reviewed and approved, on behalf of the Board, management's annual report on consumer outcomes and ongoing action improvement plans.

As the group has announced various strategic initiatives during the year, the Committee has maintained oversight and consideration of the risk profile attached to these. These include the risks associated with divestment or similar actions to ensure that the risk and business environments remain within appetite. Similarly, priorities of our regulatory bodies and their own strategic aims have featured heavily on our own agenda.

As part of the group's contingency planning activities, in addition to our routine suite of regulatory stress-testing activities, management participated in our crisis management and disaster recovery exercises and other fire-drill activities, which continue to demonstrate our resilience and ability to respond in a crisis event.

Sustainability items retain prominent positions as areas of focus. Climate risk and its impact on both us as a group, as well as our borrowers, remains a priority area of focus and this year, we have been pleased to see further embedding of our risk management practices within our wider risk frameworks. Combined with our culture dashboard and monitoring of people risk, this helps us keep sustainability considerations at the forefront of all we do whilst we support our businesses in serving our customers. Additionally, the linkage between culture, risk and compensation remains an important one and the Risk Committee and the Chief Risk Officer have provided input to the Remuneration Committee again this year to seek to ensure that risk behaviours and the management of operational risk incidents over the course of the financial year are appropriately reflected in decisions taken about performance and reward.

Looking ahead to 2026

It is anticipated that the regulatory agenda and current areas of activity will continue to feature heavily on the Committee's agenda into 2026. We expect to receive an update on the FCA's review of historical motor finance commission arrangements and the content and any associated workstreams will form a focal point for the Risk Committee and executive team more widely. As further clarity is received on this, the Committee will play a key role in ensuring the impacts are fully assessed and understood.

Our readiness for Basel 3.1 implementation continues and will further mature throughout the next financial year and I look forward to updates to the Committee on this in the coming months ahead of the deferred regulatory deadline.

Our focus on Consumer Duty will continue and the importance of good consumer outcomes will continue to be prioritised as the legal and regulatory position around the resolution of complaints relating to motor finance commissions becomes clearer.

Progress and builds upon the operational resilience and cyber maturity landscape will be monitored keenly by the Committee. Ongoing cyber threats that continue to impact global institutions indicate a wider adverse trend and therefore continued focus into 2026 will remain critical.

In the context of expected ongoing uncertainty in the macroeconomic environment, vigilance, monitoring and controlled risk appetite will continue to be key as we move forward. A strong forward-looking focus on emerging risks and the outcome of the FCA's review of historical motor finance commission arrangements will be important. Emerging risks and possible emergence periods are monitored on an ongoing basis, with agreed mitigating actions in place. This, along with our business-as-usual horizon scanning activities, is designed to enable us to anticipate risks and take appropriate management actions. Central to our ability to do this is our established risk measurement, monitoring and reporting framework. Our focus on products and markets we know and understand aligns with a consistent risk appetite against which we measure ourselves.

As we look ahead to the next financial year the Committee will continue to oversee the management and mitigation of those risks most likely to pose harm to the group and maintain focus on several key topics including regulatory developments, macroeconomic uncertainty and the cyber landscape.

Committee effectiveness

In accordance with the UK Corporate Governance Code, a review of the effectiveness of the Board and its committees was undertaken during the year, as described on pages 130 to 131. The results of the Committee effectiveness review confirm that the Committee continues to operate effectively and has executed its responsibilities in line with its terms of reference. It is considered appropriately constituted and has access to sufficient resources to enable it to carry out its duties.

Directors' remuneration report

Tracey Graham
Chair of the Remuneration Committee

Dear shareholder

I am pleased to present the Directors' Remuneration Report for the 2025 financial year. I would like to thank my fellow Remuneration Committee members for their support and contribution to the work of the Committee during the year.

This report sets out the pay decisions that the Committee has taken for the year, including how we implemented the Remuneration Policy approved by shareholders at the 2024 AGM. It also provides an update on our approach to remuneration for the 2026 financial year.

Last year, we implemented a Directors' Remuneration Policy that included flexibility to operate an interim restricted stock incentive model, which replaced both the annual bonus and the performance share award grant under the Long Term Incentive Plan ("LTIP") in 2025. We adopted this approach given the difficulty of setting meaningful performance targets in the context of the FCA's review of historical motor finance commission arrangements. We conducted extensive shareholder consultation prior to adopting this pay model and I was pleased by the level of support that we received at the AGM, with a vote of 95% in favour. We also received a vote of 98% in favour of our Directors' Remuneration Report. I would like to thank all shareholders for their ongoing support.

Whilst the outcome of the Supreme Court Appeal on 1 August 2025 has provided welcome clarity on important legal and commercial principles, until the FCA has concluded its consultation and confirmed the design and scope of any redress scheme, there remains uncertainty as to the range of outcomes and the financial impact to the group. The Committee decided to continue operating our interim restricted stock incentive model for the 2026 financial year. This approach reflects the guidance included in last year's Annual Report that we might extend the operation of the interim restricted stock model should these extraordinary circumstances continue beyond the 2025 financial year.

Role of the Committee

To assist the Board in its oversight of the group's remuneration framework, remuneration of the Board and senior executives, and key remuneration decisions.

Membership

Tracey Graham (Chair), Mike Biggs, Mark Pain and Patricia Halliday.

Other regular attendees by invitation

Chief Executive, Group Head of Human Resources, Head of Reward and HR Operations.

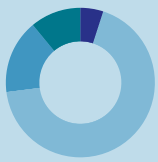
Meetings

- Number of scheduled meetings: Four
- For details of attendance, see page 128

2025 highlights

- Consulted over 20 of our major shareholders on the proposed extension of the restricted stock model.
- Conducted the 2025 annual compensation review for Executive Directors and the wider workforce.
- Undertook regulatory matters including Material Risk Takers framework, annual internal audit of remuneration and group risk adjustment.
- Reviewed statutory and regulatory remuneration disclosures including gender pay gap report.

How time was spent



Remuneration Policy and disclosure	5%
Risk and reward	68%
Annual remuneration disclosure	16%
Other governance matters (including administration)	11%

Interaction with other committees

The Remuneration Committee works with the Audit Committee and Risk Committee chairs on the design and implementation of remuneration policies and the determination of remuneration outcomes.

This report sets out our approach to remuneration for the group's Executive Directors and employees for the 2025 financial year.

The Directors' Remuneration Report is divided into three sections:

How the group performed during the 2025 financial year

Overall, we reported a statutory operating loss before tax of £122.4 million (2024: statutory operating profit of £132.7 million), primarily driven by adjusting items in relation to motor finance commissions, including a £165.0 million provision and £18.7 million associated with complaints handling and other operational and legal costs. We also recognised a £33.0 million provision for the proactive customer remediation programme in Motor Finance in relation to early settlement of loans and an operating loss before tax of £47.5 million for our rentals businesses, including the £30.0 million write-down of assets in the Vehicle Hire business.

While the performance partially reflects legacy issues that the current management team are taking decisive steps to address, the Board recognises that our returns have fallen short of where they should be and welcome the Chief Executive's focus on addressing these. On an adjusted basis, excluding the impact from adjusting items, which do not reflect the underlying performance of our business and discontinued operations, the group's operating profit decreased 14% to £144.3 million (2024: £167.6 million). We have strengthened our capital position, delivered cost actions resulting in annualised savings of around £25 million since March 2024, and simplified the group through the sale of CBAM, Winterflood and the Brewery Rentals business. We achieved a CET capital ratio of 13.8%, significantly above our applicable requirement of 9.7%. The sale of Winterflood is expected to increase the group's CET1 capital ratio by c.55 basis points over time.

As we have continued to navigate this period of unprecedented uncertainty, the Committee has sought to balance rewarding and retaining our people, including our Executive Directors, in order to safeguard the future of our franchise, with the experience of all our stakeholders. Further details regarding the actions we have taken for the wider workforce are set out on page 153.

Changes to the Board of Directors during the 2025 financial year

In January, the Board announced that following a period of medical leave, Adrian Sainsbury would step down from his position as Group Chief Executive and Executive Director of the group with effect from 6 January 2025 to focus on his health. He was replaced on a permanent basis by Mike Morgan, who had performed the interim Chief Executive role for which he received an acting up allowance of £136,823. The departure details for Adrian are set out on page 158. He was treated as a good leaver for the purposes of the company's incentive plans.

To recognise Mike's appointment to the Chief Executive role, the Committee determined that he would receive an annual salary of £968,000 and a pension allowance at 10% of annual salary, which is in line with the contribution levels for all employees. He also receives a car allowance of £18,000. Mike's salary level was aligned with the salary received by Adrian. The Committee also agreed to grant an additional top-up restricted stock award, which took his total grant in the 2025 financial year to £650,000. This is below the £750,000 grant level for restricted stock that was proposed for Adrian last year.

Executive Director remuneration outcomes for the 2025 financial year

The interim restricted stock incentive model, introduced for the 2025 financial year, replaced both the annual bonus and the performance share award granted under the LTIP in 2025. Therefore, the Executive Directors were not eligible for an annual bonus for 2025.

The 2022 LTIP was based on adjusted EPS growth (35%), return on opening equity ("RoE") (35%) and a scorecard of risk management objectives (30%). The financial metrics were not met, reflecting the impact of the legacy issues that crystallised in the performance period. The risk management objectives over the three years to 2025 were partially met. This would have resulted in an LTIP vesting of 18.5% of the maximum opportunity. However, in recognition of the shareholder experience, the Committee has determined that there should be nil vesting on the 2022-2025 LTIP. Further details are set out on page 157.

Proposed implementation of the Policy for the 2026 financial year

Notwithstanding Mike's performance in his first year as Chief Executive, acknowledging the shareholder experience, the Committee agreed that Mike will not receive a salary increase for the 2026 financial year. His salary will therefore remain at £968,000. This is in line with the approach being taken for other members of the Executive Committee.

As outlined above, until the FCA has concluded its consultation and confirmed the design and scope of any redress scheme, there remains uncertainty as to the range of outcomes and the financial impact to the group. As such, setting robust and meaningful performance metrics for our "ordinary course" annual bonus and performance-based LTIP remains a challenge for the 2026 financial year. We are therefore continuing with the grant of restricted stock to the Chief Executive for the 2026 financial year. Our approach to this award will be unchanged from the 2025 financial year:

- The restricted stock award will replace both the annual bonus and performance share award under the LTIP in the 2026 financial year.
- The Committee determined that the award value for Mike Morgan will be 75% of salary (£726,000). This is below the maximum level of 80% of salary included within the Policy. For reference, the "ordinary course" incentive opportunity under the annual bonus and LTIP is 220% of salary.
- The award will be subject to performance underpins as detailed on page 159.
- The restricted stock award would vest 100% after year three, subject to assessment against the performance underpins. The entire award would then be subject to a two-year holding period.
- Clawback periods will continue to be seven years, extendable to 10 years.

The Committee believes this approach will continue to achieve the following objectives:

- retain and motivate Mike in his role as Chief Executive and ensure he is focused on executing our strategy and protecting our valuable franchise;
- incentivise and reward stewardship of the business during this period of uncertainty;
- increase Mike's equity stake in the business in the long-term interests of all of our stakeholders.

It remains the Committee's intention that we will revert back to operating the ordinary course annual bonus and LTIP for the 2027 financial year.

We consulted on the proposed extension of the restricted stock model for the 2026 financial year by sending a letter to a number of our significant shareholders, covering c.80% of the register. I was pleased that the feedback we received supported the proposed approach.

Appointment of an Executive Director

In August, the Board confirmed the appointment of Fiona McCarthy, Group Chief Finance Officer, as an Executive Director. The Committee has developed a remuneration package that recognises her significant capabilities and experience, while reflecting the reduced complexity of the group following the sale of CBAM and Winterflood.

The Committee determined that Fiona should receive a salary level of £500,000, with a pension contribution of 10% of salary, which is in line with the rate for the wider workforce. She will also receive a restricted stock award of 62% of salary (£310,000) for the 2025 financial year, below the maximum opportunity of 80%, with the award structured in line with the award for Mike Morgan. The aggregate package for Fiona is therefore set at a c.20% discount to the intended package provided to Mike Morgan in his role as Group Finance Director in 2025. The Committee may look to progress Fiona's package in future years, taking into account company and personal performance over time.

Supporting the wider workforce

The Remuneration Committee's aim is to always consider the wider workforce, our shareholders and other stakeholders by taking a fair, prudent and balanced approach to remuneration. The Committee is particularly focused on ensuring that Close Brothers supports its broader workforce and demonstrates its ethos as a responsible business. We are committed to paying all staff at or above the national living wage, which is in excess of the national minimum wage.

While remaining focused on ensuring a balanced cost profile across the group, the average salary increase for the wider workforce for the 2026 financial year is 2.3%.

During this period of uncertainty, Close Brothers has been mindful of the need to retain and motivate our talented workforce to continue to protect the franchise, support our customers and to operate the business within our risk appetite. As such, the Committee decided to continue to fund the bonus pool for wider colleagues, albeit at a lower level than prior years. While the Committee recognises the shareholder context, including the suspension of the dividend, the Committee agreed that maintaining some level of bonus is important for the sustainable retention of colleagues.

Our commitment to closing the gender pay gap centres on increasing female representation at all levels, supported by targeted representation goals and development programmes. This commitment extends to broader inclusion initiatives to ensure fairness and equality for all. We actively participate in various inclusion charters and partnerships, leveraging external expertise to inform our strategies. Eight executive-sponsored inclusion networks organise internal events and initiatives to deliver on our broader inclusion commitments. Executive pay is linked to inclusion objectives via our "ordinary course" performance-based LTIP. Employee feedback consistently reflects a positive perception of our inclusive environment, with 91% of colleagues in our 2025 opinion survey stating they feel included, and we remain dedicated to fostering a workplace where everyone feels valued and proud to work for us.

Looking ahead – key focus areas for the Remuneration Committee for 2026

The Remuneration Committee intends to continue its openness to dialogue with shareholders in the coming year, recognising that pay remains a focus for our investors. We will continue to consider the experiences of colleagues, our shareholders and other stakeholders and to remunerate executives fairly and appropriately. We remain committed to a responsible approach to executive pay.

I hope that you will find this report on the Directors' remuneration accessible and clear, and that you agree with the decisions we have taken, which balance the interests of all stakeholders. I look forward to receiving your support on the Directors' Remuneration Report at the forthcoming AGM.

Tracey Graham
Chair of the Remuneration Committee

30 September 2025

Annual Report on Remuneration

Remuneration Committee

The Remuneration Committee's main responsibilities are to:

- review and determine the total remuneration packages of Executive Directors and other senior executives, including group Material Risk Takers and senior control function staff in consultation with the Chairman and Chief Executive and within the terms of the agreed Policy;
- approve the design and targets of any performance-related pay schemes operated by the group;
- review the design of all-employee share incentive plans;
- ensure that contractual terms on termination and any payments made are fair to the individual and the group, that failure is not rewarded and that a duty to mitigate risk is fully recognised;
- review any major changes in employee benefits structures throughout the group;
- ensure that the remuneration structures in the group are compliant with the rules and requirements of regulators, and all relevant legislation;
- ensure that provisions regarding disclosure of remuneration are fulfilled; and
- seek advice from group control functions to ensure remuneration structures and annual bonuses are appropriately aligned to the group's risk appetite.

Remuneration Committee effectiveness

An external evaluation of the effectiveness of the Board and its committees was undertaken during the year in line with the requirements of the UK Corporate Governance Code, as described on page 151. The evaluation found that the Remuneration Committee continues to operate effectively.

The Remuneration Committee considers that it has access to sufficient resources to enable it to carry out its duties and it has continued to perform effectively.

Membership activity in the 2025 financial year

There were seven meetings of the Remuneration Committee held during the year, which included three additional meetings that took place in August 2024, October 2024 and January 2025. There is a standing calendar of items which is supplemented by other significant issues that arise during the year. The key matters addressed during the year were as follows:

	August 2024	September 2024	October 2024	Additional January 2025	January 2025	April 2025	July 2025
Remuneration Policy and disclosures							
Approve the annual remuneration governance model					•		
Approve Total Reward Principles					•		
Approve Remuneration Policy Statement for 2024		•			•		
Approve Directors' Remuneration Report and the remuneration section of the Pillar 3 disclosure for 2024		•					
Review and approve of Directors' Remuneration Policy for 2024	•	•					
Approve UK Gender Pay Gap submission					•		
Approve revised clawback period		•					
Risk and reward							
Review and approve risk-adjustment process/outcomes	•	•			•	•	•
Approve Material Risk Takers for 2025		•			•	•	•
Annual remuneration discussions							
Approve approach to year-end compensation						•	
Review group LTIP non-financial targets for 2025	•						
Approve group LTIP financial and non-financial targets for 2025							•
Review and determine 2024 EDs' annual bonus outcome		•					
Approve medium and long-term awards	•						
Approve 2021 group LTIP vesting		•					
Review risk management objectives for 2022 group LTIP vesting							•
Approve year-end all-employee group-wide salary and bonus analysis/proposals for 2024	•						
Approve proposed 2024 compensation for Material Risk Takers	•						
Review formulaic incentive schemes and approval of schemes for 2025						•	•
Special business							
Approve revised Omnibus Plan Rules					•		
Approve interim CEO arrangements			•	•			

UK Corporate Governance Code

We continue to be compliant with the executive pay provisions of the 2018 UK Corporate Governance Code. Our pay arrangements are also consistent with the following principles set out in the Code:

Clarity	This Directors' Remuneration Report provides open and transparent disclosure of our executive remuneration arrangements for our internal and external stakeholders.
Predictability	Our incentive arrangements contain maximum opportunity levels with outcomes varying depending on the level of performance achieved against specific measures. The charts on page 160 of the 2024 Annual Report provides estimates of the potential total reward opportunity for the executive directors under the Policy.
Simplicity and alignment to culture	Under our ordinary course Policy, incentive arrangements for our executives are straightforward, with individuals eligible for an annual bonus and, at more senior levels, a single performance-based long-term incentive plan. As part of the new Policy, an interim pay model based on restricted stock may be operated in lieu of an annual bonus and a grant of performance-based LTIP. Performance measures or underpins used in these plans are designed to support delivery of the group's key strategic priorities and our commitment to adopt a responsible, sustainable business model, in line with our purpose and values.
Proportionality and risk	Our variable remuneration arrangements are designed to provide a fair and proportionate link between group performance and reward. In particular, partial deferral of the annual bonus into shares, five-year release periods for LTIP awards and stretching shareholding requirements that apply during and post-employment provide a clear link to the ongoing performance of the group and therefore long-term alignment with stakeholders. We are also satisfied that the variable pay structures do not encourage inappropriate risk-taking. Notwithstanding this, the Remuneration Committee retains an overriding discretion that allows it to adjust formulaic annual bonus and/or LTIP/restricted stock outcomes so as to guard against disproportionate out-turns. Malus and clawback provisions also apply to both the annual bonus and LTIP/restricted stock and can be triggered in circumstances outlined in the Policy.

Advice

During the year under review and up to the date of this report, the Remuneration Committee consulted and received input from the Chairman of the Board, the Chief Executive, the Group Head of Human Resources, the Head of Reward and HR Operations, the Group Chief Risk Officer and the Company Secretary. Where the Remuneration Committee seeks input from employees, this never relates to their own remuneration.

The Remuneration Committee's remuneration advisers are Deloitte LLP (a member of the Remuneration Consultants Group) who were appointed by the Remuneration Committee following a competitive tendering process. During the year, separate teams within Deloitte provided advice and support in a range of areas, including operations, corporate development and regulatory compliance. The Remuneration Committee is satisfied that the provision of these other services does not affect the objectivity and independence of the remuneration advice provided by Deloitte as the other services are unrelated to reward matters. Total fees paid to Deloitte were £66,000 during the 2025 financial year, calculated on a time and material basis.

Slaughter and May provided legal advice on the company's equity scheme rules and the fees paid were £43,500, calculated on a time and material basis. The Remuneration Committee is satisfied with the independence of the advice.

Statement of voting on the Directors' Remuneration Policy at the 2024 AGM

	For	Against	Number of abstentions
Directors' Remuneration Policy	94.9%	5.1%	85,931

Statement of voting on the Directors' Remuneration Report at the 2024 AGM

	For	Against	Number of abstentions
Directors' Remuneration Report	97.7%	2.3%	663,159

Implementation of the Policy in 2025

The single total figure of remuneration for Executive Directors for the years ended 31 July 2025 and 31 July 2024 is set out in the tables below. (Audited[1])

	2025								
	Salary £'000	**Acting up allowance £'000**	**Benefits £'000**	**Pension £'000**	**Total fixed remuneration £'000**	**Annual bonus[2] £'000**	**Performance awards £'000**	**Total variable remuneration £'000**	**Total remuneration £'000**
Adrian Sainsbury[3]	**418**	**–**	**12**	**42**	**472**	**–**	**–**	**–**	**472**
Mike Morgan[4]	**807**	**137**	**20**	**80**	**1,044**	**–**	**–**	**–**	**1,044**

	2024								
	Salary £'000	Acting up allowance £'000	Benefits £'000	Pension £'000	Total fixed remuneration £'000	Annual bonus[2] £'000	Performance awards[5] £'000	Total variable remuneration £'000	Total remuneration £'000
Adrian Sainsbury	949	–	31	95	1,075	–	92	92	1,167
Mike Morgan	571	–	12	57	640	–	56	56	696

1. All disclosures in the Directors' Remuneration Report are unaudited unless otherwise stated.
2. 60% of Executive Directors annual bonus is deferred into shares.
3. Adrian Sainsbury stepped down as Group Chief Executive and an Executive Director of the group on 6 January 2025; his remuneration including salary, benefits, bonus and pension has been time pro-rated accordingly.
4. Mike Morgan received an annual acting up allowance of £423,500, that was time pro-rated whilst in the interim Chief Executive role for the period 10 September 2024 to 6 January 2025. Mike received an annual salary of £583,000 and £968,000 whilst in the roles of Group Finance Director and Chief Executive respectively that were time pro-rated accordingly.
5. The figures for the performance awards for 2024 have been recalculated using the actual share price on the date of vesting for the LTIP of £3.818. The three-month average to 31 July 2024 was used for the 2024 report given that the awards were vesting after publication of the report.

Link between reward and performance

During the 2025 financial year, the group's performance has been impacted by a number of challenging but necessary actions. These include a provision in respect of motor commissions, a proactive customer remediation programme and associated provision related to historical deficiencies in certain operational processes linked to the early settlement of loans in Motor Finance, and the write-down of assets in our Vehicle Hire business. The group has strengthened its capital position in response to the motor commissions uncertainty, delivering cost actions resulting in annualised savings of around £25 million since March 2024, and simplifying the group through the sale of CBAM, Winterflood and the Brewery Rentals business. In addition, we have also decided to exit the group's Vehicle Hire business. Performance in this business has been impacted by a challenging market backdrop, particularly post-Covid, and we see limited opportunity to deliver enhanced returns.

We reported a statutory operating loss before tax of £122.4 million (2024: statutory operating profit of £132.7 million), primarily driven by adjusting items amounting to £266.7 million. On an adjusted basis, excluding the impact from these adjusting items, which do not reflect the underlying performance of our business and discontinued operations, the group's operating profit decreased 14% to £144.3 million (2024: £167.6 million). Partially this result reflects that our capital focus in the year meant we did not proceed with business, even where it met our credit and pricing requirements.

In Banking, adjusted operating profit reduced to £198.3 million (2024: £212.9 million), as a 2% reduction in income and 1% growth in costs were partly offset by lower impairment charges. The net interest margin remained strong at 7.2% (2024: 7.4%) and credit performance remained resilient, with a bad debt ratio of 1.0% (2024: 1.0%), below the long-term average of 1.2%.

We maintained strong capital, funding and liquidity positions. The group's CET1 capital ratio was 13.8% at 31 July 2025, reflecting significant progress on our capital actions, and significantly above our applicable requirement of 9.7%. The recently announced sale of Winterflood is expected to increase the group's CET1 capital ratio by c.55 basis points over time.

In line with our stated approach, no dividend will be paid in respect of the 2025 financial year.

Applying the performance conditions would have resulted in the 2022 LTIP vesting at 18.5% of the maximum opportunity. However, recognising that the group performance remains impacted by legacy issues, the Remuneration Committee, determined that the award should not vest. As there was no annual bonus operated in 2025, there was no payout of any variable remuneration in the year. The business will look to revert to operating its "ordinary course" annual bonus and performance LTIP structure in due course.

Additional disclosures on the single total remuneration figure for Executive Directors table (Audited)

Salary

The per annum salaries paid during the year are as shown in the single total remuneration figure table above. When reviewing salary levels, the Remuneration Committee takes into account the individual's role and experience, pay for the broader employee population, market and external factors, where applicable. For the 2025 financial year, the Remuneration Committee applied 2% and 2.1% salary increases to the Chief Executive and the Finance Director, respectively. These base salary increases are lower than the average salary increase approved for the wider employee population at 3.4%.

Benefits

Adrian Sainsbury and Mike Morgan received an £18,000 allowance in lieu of a company car (time pro-rated for the period as Chief Executive). Mike Morgan received an £136,823 acting up allowance whilst in the Interim Chief Executive role. They also received private health cover. The discount to the share price on grant of SAYE options is included in the year of grant. In line with disclosure requirements, taxable expenses are included.

Pension

Adrian Sainsbury and Mike Morgan received a pension allowance equivalent to 10% of base salary, in line with the upper limit contribution the general employee population can elect to receive.

Long-term performance awards

The overall vesting of the 2022 LTIP grant is outlined in the table below.

Details of the overall vesting for the LTIP

Performance measure	Threshold target[1]	Maximum target	Actual achieved	Overall vesting
Adjusted EPS growth[2] (35% weighting)	10%	30%	(53.0)%	0.0%
RoE[3] (35% weighting)	10%	18%	6.0%	0.0%
Risk management objectives ("RMO") (30% weighting)	n/a	n/a	50.0%	18.5%
Overall vesting assessment				18.5%
Discretionary adjustment				(100)%
LTIP overall vesting outcome				0.0%

1. 25% of the awards vest for satisfying the threshold target.
2. Over three years.
3. Average over three-year performance period.

As explained in the Remuneration Committee Chair's letter, the financial metrics were not met and the risk management objectives over the three years to 2025 were partially met. In recognition of the shareholder experience, the Remuneration Committee determined that there should be nil vesting on the LTIP.

Details of the assessment of the risk management objectives for the LTIP

The Remuneration Committee considers it to be of critical importance that remuneration arrangements continue to incentivise discipline in the management of the firm's capital and balance sheet and in the delivery of the business model. The Remuneration Committee undertakes a robust assessment of performance against the risk management objectives to ensure that payments to Executive Directors are fair and appropriate with consideration for individual and corporate performance. In doing so, the Remuneration Committee assesses performance against a number of key measures in making its determination.

Performance was assessed after each of the three years of the LTIP performance period, with each year's review carrying a weighting of one-third towards the overall vesting for the award, ensuring a fair assessment of progress over the three-year period.

Year one and year two assessments were set out in the 2023 and 2024 Directors' Remuneration Reports respectively. The year three performance assessment is detailed below.

Year three performance assessment against risk management objectives

Objective	Measured through reference to	Progress	Objective achieved?
Risk and operational resilience: 10% of 30%			**50%**
Consumer Duty	• Continued annual achievement of outcome reviews and maintenance to long-term goals.	• The Board supported annual assessment of outcomes, informed by conduct monitoring and reporting.	On track
Corporate governance reforms	• Enhance the group's internal controls framework and make material progress on alignment with UK Corporate Governance Code 2024 requirements.	• Work progressed well across multiple workstreams to address Corporate Governance Code 2024 requirements. • Company-wide investment in enhancing internal controls documentation, testing and associated attestations on track to enable relevant attestations.	On track
Cyber security	• Achieve cyber security targets for the group in line with rolling target.	• Sustained the maturity and effectiveness of our cyber security controls, with assessment confirming the relevant scores remained in line with agreed targets. • Conducted risk and threat-led prioritisation of further investment areas to enable sustained capability.	On track
Operational resilience	• Ensure full regulatory compliance with operational resilience requirements. • Continue resilience testing and ensure any new vulnerabilities are addressed for FY 2026.	• Operational resilience self-assessment agreed in March 2025 in line with regulatory requirements. • Previously identified vulnerabilities closed, in line with UK regulatory requirements.	On track

ESG: 10% of 30%			**25%**
Sustainability	• Define and publish transition pathways to meet our net zero ambition. • Demonstrate measured emissions reductions progress towards 2030 net zero intermediate targets. • Green initiatives to materially contribute to growth.	• In our efforts to align our climate positioning more closely with our business-led strategy of supporting our customers in their sustainability journeys, we have decided to: – move away from intermediate emissions reduction targets and instead, focus on providing support, finance and expertise to help customers decarbonise in ways that are practical and aligned to their own pathways. • Growth in the energy and battery electric vehicles market will be led by customer demand rather than by specific group targets, ensuring our ambitions align closely with our customers' transition journeys.	On track
People	• Improve diversity through meeting defined FY 2025 representation targets for female senior managers and managers from an ethnic minority background: – 36% female senior managers. – 14% managers from an ethnic minority background.	• 29% female senior managers at 31 July 2025. • 10% managers from an ethnic minority background at 31 July 2025.	Behind track
Financials: 10% of 30%			**75%**
Capital	• To maintain a strong and prudent capital position, in line with the group's medium-term CET1 capital target range of 12% to 13%.	• In response to recent developments and motor finance commissions uncertainties, we have strengthened our capital position. • The group's CET1 capital ratio was 13.8% at 31 July 2025 (31 July 2024: 12.8%), significantly above our applicable requirement of 9.7%.	Ahead of track
Dividend	• Maintain a progressive dividend that is sustainable over the medium term.	• Given the continued uncertainty regarding the outcome of the FCA's review of motor finance commission arrangements and any potential financial impact, the group decided not to pay a dividend on its ordinary shares for the 2025 financial year.	Behind track
Liquidity	• Maintain a prudent amount of liquid assets over the period to FY 2026. • Maintain a prudent level of headroom to LCR.	• Treasury assets increased 20% to £2.8 billion at 31 July 2025 (31 July 2024: £2.3 billion) and were predominantly held on deposit with the Bank of England. • We regularly assess and stress test the group's liquidity requirements and continue to exceed the LCR regulatory requirements, with a 12-month average LCR to 31 July 2025 of 1,012% (31 July 2024: 1,034%).	Ahead of track
Funding	• Maintain a prudent amount of term funding. • Maintain an appropriate net stable funding ratio.	• We have maintained a prudent maturity profile, with surplus tenor of allocated funding of three months at 31 July 2025. • The four-quarter average NSFR to 31 July 2025 was 145.9% (31 July 2024: 134.4%).	On track

The table below summarises the Remuneration Committee's assessment of performance against the risk management objectives after each of the three years of the LTIP performance period.

Element	Year one assessment	Year two assessment	Year three assessment	Overall vesting
Capital and balance sheet management	95.0%	37.5%	75.0%	69.2%
Risk and operational resilience	75.0%	75.0%	50.0%	66.7%
ESG[1]	n/a	37.5%	25.0%	31.3%
Overall vesting[2]	**85.0%**	**50.0%**	**50.0%**	**61.7%**

1. The ESG element in year one was incorporated within the risk and operational resilience element, whilst in years two and three it was agreed ESG would be a separate element.
2. The overall vesting percentage is calculated on the average of the overall vesting per element per year.

Implementation of the Policy in 2026

Base salary

	Salary effective from 1 August 2025	Increase
Chief Executive – Mike Morgan	£968,000	0.00
Group Chief Finance Officer – Fiona McCarthy[1]	£500,000	—

1. Fiona McCarthy's salary is effective from appointment date as an Executive Director, 29 August 2025.

Base salaries were determined with reference to the Executive Director's role, increases for the broader population and external factors. For the 2026 financial year, the Remuneration Committee has decided not to apply a salary increase to the Chief Executive, in line with other members of the Executive Committee. The average salary increase approved for the wider employee population was 2.3%.

Mike Morgan's allowance in lieu of pension and Fiona McCarthy's employer pension contributions will be 10% of base salary, in line with the upper limit contribution the general employee population can elect to receive. The Executive Directors will also receive benefits in line with those outlined in the Remuneration Policy table on page 161. There will be no other increases to allowances or benefits other than any potential increase in the cost of providing them.

2025 restricted stock award (for the 2026 to 2028 cycle)

The proposed 2025 restricted stock award due to be granted in October 2025 is shown in the table below.

	Chief Executive Mike Morgan	Group Chief Finance Officer Fiona McCarthy
2025 restricted stock award	£726,000	£310,000
2025 restricted stock award as a percentage of 2026 salary	75%	62%

As advised in the Remuneration Committee Chair's letter, in lieu of the "ordinary course" annual bonus and performance share LTIP, for 2025, a restricted stock award will be granted over shares with a value at grant of £726,000 for the Chief Executive and £310,000 for the Group Chief Finance Officer. These are below the maximum opportunity of 80% of their base salary at 75% and 62% respectively. For reference, the combined "ordinary course" annual bonus and performance share LTIP opportunity is 220% of salary.
The award will be subject to the following performance underpins:

- Individual: At least strong personal performance rating as rated by the Chairman of the Board in consultation with the Board;
- Financial: Company achieving a CET1 of at least 1% above regulatory requirement, calculated on a standardised basis;
- Non-financial: Satisfactory progress against strategic objectives designed to promote the long-term success of the business, as judged by the Chairman of the Board in consultation with the Board; and
- Risk: No material regulatory censure relating to the Executive Director's time in office.

Consistent with the current Policy and risk adjustment framework, the Remuneration Committee will continue to have overriding discretion to adjust vesting outcomes where it considers this appropriate taking into account the wider stakeholder experience. While the significant discount is intended to proactively address the risk of potential windfall gains, the Remuneration Committee will nonetheless retain discretion on vesting outcomes in the event of a significant increase in our share price to ensure the value delivered to the Executive Directors is appropriate in the context of the overall business performance and the wider stakeholder experience.

The restricted stock awards will vest 100% after year three subject to assessment against the performance underpins. 100% of the award will also be subject to a two-year holding period.

Clawback periods will continue to be seven years, extendable to 10 years.

Relative spend on pay

The following table shows the total remuneration paid compared to the total distributions to shareholders. No dividend will be paid in 2025, and the decrease in remuneration paid to employees reflects the reduction in headcount and performance-driven bonuses.

	2025 £ million	2024[1] £ million	Percentage change
Remuneration paid	**238.4**	246.9	(3.4)%
Distributions to shareholders[2]	**–**	-	-

1. Comparative information restated following the classification of CBAM and Winterflood as discontinued operations.
2. For the 2024 and 2025 financial years, no dividend was paid.

Changes in remuneration of the Directors and all employees

The table below details how the remuneration for the Directors changed compared to employees of the parent company of the group and the average group-wide employee population for each year between the 2020 and 2025 financial years.

The year-on-year movement in fees and salary for the Directors, average group employee and average group-wide employee reflects the annual review implemented in August 2024 and ad hoc salary changes throughout the financial year ended 31 July 2025. The 2025 average employee figures exclude CBAM.

The average salary increase for group employees reflects a small population and a number of promotions throughout the year.

Adrian Sainsbury's year-on-year salary and benefits decreases are due to him stepping down from his role in January 2025.

Mike Morgan's year-on-year salary and benefits increases relate to his change in role to Chief Executive in January 2025.

Kari Hale's year-on-year fee increase relates to his change of responsibilities and being the Chair of the Audit Committee for the full year during the 2025 financial year. Patricia Halliday's year-on-year fee increase relates to her being a member of the Remuneration Committee effective from the start of the 2025 financial year.

The change to benefits relates to the cost of providing private medical cover and the inclusion of the discount of share price for a SAYE option granted. Due to the attractive discounted share price, a larger number of employees elected to participate in the 2025 SAYE option scheme.

	2025			2024			2023			2022			2021		
	Salary/ Fee	**Benefits[1]**	**Bonus**	Salary/ Fee	Benefits[1]	Bonus	Salary/ Fee	Benefits[1]	Bonus	Salary/ Fee	Benefits[1]	Bonus	Salary/ Fee	Benefits[1]	Bonus
Average group employee[2]	**8.7%**	**20.8%**	**(7.0)%**	6.9%	10.7%	1.8%	7.0%	16.2%	(11.7)%	5.8%	21.3%	29.5%	2.4%	6.6%	34.3%
Average employee[3]	**4.3%**	**5.6%**	**(13.3)%**	3.8%	19.2%	7.9%	4.7%	4.7%	(27.6)%	5.7%	5.7%	(32.8)%	0.0%	0.0%	21.2%
Executive Directors[4]															
Adrian Sainsbury[5,6]	**(55.9)%**	**(57.4)%**	**0.0%**	2.0%	2.9%	0.0%	0.0%	2.7%	(100.0)%	95.7%	62.2%	(51.1)%	–	–	–
Mike Morgan[7,8]	**41.2%**	**45.8%**	**0.0%**	2.0%	7.9%	0.0%	0.0%	(0.1)%	(100.0)%	40.0%	30.8%	(54.9)%	0.0%	20.2%	152%
Chairman and Non-executive Directors[9]															
Mike Biggs	**0.0%**	**–**	**–**	0.0%	–	–	0.0%	–	–	0.0%	–	–	0.0%	–	–
Sally Williams	**0.0%**	**–**	**–**	2.4%	–	–	0.0%	–	–	3.8%	–	–	0.0%	–	–
Mark Pain	**0.0%**	**–**	**–**	1.7%	–	–	0.0%	–	–	27.5%	–	–	–	–	–
Patricia Halliday[10,11]	**6.3%**	**–**	**–**	0.9%	–	–	23.9%	–	–	–	–	–	–	–	–
Tracey Graham[10]	**0.0%**	**–**	**–**	0.9%	–	–	23.9%	–	–	–	–	–	–	–	–
Tesula Mohindra	**0.0%**	**–**	**–**	2.4%	–	–	0.0%	–	–	–	–	–	–	–	–
Kari Hale[12]	**7.5%**	**–**	**–**	25.5%	–	–	–	–	–	–	–	–	–	–	–

1. Non-executive Directors have received other benefits that relate to reimbursement for expenses incurred in the course of duties. Reimbursement of these expenses does not provide an accurate comparison to benefits received by employees and they are therefore not included.
2. Changes for employees of the parent company excluding Executive Directors.
3. Changes for group-wide employees, as this is more representative of changes across the wider workforce, excluding Executive Directors.
4. Calculated using the data from the single figure table in the Annual Report on Remuneration including reimbursement for expenses incurred in the course of duties.
5. Adrian Sainsbury was appointed Group Chief Executive in September 2020 and his 2021 figures are pro-rated based on part-year. Adrian's 2022 salary and benefits increase is driven by the part-year in 2021 and the compensation mix adjustment awarded during the 2022 financial year.
6. Adrian Sainsbury stepped down as Group Chief Executive in January 2025 and his 2025 figures are pro-rated based on part-year.
7. Mike Morgan's 2022 benefits increased 30.8%; this is driven by an increase in pension allowance based on the compensation mix adjustment awarded during the 2022 financial year.
8. Mike Morgan's salary and benefits for 2025 are apportioned based on his time as Finance Director and Chief Executive during the year.
9. Calculated using the fees from the single figure table for Non-executive Directors on page 163. Where non-executives have pro-rated fees, the prior year has either been pro-rated up or down accordingly.
10. Patricia Halliday and Tracey Graham's fees increased year-on-year between 2022 and 2023; this is driven by their appointment to the Chair of the Risk Committee and the Chair of the Remuneration Committee respectively during the 2023 financial year.
11. Patricia Halliday's fees increased year-on-year between 2024 and 2025; this is driven by her appointment as a member of the Remuneration Committee on 1 August 2024.
12. Kari Hale's fees have increased year-on-year between 2023 and 2024 and 2024 and 2025; this is driven by his appointment to the Chair of the Audit Committee during the 2024 financial year.

Pay ratios

The table below compares the Chief Executive's single total remuneration figure to the remuneration of the group's UK employees at 31 July, over the last six financial years. The Committee is satisfied that the median ratio is consistent with the pay, reward and progression policies for our employee population.

The ratio for 2025 has marginally decreased since 2024; however, the median pay ratio has been similar over the last three years. This year's reduction is largely as a result of no 2022 LTIP award vesting.

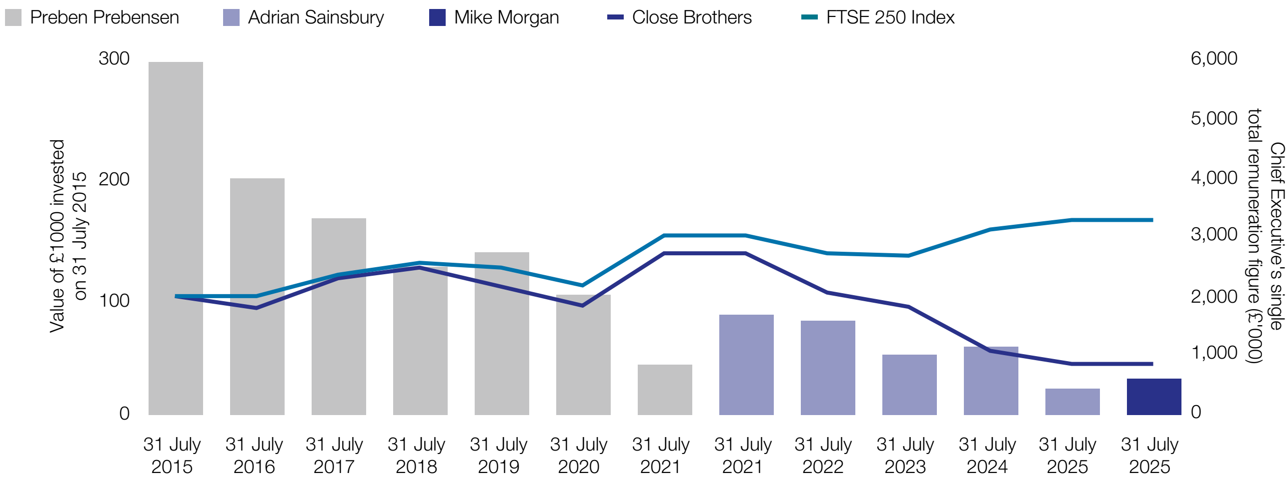
					Lower quartile employee		Median employee		Upper quartile employee	
Year	Method	25th percentile	Median	75th percentile	Total remuneration	Salary	Total remuneration	Salary	Total remuneration	Salary
2025	**A**	**27:1**	**17:1**	**11:1**	**£39,952**	**£33,635**	**£63,995**	**£57,096**	**£98,687**	**£80,836**
2024	A	31:1	19:1	12:1	£38,440	£31,500	£61,270	£55,700	£96,856	£61,730
2023	A	29:1	18:1	11:1	£36,093	£30,000	£59,000	£50,000	£92,969	£72,600
2022	A	48:1	28:1	17:1	£33,571	£26,314	£56,952	£40,983	£93,459	£85,000
2021	A	79:1	37:1	29:1	£32,437	£28,820	£54,729	£38,500	£89,927	£70,000
2020	A	64:1	38:1	23:1	£32,194	£27,167	£54,245	£36,950	£90,029	£75,000

Our ratios have been calculated using the most robust methodology option "A" prescribed under the UK Companies (Miscellaneous Reporting) Regulations 2018. Under this option, the ratios are calculated using the following:

- the full-time equivalent salaries and allowances for employees in the UK;
- pensions and benefits paid during the financial years;
- annual bonus awarded for the financial years;
- actual and projected gains realised from exercising awards from taxable employee share plans;
- sales incentives paid during the financial years; and
- projection of vested performance awards.

The Chief Executive's total remuneration over the past 10 years

The chart below illustrates the Chief Executive's single total remuneration figure over the past 10 years and compares it to the total shareholder return of the company's shares and the FTSE 250 over this period. Further detail on the single total remuneration figure outcomes and how variable pay plans have paid out each year is shown in the table below.



	Preben Prebensen							Adrian Sainsbury					Mike Morgan
	2015	2016	2017	2018	2019	2020	2021[1]	2021[2]	2022[3]	2023	2024	**2025[4]**	**2025[5]**
Single figure of total remuneration (£'000)	£5,962	£3,995	£3,337	£2,541	£2,770	£2,043	£860	£1,720	£1,602	£1,053	£1,182	**£472**	**£625**
Annual bonus against maximum opportunity	98%	95%	91%	86%	82%	40%	78%	78%	47%	0%	0%	**0%**	**0%**
LTIP, SMP and Matching Share Award vesting[6]	97%	68%	51%	19%	30%	42%	40%	40%	21%	0%	22%	**0%**	**0%**

1. Preben Prebensen's remuneration for the 2021 financial year was time pro-rated to 21 September 2020, the day he stepped down as Chief Executive.
2. Adrian Sainsbury was appointed Chief Executive on 21 September 2020 and his remuneration included in the single figure for the 2021 financial year was time pro-rated accordingly.
3. The 2019 LTIP award vested in the 2022 financial year at 20.6%; the assessed outcome before the 25% discretionary reduction was 27.5%.
4. Adrian Sainsbury's remuneration for the 2025 financial year is time pro-rated to 6 January 2025, the day he stepped down as Chief Executive.
5. Mike Morgan was appointed Chief Executive on 7 January 2025 and his remuneration included in the single for the 2025 financial year is time pro-rated accordingly.
6. SMP and Matching Share Awards were last granted in the 2016 financial year.

Scheme interests granted during the year (Audited)

The face value and key details of the share awards granted in the 2025 financial year are shown in the table below. These were all delivered as nil cost options. The share price used to calculate the number of shares was £4.3184, the average of the middle market quotations for the five business days from and including the date of the company's preliminary results announcement on 19 September 2024.

Name	Award type[1]	Vesting period	Performance conditions	Face value[2,3] £'000	Percentage vesting at threshold	Number of shares	Vesting end date
Adrian Sainsbury	PSA[4,5]	3 years	Yes	27	N/A	6,203	26 September 2027
Mike Morgan	PSA[4,5]	3 years	Yes	650	N/A	150,518	26 September 2027

1. The awards are all delivered as nil cost options.
2. Adrian Sainsbury's PSA was time pro-rated for the period actively working (1 August 2024 to 9 September 2024). The original face value of the award and number of shares due to be granted were £750,000 and 173,675 respectively.
3. Mike Morgan was granted a PSA of £450,000 as Group Finance Director and an additional top-up PSA of £200,000 was granted when appointed Chief Executive in January 2025.
4. Performance underpins are detailed in the 2024 Annual Report on page 171.
5. PSAs have an additional two-year holding period.

External appointments

No Executive Directors held external directorships during the financial year.

Payments to departing Directors and past Directors (Audited)

As per the section 430(2B) Companies Act 2006 Statement made on the company's website, Adrian Sainsbury stepped down as Group Chief Executive and Executive Director of the group on the 6 January 2025 and remained on medical leave, in accordance with medical advice, until 9 April 2025. Immediately following this period, Adrian's 12-month notice period commenced and Adrian was placed on gardening leave for the duration of his notice period, during which time he continues to receive his basic salary, cash allowances and benefits. During the 2025 financial year, the value of his salary and cash allowances was £614,975 and the value of his benefits was £2,238.

Under the rules of the Close Brothers Omnibus Share Incentive Plan, Adrian was treated as a good leaver in relation to his unvested Deferral Annual Bonus awards, 2023 LTIP and 2024 PSA awards. The awards will vest on their original vesting schedule, subject to time pro-ration and assessment of performance conditions or underpins where applicable. The awards remain subject to malus and clawback.

Since stepping down, Adrian Sainsbury has called for his outstanding Deferred Annual Bonus Awards relating to 2021 and 2022 and his 2019 LTIP to cover tax liabilities. The total value of the awards on calling was £96,276 and the dividend paid was £61,318. In line with our Remuneration Policy, Adrian will continue to build his shareholding and will be unable to sell shares until he either has reached the minimum shareholding of 200% of base salary or after the two-year hold period following stepping down as an Executive Director.

There were no other payments made to past Directors during the year other than vesting of outstanding share awards as disclosed in previous remuneration reports.

Executive Directors' shareholding and share interests (Audited)

The interests of the Directors in the ordinary shares of the group at 31 July 2025 are set out below:

	Shareholding requirement[1]	Number of shares owned outright[2]	Outstanding options not subject to performance conditions[3]		Outstanding options subject to performance conditions[4]	
Name	2025	2025	2025	2024	2025	2024
Adrian Sainsbury[5]	**479,683**	**166,934**	**12,921**	33,212	**246,930**	315,931
Mike Morgan	**479,683**	**128,316**	**10,611**	21,874	**295,473**	190,239

1. Based on the closing mid-market share price of 403.6p on 31 July 2025.
2. This includes shares owned outright by closely associated persons and SIP.
3. This includes DSA and SAYE options.
4. This includes PSA and LTIP awards.
5. Adrian Sainsbury's shareholding is as at 6 January 2025, the day he resigned as an Executive Director.

No Executive Director held shares that were vested but unexercised as at 31 July 2025. There were no changes in notifiable interests between 1 August 2025 and 16 September 2025.

Executive Directors' shareholding (Audited)

The chart below compares the current Executive Director shareholding versus shareholding policy, as a percentage of salary. At the end of the 2021 financial year, Mike Morgan exceeded the minimum requirement under the Directors' Remuneration Policy. Following the implementation of the compensation mix adjustments in response to CRD V in the 2022 financial year and being promoted to Chief Executive in January 2025, Mike is building up his shareholding over a reasonable time frame to meet the revised minimum requirement. Mike hasn't sold shares since taking office, except to cover tax liabilities, and has no ability to do so, until the threshold is met.

Mike Morgan

Details of Executive Directors' share exercises during the year (Audited)

Name	Award type	Held at 1 August 2024	Called[1]	Lapsed	Market price on award p	Market price on calling p	Total value on calling[1] £	Dividends paid on vested shares £
Mike Morgan	2021 DSA	7,128	7,128	–	1,545.8	241	17,178	12,510
	2022 DSA	5,379	5,379	–	923.1	241	12,963	5,998
	2019 LTIP	10,569	10,569	–	1,366.4	241	25,471	29,329

1. These are the actual number of shares and values realised on calling. Any variances in totals are due to rounding.

Notes to the details of Executive Directors' share exercises during the year

The Deferred Share Award ("DSA") is a mandatory deferral of a portion of the annual bonus.
The DSA and LTIP give Executive Directors the right to call for shares in the company from the employee benefit trust or Treasury Shares, at nil cost, together with a cash amount representing accrued notional dividends thereon. They may be called for at any time up to 12 months from the date of vesting. The DSA and LTIP awards may be forfeited in certain circumstances if the Executive Director leaves employment before the vesting date. The value of the awards is charged to the group's income statement in the year to which the award relates for the DSA and spread over the vesting period for the LTIP award.

Details of Executive Directors' option exercises during the year (Audited)

No Executive Director exercised options during the 2025 financial year.

Single total figure of remuneration for Non-executive Directors (Audited)

	2025						2024					
Name	**Basic fee[1] £'000**	**Committee chair £'000**	**Committee member £'000**	**Senior Independent Director £'000**	**Benefits[2] £'000**	**Total £'000**	Basic fee[1] £'000	Committee chair £'000	Committee member £'000	Senior Independent Director £'000	Benefits[2] £'000	Total £'000
Mike Biggs	**300**	**–**	**–**	**–**	**21**	**321**	300	–	–	–	30	330
Sally Williams	**71**	**–**	**14**	**–**	**2**	**87**	71	–	14	–	–	85
Mark Pain	**71**	**–**	**14**	**34**	**1**	**120**	71	–	14	34	1	120
Tesula Mohindra	**71**	**–**	**14**	**–**	**1**	**86**	71	–	14	–	1	86
Patricia Halliday[3]	**71**	**34**	**14**	**–**	**1**	**120**	71	34	7	–	–	112
Tracey Graham	**71**	**34**	**7**	**–**	**1**	**113**	71	34	7	–	1	113
Kari Hale[4]	**71**	**34**	**7**	**–**	**3**	**115**	71	24	9	–	1	105

1. Non-executive Director fees were last increased with effect from 1 August 2021.
2. Benefits include travel-related expenses in respect of attendance at Board meetings which are taxable. Amounts disclosed have been grossed up using the appropriate tax rate as the company pays the Non-executive Directors' tax.
3. Patricia Halliday was appointed a member of the Remuneration Committee on 1 August 2024.
4. Kari Hale was appointed Chair of the Audit Committee on 16 November 2023.

Notes to the single total figure of remuneration for Non-executive Directors

The fees payable to Non-executive Directors for the 2025 and 2026 financial years are as follows:

Role	**2026**	2025
Chairman[1]	**£300,000**	£300,000
Non-executive Director	**£71,000**	£71,000
Supplements		
Senior Independent Director	**£34,000**	£34,000
Chair of Audit Committee	**£34,000**	£34,000
Chair of Remuneration Committee	**£34,000**	£34,000
Chair of Risk Committee	**£34,000**	£34,000
Committee membership[2]	**£7,000**	£7,000

1. The Chairman receives no other fees for chairmanship or membership of Board committees.
2. No fees are payable to the Chairman, or for membership, of the Nomination and Governance Committee.

Non-executive Directors' share interests (Audited)

The interests of the Non-executive Directors in the ordinary shares of the company are set out below:

Name	**Shares held beneficially at 31 July 2025**	Shares held beneficially at 31 July 2024
Mike Biggs	**15,000**	6,500
Sally Williams	**5,910**	1,062
Mark Pain	**4,000**	4,000
Tesula Mohindra	**500**	500
Patricia Halliday	**500**	500
Tracey Graham	**1,000**	1,000
Kari Hale	**–**	–

There were no changes in notifiable interests between 1 August 2025 and 16 September 2025.

This report was approved by the Board of Directors on 30 September 2025 and signed on its behalf by:

Tracey Graham
Chair of the Remuneration Committee

Directors' Remuneration Policy

The Directors' Remuneration Policy was approved by shareholders at the 2024 AGM on 21 November 2024. It is intended that the policy will apply for three years up to the 2027 AGM, unless amendments are required, in which case further shareholder approval will be sought.

The Remuneration Policy included the ability to make awards of Restricted Shares, reflecting the difficulty the business had in setting targets. The intention is that the business will revert to the "ordinary course" award of Performance Shares and Annual Bonus for the 2027 financial year.

In developing the Policy, input was sought from the management team, while ensuring that conflicts of interest were suitably mitigated. An external perspective was provided by our major shareholders and independent advisers.

The policy can be read in full on pages 154 to 164 of the 2024 Annual Report, which is available at www.closebrothers.com/investor-relations/investor-information/results-reports-and-presentations. A summary of the main elements of the Remuneration Policy is set out in the table below.

Information on how the Remuneration Policy was applied in 2025 is included in the Annual Report on Remuneration section, on pages 152 to 154.

Remuneration Policy for Executive Directors ("EDs")

The below table sets out the "ordinary course" Directors' Remuneration Policy

Element and how it supports the group's short-term and long-term strategic objectives	Operation and maximum payable
Base salary Attracts and retains high calibre employees. Reflects the employee's role and experience.	Reflects the individual's role and experience and external factors, as applicable. Paid monthly in cash. Increases will generally not exceed those for the broader employee population unless there is a change in role, responsibility or the regulatory environment. **Performance framework, recovery and withholding:** Not applicable
Benefits Enables the EDs to perform their roles effectively by contributing to their wellbeing and security. Provides competitive benefits consistent with the role.	Benefits may include private medical cover, health screening, life assurance, income protection cover and an allowance in lieu of a company car. Other benefits may also be provided in certain circumstances, such as relocation expenses. **Performance framework, recovery and withholding:** Not applicable
Pension Provides an appropriate and competitive level of personal and dependent retirement benefits.	EDs receive a level of pension contribution (in the form of a cash allowance or contribution to a pension arrangement) that is in line with the wider workforce. **Performance framework, recovery and withholding:** Not applicable
Annual bonus Rewards good performance. Motivates employees to support the group's goals, strategies and values over both the medium and long-term. Aligns the interests of senior employees and executives with those of key stakeholders, including shareholders, and increases retention for senior employees, through the use of deferrals.	60% of the annual bonus will usually be deferred into shares (in the form of nil cost options or conditional awards) and will usually vest in equal tranches over three years, subject to remaining in service. The remaining annual bonus will be delivered immediately in cash. The annual bonus is capped at 95% of base salary. At the Remuneration Committee's discretion, dividend equivalents will usually be paid in cash or additional shares when the deferred awards vest. **Performance framework, recovery and withholding:** Individual bonuses are determined based on both financial and non-financial performance measures in the financial year, including adherence to relevant risk and control frameworks. At the Remuneration Committee's discretion, an element of the bonus may also be based on personal performance. At least 60% of the annual bonus opportunity will be based on financial performance. The non-financial element will be determined based on performance measured against a balanced scorecard, including (but not limited to): • strategic objectives; and/or • people and customer metrics; and/or • risk, conduct and compliance measures. The Remuneration Committee has overriding discretion to adjust vesting outcomes where it considers appropriate. The cash element is subject to clawback and the deferred element is subject to malus and clawback conditions.

Long-Term Incentive Plan Motivates executives to achieve the group's longer-term strategic objectives. Aids the attraction and retention of key staff. Aligns executive interests with those of shareholders.	Awards are made in the form of nil cost options or conditional awards and usually vest after three years subject to achieving performance conditions and remaining in service. On vesting, awards will usually be subject to a further two-year post-vesting retention period before options can be exercised by, or conditional awards paid to, EDs. EDs are eligible to receive an annual award of shares with a face value of up to 125% of base salary, excluding dividend equivalent. **Performance framework, recovery and withholding:** Individual awards vest based on performance against both financial and non-financial performance measures. At least 70% of the award will be based on performance against financial measures. The remainder will be based on non-financial performance. The Remuneration Committee has overriding discretion to adjust vesting outcomes where it considers appropriate. LTIP awards are subject to malus and clawback provisions.
Shareholding requirement Aligns the interests of executives with those of shareholders through building a shareholding.	EDs are expected to build and maintain a holding of company shares equal to at least 200% of base salary. EDs will normally be expected to maintain a minimum shareholding of 200% of base salary for the first two years after stepping down as an ED. **Performance framework, recovery and withholding:** Not applicable
Malus and clawback	Malus and clawback provisions apply to the variable pay that can be earned by EDs. The specific circumstances in which malus and clawback can be applied are set out in our full Policy on page 159 of the 2024 Annual Report, which is available on our website.

Interim Remuneration Policy features – extraordinary circumstances

Restricted stock Interim arrangement to retain and motivate the EDs during this period of uncertainty. Restricted stock will increase the EDs' equity stake and promote stewardship to protect our valuable franchise. This would be in lieu of the normal course annual bonus and performance award LTIP grant in the financial year.	Awards are made in the form of nil cost options or conditional awards and usually vest after three years subject to achieving performance underpins and remaining in service. On vesting, 100% of awards will usually be subject to a further two-year post-vesting retention period before options can be exercised by, or conditional awards paid to, executive directors. EDs are eligible to receive an annual award of shares with a face value of up to 80% of fixed pay, excluding pension and benefits. **Performance framework, recovery and withholding:** Awards would be subject to a performance underpin, which would be assessed at vesting. The performance underpins will be based on financial and non-financial performance metrics.

Consistency of Executive Directors' remuneration with wider employee population

The pay and terms and conditions of employment of employees within the group were taken into consideration when setting the Policy and pay of the executive directors. The Remuneration Committee does not formally consult with employees when setting the Policy, although the employee opinion survey conducted every year includes remuneration as one of the topics surveyed. The Remuneration Committee also receives feedback from engagement with, and communication to, employees on matters relating to remuneration issues, which it uses to inform its broader approach to remuneration, including with respect to the alignment between executive remuneration and the approach to compensation for employees across the group. The Remuneration Committee frequently reviews a "Remuneration Dashboard" containing metrics, analysis and other information, which the Committee uses as part of its decision-making, including as part of the annual compensation process. It covers a wide range of areas throughout the year, such as workforce demographics, pay and reward at different levels across the group, gender pay and SAYE participation.

The principles of remuneration are applied throughout the group and are designed to support the group's key attributes across our businesses, which are expertise, service and relationships. Remuneration structures and arrangements for all employees are based on the individual's role, experience, performance and relevant market practice.

Annual bonuses are based on role, business performance, market conditions and individual performance. These bonuses are not capped; except for EDs and group and bank Material Risk Takers.

A limited group of senior employees typically receive performance award LTIP awards, generally on the same basis as the EDs, but the maximum face value of these awards is generally materially lower. Restricted Stock awards will be granted in the coming financial year to senior employees to reflect the current uncertainty impacting the group.

Members of the Executive Committee who are not EDs are required to build and maintain shareholdings of at least one times base salary.

Employees receive the same level of pension contributions (in the form of a cash allowance or contribution to a pension arrangement) as EDs.

All UK employees are eligible to participate in the SAYE and SIP plans.

Dates of Executive Directors' service contracts[1]

Name	Date of service contract
Mike Morgan	7 January 2025
Fiona McCarthy	29 August 2025

1. Copies of the Director' service contracts are available for inspection at the group's registered office.

Remuneration Policy for the Chairman and Non-executive Directors

Element and how it supports the group's short-term and long-term strategic objectives	Operation and maximum payable
Fees Attract and retain a Chairman and independent Non-executive Directors who have the requisite skills and experience to determine the strategy of the group and oversee its implementation.	• Fees are paid in cash and are reviewed periodically. • Fees for the Chairman and Non-executive Directors are set by the board. The Non-executive Directors do not participate in decisions to set their own remuneration. • The Chairman of the board receives a fee as Chairman but receives no other fees for chairmanship or membership of any committees. • Non-executive Directors receive a base fee. • The Senior Independent Director receives an additional fee for this role. • Additional fees are paid for chairmanship of each of the Audit, Remuneration and Risk Committees. • Additional fees are paid for membership of committees, with the exception of the Nomination and Governance Committee, for which no additional fees are payable. • Additional fees may be payable for other additional board responsibilities and/or time commitments. • The Chairman and Non-executive Directors are entitled to claim reimbursement for reasonable expenses and associated tax liabilities incurred in connection with the performance of their duties for the company, including travel expenses. • Overall aggregate fees will remain within the limit as authorised within the articles of association, which may change from time-to-time. • There is no performance framework, recovery or withholding.

Non-executive Directors' appointment letters[1]

Name	Date of appointment	Current letter of appointment start date
Mike Biggs	14 March 2017	21 November 2023
Mark Pain	1 January 2021	1 January 2024
Kari Hale	28 June 2023	26 June 2024
Tracey Graham	22 March 2022	1 January 2024
Patricia Halliday	1 August 2021	1 August 2024
Tesula Mohindra	15 July 2021	1 January 2024
Sally Williams	1 January 2020	1 January 2024

1. Copies of the Non-executive Directors' appointment letters are available for inspection at the group's registered office.

Statement of consideration of shareholder views

The Chairman of the Board and the Chair of the Remuneration Committee consult our major shareholders on a regular basis on key issues, including remuneration, and welcome feedback from shareholders at any point throughout year. Where the Committee proposes to make any significant changes to the Remuneration Policy, or the manner in which the Policy is operated, we would seek major shareholders' views and take these into account.

A formal consultation exercise was undertaken during 2024 with our major shareholders and shareholder advisory bodies, whereby we implemented a Director's Remuneration Policy that included flexibility to operate an interim restricted stock incentive model. This replaced both the annual bonus and the performance share award grant under the LTIP in 2025. During 2025, we consulted over 20 of our major shareholders of our proposal to extend the restricted stock model for 2026.

Directors' Report

The Directors of the company present their report for the year ended 31 July 2025.

The Strategic Report, together with the Corporate Governance Report which includes the reports of the committees and the Directors' Remuneration Report, include information that would otherwise need to be included in this Directors' Report. Readers are also referred to the cautionary statement on page 235 of this Annual Report.

Disclosures by reference

Additional information, which is incorporated into this Directors' Report by reference, including information required by the Companies Act 2006, the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Disclosure and Transparency Rule 7.2, and Listing Rule 6.6.4, can be located by page reference elsewhere in this Annual Report as follows:

Results and dividends

The consolidated results for the year are shown on page 177 of the Financial Statements. The Directors do not recommend a final dividend for the year and did not declare an interim dividend during the year.

Further information on the Directors' decision not to pay a dividend in respect of the financial year can be found on page 8.

Directors

The names of the Directors of the company at the date of this report, together with biographical details, are given on pages 120 to 122. All the Directors listed on those pages were Directors of the company throughout the year, with the exception of Fiona McCarthy, who was appointed post year end on 29 August 2025.

In accordance with the UK Corporate Governance Code, all serving Directors will retire at the 2025 AGM and offer themselves for election or re-election at that meeting.

Powers of Directors

The Directors may exercise all powers of the company, subject to any directions given by special resolution and the articles of association. The Directors have been authorised to allot and issue ordinary shares and to make market purchases of the company's ordinary shares by virtue of resolutions passed at the company's 2024 AGM.

Appointment and removal of Directors

The appointment and removal of Directors is governed by the company's articles of association, the Companies Act 2006 and other applicable regulations and policies. Directors may be elected by shareholders in a general meeting or appointed by the Board of Directors in accordance with the provisions of the articles of association. The company's articles of association may only be amended by a special resolution of the shareholders in a general meeting.

Directors' indemnities and insurance

In accordance with its articles of association, the company has granted a deed of indemnity to each of its Directors on terms consistent with the applicable statutory provisions. The deeds indemnify the Directors in respect of liabilities (and associated costs and expenses) incurred in connection with the performance of their duties as Directors of the company or any associated company. Qualifying third-party indemnity provisions for the purposes of section 234 of the Companies Act 2006 were accordingly in force during the course of the year and at the date of approval of the Directors' Report. The company also maintains directors' and officers' liability insurance.

Share capital

The company's share capital comprises one class of ordinary share with a nominal value of 25p per share.

At 31 July 2025, 152,060,290 ordinary shares were in issue, of which 1,569,766 were held by the company in treasury (31 July 2024: 152,060,290 ordinary shares were in issue, of which 1,572,747 were held by the company in treasury).

Under section 551 of the Companies Act 2006, the Directors may allot equity securities only with the express authorisation of shareholders which may be given in general meeting, but which cannot last more than five years. Under section 561 of the Companies Act 2006, the Board may not allot shares for cash (otherwise than pursuant to an employee share scheme) without first making an offer to existing shareholders to allot such shares to them on the same or more favourable terms in proportion to their respective shareholdings, unless this requirement is waived by a special resolution of the shareholders.

Details of Directors' authorities approved by shareholders at the 2024 AGM can be found in the 2024 Notice of AGM and subsequent results announcement.

Since the date of the company's 2024 AGM, with the exception of the authority to make market purchases, the Directors have not used these authorities. Details of market purchases of the company's ordinary shares during the year can be found in the purchase of own shares section below.

The existing authorities to allot and purchase shares given to the company at the last AGM will expire at the conclusion of the forthcoming AGM. At this AGM, shareholders will be asked to renew these authorities. Details of the relevant resolutions to be proposed will be included in the 2025 Notice of AGM.

New issues of share capital

No ordinary shares were allotted or issued during the year. Specifically, no ordinary shares were allotted or issued during the year to satisfy option exercises. Full details of options exercised, the weighted average option exercise price and the weighted average market price at the date of exercise can be found in Note 24 "Share-based awards" of the Financial Statements.

Rights attaching to shares

The company's articles of association set out the rights and obligations attaching to the company's ordinary shares. All of the ordinary shares rank equally in all respects. On a show of hands, each member has the right to one vote at general meetings of the company. On a poll, each member would be entitled to one vote for every share held. The shares carry no rights to fixed income. No person has any special rights of control over the company's share capital and all shares are fully paid.

The articles of association and applicable legislation provide that the company can decide to restrict the rights attaching to ordinary shares in certain circumstances (such as the right to attend or vote at a shareholders' meeting), including where a person has failed to comply with a notice issued by the company under section 793 of the Companies Act 2006.

Restrictions on the transfer of shares

There are no specific restrictions on the transfer of the company's shares which are governed by the general provisions of the articles of association and prevailing legislation. The articles of association set out certain circumstances in which the Directors of the company can refuse to register a transfer of ordinary shares.

The company is not aware of any arrangements between its shareholders that may result in restrictions on the transfer of shares and/or voting rights.

Directors and employees of the group are required to comply with applicable legislation relating to dealing in the company's shares as well as the company's share dealing rules. These rules restrict employees' and Directors' ability to deal in ordinary shares at certain times, and require the employee or Director to obtain permission prior to dealing. Some of the group's employee share plans also contain restrictions on the transfer of shares held within those plans.

Purchase of own shares

Under section 724 of the Companies Act 2006, a company may purchase its own shares to be held in treasury ("Treasury Shares").

The existing authority given to the company at the last AGM to purchase Treasury Shares of up to 10% of its issued share capital will expire at the conclusion of the next AGM.

The Board considers it would be appropriate to renew this authority and intends to seek shareholder approval to purchase Treasury Shares of up to 10% of its issued share capital at the forthcoming AGM in line with current investor sentiment. Details of the resolution renewing the authority will be included in the 2025 Notice of AGM.

Awards under the company's employee share plans have historically been met from shares purchased in the market (and held either in treasury or in the employee share trust), however the company's share hedging procedures are kept under review.

During the year, the company did not make any market purchases of Treasury Shares. It transferred 2,981 shares out of treasury to satisfy share option awards, with an aggregate nominal value of £745 and representing 0.00% of the company's issued share capital, for a total consideration of £11,000.

At 31 July 2025, the company held 1,569,766 Treasury Shares with a nominal value of £0.39 million and representing 1.03% of its issued share capital. The maximum number of Treasury Shares held at any time during the year was 1,572,747, with a nominal value of £0.39 million and representing 1.03% of its issued share capital.

Significant shareholdings

The table below sets out details of the interests in voting rights notified to the company under the provisions of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules. Information provided by the company pursuant to the Disclosure Guidance and Transparency Rules is publicly available via the regulatory information services and on the company's website.

	23 September 2025 Voting rights	31 July 2025 Voting rights
abrdn plc	8.45%	8.49%
Jupiter Fund Management PLC	5.59%	5.59%
FIL Limited	5.12%	5.12%
Royal London Asset Management	4.88%	4.88%
M&G plc	4.85%	4.85%

Substantial shareholders do not have different voting rights from those of other shareholders.

Employee Share Trust

Ocorian Trustees (Jersey) Limited is the trustee of the Close Brothers Group Employee Share Trust, an independent trust which holds shares for the benefit of employees and former employees of the group. The trustee will only vote on those shares in accordance with the instructions given to the trustee and in accordance with the terms of the trust deed. The trustee has agreed to satisfy a number of awards under the employee share plans. As part of these arrangements the company funds the trust from time to time, to enable the trustee to acquire shares to satisfy these awards, details of which are set out in Note 24 "Share-based awards" of the Financial Statements. The trustee has waived its right to dividends on all shares held within the trust. During the year, the Close Brothers Group Employee Share Trust made market purchases of 550,000 ordinary shares.

Auditor

PricewaterhouseCoopers LLP ("PwC") has expressed its willingness to continue in office as the company's external auditor. Resolutions to reappoint PwC and to determine its remuneration will be proposed at the forthcoming AGM. The full text of the relevant resolutions will be set out in the 2025 Notice of AGM.

Significant agreements affected by a change of control

A change of control of the company, following a takeover bid, may cause a number of agreements to which the company is a party to take effect, alter or terminate. These include certain insurance policies, bank facility agreements and employee share plan rules.

The group had committed facilities totalling £1.0 billion at 31 July 2025 which contain clauses requiring lender consent for any change of control. Should consent not be given, a change of control would trigger mandatory repayment of those facilities.

All of the company's employee share plan rules contain provisions relating to a change of control. Outstanding awards and options may vest and become exercisable on a change of control, subject, where applicable, to the satisfaction of any performance conditions at that time and pro-rating of awards.

Research and development activities

During the normal course of business, the group continues to invest in new technology and systems and to develop new products and services to improve operating efficiency and strengthen its customer proposition.

Acquisitions and disposals

Information on a disposal made during the year is contained in note 29 to the Group Financial Statements.

Post balance sheet events

On 31 August 2025, the group completed the sale of Close Brewery Rentals Limited ("CBRL") to MML Keystone, following the agreement announced on 15 July 2025. Further details can be found in Note 30: "Post balance sheet event".

Political donations

No political donations were made during the year (2024: £nil).

Branches

The company has no branches outside the UK.

Disclosure of information to the auditor

Each of the persons who are Directors at the date of approval of this Annual Report confirms that: so far as the Director is aware, there is no relevant audit information of which the company's auditor is unaware; and they have taken all the reasonable steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors' Report has been approved by the Board and signed by order of the Board by:

Sarah Peazer-Davies
Company Secretary

30 September 2025

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors, whose names and functions are listed on pages 120 to 122, are responsible for preparing the Annual Report and the Financial Statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law, the Directors have prepared the group Financial Statements in accordance with UK-adopted international accounting standards and the company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and the company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group Financial Statements, and United Kingdom Accounting Standards comprising FRS 102 have been followed for the company Financial Statements, subject to any material departures disclosed and explained in the Financial Statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the group and company Financial Statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the Financial Statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

Directors' confirmations

Each of the current Directors, whose names and functions are listed on pages 120 to 122, confirms that, to the best of his or her knowledge:

- the group Financial Statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the company Financial Statements, which have been prepared in accordance with United Kingdom Accounting Standards comprising FRS 102, give a true and fair view of the assets, liabilities, financial position and profit of the company;
- the Strategic Report, together with the Directors' Report and the Corporate Governance Report, includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and Financial Statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.

Signed on behalf of the Board by:

Mike Morgan	**Fiona McCarthy**
Chief Executive	Group Chief Finance Officer

30 September 2025

Independent auditors' report to the members of Close Brothers Group plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Close Brothers Group plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 July 2025 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report 2025 ("Annual Report"), which comprise: the consolidated and company balance sheets as at 31 July 2025; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated cash flow statement, and the consolidated and company statement of changes in equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 5, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors (including history of misstatement through fraud or error).
- We performed audit procedures over components considered to be significant due to risk or size in the context of the group (full scope audit) or in the context of individual primary statement account balances (audit of specific account balances).
- We performed other procedures including analytical review procedures to mitigate the risk of material misstatement in the balances not subject to our other audit procedures.

Key audit matters

- Determination of expected credit losses ('ECL') on loans and advances to customers (group)
- Assessment of impairment in relation to valuation of goodwill held by the group in relation to the Cash Generating Units (CGUs) of Close Brothers Limited (group)
- Assessment of the provision in relation to the FCA's review of historical motor finance commission arrangements (group)
- Assessment of the going concern basis of preparation, specifically in relation to capital (group and parent)

Materiality

- Overall group materiality: £8.0m (2024: £10.6m) based on 5% of 3 year average adjusted profit before tax ("PBT") (2024: 5% of 4 year average adjusted PBT).
- Overall company materiality: £12.5m (2024: £13.8m) based on 1% of Total Assets.
- Performance materiality: £6.0m (2024: £8.0m) (group) and £9.4m (2024: £10.35m) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Determination of expected credit losses ('ECL') on loans and advances to customers (group) As at 31 July 2025, the group has gross loans and advances to customers at amortised cost of £9,697.3m, with ECL provisions of £249.7m held against them. The determination of ECL provisions is inherently judgemental and involves setting assumptions using forward looking information reflecting the group's view of potential future economic events. This can give rise to increased estimation uncertainty. ECL provisions by their nature are uncertain, and plausible fluctuations in the economy may impact the credit performance of the lending book. Models are used to collectively assess and determine ECL allowances on loans and advances. We consider the following elements of the determination of modelled ECL to be significant: • The application of forward-looking economic scenarios used in the models and the weightings assigned to those scenarios; • The Loss Given Default ("LGD") component for the Asset Finance and Leasing business, given that the LGD model was developed over a period with more benign macroeconomic conditions than the expected conditions over the forecast period. ECL provisions on individually large exposures to counterparties who are in default at the reporting date, are estimated on an individual basis. We consider that only the individually assessed loans of the Property business constitute a significant risk in the current year. The risk relates to the assumptions made on the amount and timing of the expected future cash flows under multiple probability weighted scenarios. Relevant disclosure references: • Note 2 - Critical accounting judgements and estimates; and • Note 10 - Loans and advances to customers.	With the support of our credit risk modelling specialists and economics experts, we performed the following procedures: For collectively assessed ECL provisions: • We understood and critically assessed the appropriateness of the ECL accounting policy and model methodologies used by management; • We independently replicated ECL models for the Asset, Leasing, Motor Finance, Property and Invoice businesses, using management's model methodology and assumptions and tested the input of critical data elements into the ECL models; • We tested model performance through review and replication of key model monitoring tests. We assessed the performance of key model elements, and considered if they indicated that the models continued to perform appropriately or if any post-model adjustments were required; • We critically assessed the reasonableness of management's selected economic scenarios and associated scenario weightings, giving specific consideration to current and future economic uncertainty. We assessed their reasonableness against known or likely economic events; • We compared the severity and magnitude of certain assumptions used in certain base scenarios to external forecasts and historic trends; • We assessed whether the deviations of the upside and downside scenario assumptions from the base scenario are reasonable and consistent with generally accepted economic expectations; • Based on our knowledge and understanding of the limitations in management's models and emerging industry risks, we evaluated the completeness and sufficiency of the post model adjustments proposed by management; and • We evaluated the LGD model performance for the Asset Finance & Leasing business and the sufficiency of the extent to which LGD is impacted by macroeconomic factors. Individually assessed provisions: For a sample of individually assessed loans in default and related ECL allowances in the Property business, we: • Evaluated the basis on which the allowances were determined and the evidence supporting the analysis performed by management;

Key audit matter	How our audit addressed the key audit matter
	• Independently challenged whether the key assumptions used, such as the recovery strategies, timing of the expected future cash flows, collateral values and ranges of potential outcomes were appropriate given the borrower's circumstances; • Re-performed management's provision calculation and critically assessed key inputs including expected future cash flows, discount rates, valuations of collateral held and the weightings applied to scenario outcomes. We tested and evaluated the reasonableness of relevant disclosures made in the financial statements.
Assessment of impairment in relation to valuation of goodwill held by the group in relation to the Cash Generating Units (CGUs) of Close Brothers Limited (group) The group has a total goodwill balance of £34.1m relating to Close Brothers Limited (the "Bank"). The group has a number of CGUs under IAS 36 Impairment of Assets ("IAS 36") which require annual impairment assessments of the goodwill associated for each CGU. In relation to the Bank goodwill, management performs the assessment by comparing the recoverable amount of each CGU with the current carrying value of the CGU (including the goodwill associated with the CGU). Management estimated the recoverable amount using the higher of value in use ("ViU") and fair value less cost to sell. The depressed market value of the group provides a potential indicator of impairment within the group, including in relation to the Motor Finance CGU. The methodology used to estimate the recoverable amount is dependent on various assumptions, both short term and long term in nature. These assumptions, which are subject to estimation uncertainty, are derived from a combination of management's judgement and market data. The significant assumptions where we focused our audit were those with greater levels of management judgement and for which variations had the most significant impact on the recoverable amount. These included the Bank's five- or seven-year cash flow forecasts (as applicable to each CGU), in particular loan book growth and cost assumptions within the Motor Finance CGU. Relevant disclosure references: • Note 2 - Critical accounting judgements and estimates; and • Note 14 - Intangible assets.	We performed the following audit procedures over the significant assumptions of the group's models: • With the support of our valuation and accounting specialists, we evaluated management's impairment methodology with reference to IFRS requirements for a ViU model. This included adjustments made to the cash flow forecasts to comply with IAS 36; • We assessed the reasonableness of management's allocation of central costs; • We performed a look-back analysis comparing the cash flow projections made in prior years to the actual results achieved to assess the accuracy of the budgeting and forecasting process; • We obtained an understanding of management's capital and board approved forecasts; • We critically assessed the reasonableness of the assumptions underlying management's cash flow forecasts, in particular relating to loan book growth and cost assumptions in the Motor Finance CGU. For this CGU this included evaluating external data for the UK motor finance market, inflation forecasts, and considering other supporting internal and external evidence. We challenged whether certain risks were adequately captured and performed sensitivity analysis to evaluate whether reasonably possible changes lead to an impairment of the Motor CGU; and • We engaged our regulatory experts in assessing the reasonableness of the risk weighted asset and capital requirements included in management's forecasts. In addition, we performed the following tests of details, amongst others on the group's models: • We obtained evidence of Board approval of the three-year plan and agreed these plans were appropriately reflected in the cash flow forecasts in management's models; • Where cash flow forecasts extend beyond Board-approved plans, we critically assessed the reasonableness of assumptions in the period of extension; • With support of our internal experts, we evaluated the appropriateness of the discount rate range determined by management's expert and the long-term growth rate applied; • We verified the mathematical accuracy of the goodwill impairment assessments, including the discounted cash flow projections; and • We verified the appropriate application of management's accounting policy and the adequacy of the information disclosed in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Assessment of the provision in relation to the FCA's review of historical motor finance commission arrangements (group) Refer to note 16 (Other assets and liabilities), where the group has disclosed a provision of £163.9m in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets in relation to the ongoing Financial Conduct Authority ("FCA") review of the motor commission arrangements. Included within Provisions is the group's best estimate of the cost of present obligations related to past events, including the impact of regulatory investigations in relation to motor dealer commissions. Significant judgement is required by the group in determining the amount recorded as the best estimate to settle the obligation. These judgements are based on the specific facts available and involve evaluating and interpreting the available information. There is a high degree of estimation uncertainty with a wide and material range of potential outcomes. The disclosures regarding management's approach to determining the provision are important to understanding the judgements taken, assumptions made and sensitivity of the provision to changes in assumptions. The provisions and disclosures in respect of this exposure represent a key audit matter. Relevant disclosure references: • Note 16 - Other assets and liabilities.	We evaluated and challenged management's assessment in the context of the requirements of IAS 37 Provisions, Contingent liabilities and Contingent Assets. Our work included the following: • We understood the risks facing the group in relation to this matter and the status of the investigations; • We performed sensitivity analysis to identify the most material judgements, estimates and key assumptions within management's model to estimate a provision; • We evaluated management's assessment of potential outcomes and associated probabilities, reviewing the reasonableness of the judgements, estimates and key assumptions, and developing alternative reasonable scenarios; • We examined correspondence with and, where necessary, made direct inquiries with the group's regulators; • We held discussions with the Group's in-house and external legal experts to confirm our understanding of their views on certain judgements applied by management; • We tested the data inputs and mathematical accuracy of the model; • We assessed whether the disclosures in the financial statements accurately represent the facts and key sources of estimation uncertainties; and • We reviewed reports provided to governance committees and we discussed the status of the key matters with the Board Audit Committee. Given the uncertainty associated with the estimation of the provision, we evaluated the disclosures made in the financial statements. We considered the completeness of the information disclosed. In particular, we focused on challenging management on the substantial judgement needed to estimate the timing and value of future settlements, ensuring that the approach to recognising, estimating, and disclosing the provision is appropriate.
Assessment of the going concern basis of preparation, specifically in relation to capital (group and parent) On 11th January 2024, the FCA announced a review of historical motor finance commission arrangements. As described in the Key Audit Matter on motor finance commission, there is significant uncertainty due to the ongoing FCA review, and the timing, scope and quantum of any potential financial impact. Whilst the extent of risk to the group has reduced following the judgments made by the Supreme Court, there remains a wide range of uncertainty associated with the FCA's ongoing review of motor commissions.	See section on Going concern below in the audit opinion

Key audit matter	How our audit addressed the key audit matter
In performing their assessment of going concern the directors have utilised judgement in determining the extent of risk relating to a severe but plausible outcome in relation to the FCA review of motor commissions for the group, along with sensitivities to that scenario, and considering the impact on capital headroom. Within these scenarios the directors' have considered a range of forward-looking scenario analyses and evaluated related risks, including the group and company's ability to manage liquidity events, should these occur, and other downsides associated with credit risk. Given the significant uncertainty as to the range of possible outcomes in respect of motor finance commissions, the directors considered a 'severe but plausible' redress provision in the stressed going concern scenario derived by stressing the assumptions used to calculate the existing provision relating to motor finance commissions. The directors' have set out their critical judgments in their going concern disclosures. Relevant disclosure references: • Strategic Report - Going concern and Note 1b - Material accounting policies	

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

We performed a risk assessment, giving consideration to relevant external and internal factors, including economic risks, relevant accounting and regulatory developments, as well as the group's strategy. We also considered our knowledge and experience obtained in prior year audits. We continually assessed the risks and updated the scope of our audit where necessary.

The group is structured into two (formerly three) primary components being the Close Brothers Limited Group (also referred to as the Bank) and Winterflood Securities. The sale of Close Brothers Asset Management was completed during the year and the results of this business are now reflected as Discontinued Operations in the consolidated financial statements. The consolidated financial statements are a consolidation of these primary components. The Bank is a subgroup of Retail, Commercial and Property business segments.

In establishing the overall approach to the group audit, we determined the type of work that is required to be performed over the components by us, as the group engagement team, or auditors operating under our instruction ('component auditors'). Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. This included regular communication with the component auditors throughout the audit, the issuance of instructions and a review of the results of their work on the key audit matters.

Any components which were considered to be significant due to risk or size in the context of the group's consolidated financial statements were considered full scope components. We considered the relative financial significance of other components in relation to primary statement account balances. Our scoping also considered the presence of any significant audit risks and other qualitative factors (including history of misstatements through fraud or error).

For our group audit, the Bank is the only significant component due to risk or size. Specific account balances and disclosures were scoped in for Winterflood Securities and Close Brothers Asset Management based on their financial significance and risk. Certain account balances were audited centrally by the group engagement team mainly where the processes are centralised. We also performed other procedures including analytical review procedures to mitigate the risk of material misstatement in the balances not subject to our other audit procedures.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. As part of considering the impact of climate change in our risk assessment, we evaluated management's assessment of the impact of climate risk, which is set out in the Sustainability Report, and their conclusion that there is no material impact on the financial statements. In particular, we considered management's assessment of the impact on ECL on loans and advances to customers, being the financial statement line item we determined to be most likely to be impacted by climate risk. Management's assessment gave consideration to a number of matters, including the exposure of underlying portfolios to transition risk. Management's conclusion that there is no material impact is consistent with our audit findings.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	£8.0m (2024: £10.6m).	£12.5m (2024: £13.8m).
How we determined it	5% of 3 year average adjusted profit before tax ("PBT") (2024: 5% of 4 year average adjusted PBT)	1% of Total Assets
Rationale for benchmark applied	PBT is a primary measure used by the shareholders in assessing the performance of the group and is a generally accepted benchmark for determining audit materiality. We have determined it appropriate to select the 3 year average adjusted PBT from continuing operations (2024: 4 year average adjusted PBT from continuing operations) as the most appropriate benchmark considering that it normalises the trading performance volatility experienced in recent years across the group. We have used PBT from continuing operations to exclude discontinued operations in both the current and prior years when performing the average, and removed the impact of certain adjusted items in relation to amortisation of intangible assets on acquisition; restructuring costs; provision for Borrowers in Financial Difficulty ("BiFD") review; provision in relation to early settlements in Motor Finance; impairment of operating lease assets in Vehicle Hire; provision in relation to motor commissions; and complaints handling and other operational costs associated with the FCA's review of historical motor finance commission arrangements.	We have selected total assets as an appropriate benchmark for company materiality, as it is an investment holding company, consistent with the prior year.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £3.8m and £7.6m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £6.0m (2024: £8.0m) for the group financial statements and £9.4m (2024: £10.35m) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.4m (group audit) (2024: £0.5m) and £0.4m (company audit) (2024: £0.5m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Understanding the Directors' going concern assessment process, including the preparation and approval of the Board approved forecast covering the period of the going concern assessment to December 2026. We evaluated the forecasting method adopted by the Directors in assessing going concern, including considering a severe but plausible downside scenario and sensitivities to that scenario;
- Evaluation of management's financial and regulatory capital forecasts. We checked the mathematical accuracy of the forecasts and evaluated the key assumptions using our understanding of the group and external evidence where appropriate. We used our Prudential Regulatory experts to consider the Bank's risk weighted assets and forecast capital requirement assumptions. We also considered historic budgeting accuracy;
- Evaluation of the appropriateness of management's severe but plausible scenarios using our understanding of the group and the external environment. Our evaluation included considering the capital capacity projected for the Bank and Group, and the ability to absorb a severe but plausible outcome and the capacity to absorb losses and increases in risk weighted assets beyond the impacts modelled, in particular in relation to the FCA review of motor commissions. We considered the

mitigating actions that management identified, including loan book moderation, and assessed whether these were in the control of management and possible in the going concern period of assessment;
- Considering management's stress testing of liquidity. We substantiated the liquid resources held, and liquidity facilities available to the group, for example, with the Bank of England. We also assessed the risks associated with credit rating downgrades on the funding structure of the group and considered the group's funding strategy.
- Reviewing correspondence between the group and its regulators, with a focus on communications that may influence the going concern assessment and highlight potential capital or liquidity concerns. During the audit, we met with the PRA to gain an understanding of their views on the group's risk profile and capital position; and
- Assessing the adequacy of disclosures in the Going Concern statement in the group's consolidated and company's Financial Statements and within the related section of the Strategic Report and found these to be appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of laws and regulations, principally those determined by the Prudential Regulatory Authority ("PRA") and the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006, UK tax legislation and the Listing Rules of the FCA. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate manual journal entries to manipulate financial performance, management bias in the application of judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Enquiries with management, compliance, internal audit and those charged with governance including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Evaluation of the completeness of matters which may impact financial reporting identified by management through the Group's whistleblowing helpline and management's investigation of such matters;
- Evaluating assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the allowance for ECL, certain impairment assessments for non-financial assets and considering the provision in relation to the FCA’s review of historical motor finance commission arrangements and other redress provisions;
- Identifying and testing higher risk journal entries;
- Incorporating unpredictability into the nature, timing and/or extent of our testing; and
- Reviewing key correspondence with the FCA and PRA in relation to compliance with regulatory requirements.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors’ report.

Use of this report

This report, including the opinions, has been prepared for and only for the company’s members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the directors on 17 May 2017 to audit the financial statements for the year ended 31 July 2018 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 July 2018 to 31 July 2025.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R - 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors’ report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Heather Varley (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
30 September 2025

Consolidated income statement
For the year ended 31 July 2025

	Note	2025 £ million	2024[1] £ million
Interest income	4	**1,111.7**	1,133.2
Interest expense	4	**(542.9)**	(552.5)
Net interest income		**568.8**	580.7
Fee and commission income	4	**103.5**	104.2
Fee and commission expense	4	**(16.7)**	(19.8)
Other income	4	**118.5**	129.7
Depreciation of operating lease assets and other direct costs	15	**(84.6)**	(81.4)
Impairment of operating lease assets	15	**(30.0)**	—
Non-interest income		**90.7**	132.7
Operating income		**659.5**	713.4
Provision in relation to motor finance commissions	16	**(165.0)**	—
Complaints handling and other operational and legal costs incurred in relation to motor finance commissions	16	**(18.7)**	(6.9)
Provision in relation to early settlements in Motor Finance	16	**(33.0)**	—
Provision in relation to the Borrowers in Financial Difficulty ("BiFD") review		**—**	(17.2)
Other administrative expenses	4	**(472.4)**	(457.7)
Total administrative expenses	4	**(689.1)**	(481.8)
Impairment losses on financial assets	10	**(92.8)**	(98.9)
Total operating expenses		**(781.9)**	(580.7)
Operating (loss)/profit before tax		**(122.4)**	132.7
Tax	6	**(4.7)**	(37.4)
(Loss)/profit after tax from continuing operations		**(127.1)**	95.3
Profit from discontinued operations, net of tax	29	**49.2**	5.1
(Loss)/profit after tax		**(77.9)**	100.4
Attributable to			
Shareholders		**(100.2)**	89.3
Other equity owners	20	**22.3**	11.1
		(77.9)	100.4
From continuing operations			
Basic earnings per share	7	**(99.8)p**	56.2p
Diluted earnings per share	7	**(99.8)p**	56.1p
From continuing and discontinued operations			
Basic earnings per share	7	**(66.9)p**	59.7p
Diluted earnings per share	7	**(66.9)p**	59.5p
Interim dividend per share	8	**—**	—
Final dividend per share	8	**—**	—

1. Comparative information restated following the classification of Close Brothers Asset Management and Winterflood Securities as discontinued operations. See Notes 3 and 29.

Consolidated statement of comprehensive income
For the year ended 31 July 2025

	Note	2025 £ million	2024 £ million
(Loss)/profit after tax		**(77.9)**	100.4
Items that may be reclassified to income statement			
Currency translation gains/(losses)		**0.5**	(0.5)
Losses on cash flow hedging		**(12.7)**	(29.8)
Losses on financial instruments classified at fair value through other comprehensive income		**(4.2)**	(3.6)
Tax relating to items that may be reclassified		**4.3**	9.8
		(12.1)	(24.1)
Items that will not be reclassified to income statement			
Defined benefit pension scheme losses		**(0.1)**	–
Other comprehensive expense, net of tax		**(12.2)**	(24.1)
Total comprehensive (loss)/income		**(90.1)**	76.3
Attributable to			
Shareholders		**(112.4)**	65.2
Other equity owners	20	**22.3**	11.1
		(90.1)	76.3

Consolidated balance sheet
At 31 July 2025

	Note	31 July 2025 £ million	31 July 2024 £ million
Assets			
Cash and balances at central banks		**1,917.0**	1,584.0
Settlement balances		**—**	627.5
Loans and advances to banks	9	**161.7**	293.7
Loans and advances to customers	10	**9,459.4**	9,830.8
Debt securities	11	**859.2**	740.5
Equity shares	12	**—**	27.4
Loans to money brokers against stock advanced		**—**	22.5
Derivative financial instruments	13	**103.1**	101.4
Intangible assets	14	**166.3**	266.0
Property, plant and equipment	15	**209.4**	349.6
Current tax assets		**44.2**	36.4
Deferred tax assets	6	**31.0**	14.3
Prepayments, accrued income and other assets	16	**186.6**	186.7
Assets classified as held for sale	29	**934.0**	—
Total assets		**14,071.9**	14,080.8
Liabilities			
Settlement balances and short positions	17	**—**	614.9
Deposits by banks	18	**88.1**	138.4
Deposits by customers	18	**8,799.3**	8,693.6
Loans and overdrafts from banks	18	**1.5**	165.6
Debt securities in issue	18	**1,991.3**	1,986.4
Loans from money brokers against stock advanced		**—**	16.7
Derivative financial instruments	13	**104.7**	129.0
Provisions	16	**210.3**	32.3
Accruals, deferred income and other liabilities	16	**172.3**	274.2
Subordinated loan capital	19	**195.5**	187.2
Liabilities directly associated with assets classified as held for sale	29	**773.4**	—
Total liabilities		**12,336.4**	12,238.3
Equity			
Called up share capital	20	**38.0**	38.0
Retained earnings		**1,532.3**	1,634.4
Other equity instrument	20	**197.6**	197.6
Other reserves		**(32.4)**	(27.5)
Total shareholders' and other equity owners' equity		**1,735.5**	1,842.5
Total equity		**1,735.5**	1,842.5
Total equity and liabilities		**14,071.9**	14,080.8

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 30 September 2025 and signed on its behalf by:

Michael B. Morgan
Chief Executive

Fiona McCarthy
Group Chief Finance Officer

Registered number: 520241

Consolidated statement of changes in equity
For the year ended 31 July 2025

	Called up share capital £ million	Retained earnings £ million	Other equity instrument £ million	Other reserves: FVOCI reserve £ million	Other reserves: Share-based payments reserve £ million	Other reserves: Exchange movements reserve £ million	Other reserves: Cash flow hedging reserve £ million	Total attributable to shareholders and other equity owners £ million	Total equity £ million
At 1 August 2023	38.0	1,608.5	—	(2.7)	(32.0)	(1.3)	34.4	1,644.9	1,644.9
Profit for the year	—	100.4	—	—	—	—	—	100.4	100.4
Other comprehensive expense	—	—	—	(2.6)	—	(0.1)	(21.4)	(24.1)	(24.1)
Total comprehensive income for the year	—	100.4	—	(2.6)	—	(0.1)	(21.4)	76.3	76.3
Dividends paid (Note 8)	—	(67.1)	—	—	—	—	—	(67.1)	(67.1)
Shares purchased	—	—	—	—	(3.5)	—	—	(3.5)	(3.5)
Shares released	—	—	—	—	4.6	—	—	4.6	4.6
Other equity instrument issued (Note 20)	—	—	197.6	—	—	—	—	197.6	197.6
Coupon paid on other equity instrument (Note 20)	—	(11.1)	—	—	—	—	—	(11.1)	(11.1)
Other movements	—	3.7	—	—	(2.9)	—	—	0.8	0.8
At 31 July 2024	38.0	1,634.4	197.6	(5.3)	(33.8)	(1.4)	13.0	1,842.5	1,842.5
Loss for the year	—	(77.9)	—	—	—	—	—	(77.9)	(77.9)
Other comprehensive (expense)/income	—	(0.1)	—	(3.0)	—	0.1	(9.2)	(12.2)	(12.2)
Total comprehensive (expense)/income for the year	—	(78.0)	—	(3.0)	—	0.1	(9.2)	(90.1)	(90.1)
Dividends paid (Note 8)	—	—	—	—	—	—	—	—	—
Shares purchased	—	—	—	—	(1.6)	—	—	(1.6)	(1.6)
Shares released	—	—	—	—	9.2	—	—	9.2	9.2
Other equity instrument issued (Note 20)	—	—	—	—	—	—	—	—	—
Coupon paid on other equity instrument (Note 20)	—	(22.3)	—	—	—	—	—	(22.3)	(22.3)
Other movements	—	(1.8)	—	—	(0.4)	—	—	(2.2)	(2.2)
At 31 July 2025	**38.0**	**1,532.3**	**197.6**	**(8.3)**	**(26.6)**	**(1.3)**	**3.8**	**1,735.5**	**1,735.5**

Consolidated cash flow statement
For the year ended 31 July 2025

	Note	2025 £ million	2024 £ million
Net cash inflow/(outflow) from operating activities	25(a)	**241.2**	(382.0)
Net cash (outflow)/inflow from investing activities			
Purchase of:			
Property, plant and equipment		**(5.3)**	(14.2)
Intangible assets – software		**(24.5)**	(30.3)
Subsidiaries, net of cash acquired	25(b)	**(0.5)**	(15.4)
Sale of:			
Equity shares held for investment		**1.8**	0.2
Subsidiaries, net of cash disposed	25(c)	**104.0**	0.9
		75.5	(58.8)
Net cash inflow/(outflow) before financing activities		**316.7**	(440.8)
Financing activities			
Purchase of own shares for employee share award schemes		**(1.6)**	(3.5)
Equity dividends paid		**—**	(67.1)
Interest paid on subordinated loan capital and debt financing		**(23.4)**	(23.4)
Payment of lease liabilities		**(12.1)**	(16.5)
Issuance of Additional Tier 1 (“AT1”) capital securities		**—**	200.0
Costs arising on issue of AT1		**—**	(2.4)
AT1 coupon payment		**(22.3)**	(11.1)
Net increase/(decrease) in cash		**257.3**	(364.8)
Cash and cash equivalents at beginning of year		**1,844.5**	2,209.3
Cash and cash equivalents at end of year	25(d)	**2,101.8**	1,844.5
Cash and cash equivalents per the balance sheet		**2,046.8**	1,844.5
Cash and cash equivalents within the assets of the disposal group classified as held for sale	29	**55.0**	—
		2,101.8	**1,844.5**

Company balance sheet
At 31 July 2025

	Note	31 July 2025 £ million	31 July 2024 £ million
Fixed assets			
Property, plant and equipment	15	**6.5**	7.7
Investment in subsidiary	28	**487.0**	487.0
		493.5	494.7
Current assets			
Amounts owed by subsidiaries due within one year		**420.8**	465.3
Amounts owed by subsidiaries due after more than one year		**199.7**	199.3
Corporation tax receivable		**5.9**	1.6
Deferred tax asset	6	**0.4**	0.2
Other debtors		**3.0**	3.8
Cash at bank		**4.8**	3.8
		634.6	674.0
Creditors: Amounts falling due within one year			
Debt securities in issue	18	**2.1**	2.5
Subordinated loan capital	19	**1.5**	1.5
Provisions	16	**0.2**	0.8
Other creditors		**1.5**	1.5
Accruals		**6.7**	7.8
		12.0	14.1
Net current assets		**622.6**	659.9
Total assets less current liabilities		**1,116.1**	1,154.6
Creditors: Amounts falling due after more than one year			
Debt securities in issue	18	**249.2**	248.3
Subordinated loan capital	19	**199.7**	199.3
Provisions	16	**0.8**	0.8
Net assets		**666.4**	706.2
Capital and reserves			
Called up share capital	20	**38.0**	38.0
Other equity instrument	20	**200.0**	200.0
Other reserves		**(26.6)**	(33.8)
Profit and loss account		**455.0**	502.0
Shareholders' and other equity owners' funds		**666.4**	706.2

The company reported a loss for the financial year ended 31 July 2025 of £20.7 million (2024: £24.1 million loss).

The company financial statements were approved and authorised for issue by the Board of Directors on 30 September 2025 and signed on its behalf by:

Michael B. Morgan
Chief Executive

Fiona McCarthy
Group Chief Finance Officer

Company statement of changes in equity
For the year ended 31 July 2025

	Share capital £ million	Other equity instrument £ million	Profit and loss account £ million	Other reserves Share-based payments reserve £ million	Total attributable to shareholders and other equity owners £ million
At 1 August 2023	38.0	—	602.4	(32.0)	608.4
Loss for the year	—	—	(24.1)	—	(24.1)
Other comprehensive expense	—	—	(0.1)	—	(0.1)
Total comprehensive loss for the year	—	—	(24.2)	—	(24.2)
Dividends paid (Note 8)	—	—	(67.1)	—	(67.1)
Shares purchased	—	—	—	(3.5)	(3.5)
Shares released	—	—	—	4.6	4.6
Other equity instrument issued (Note 20)	—	200.0	—	—	200.0
Coupon paid on other equity instrument (Note 20)	—	—	(11.1)	—	(11.1)
Other movements	—	—	2.0	(2.9)	(0.9)
At 31 July 2024	**38.0**	**200.0**	**502.0**	**(33.8)**	**706.2**
Loss for the year	—	—	(20.7)	—	(20.7)
Other comprehensive income	—	—	(0.1)	—	(0.1)
Total comprehensive loss for the year	—	—	(20.8)	—	(20.8)
Dividends paid (Note 8)	—	—	—	—	—
Shares purchased	—	—	—	(1.6)	(1.6)
Shares issued	—	—	—	—	—
Shares released	—	—	—	9.2	9.2
Other equity instrument issued (Note 20)	—	—	—	—	—
Coupon paid on other equity instrument (Note 20)	—	—	(22.3)	—	(22.3)
Other movements	—	—	(3.9)	(0.4)	(4.3)
At 31 July 2025	**38.0**	**200.0**	**455.0**	**(26.6)**	**666.4**

1. Material accounting policies

(a) Reporting entity

Close Brothers Group plc ("the company"), a public limited company by shares incorporated and domiciled in the UK (England), together with its subsidiaries (collectively, "the group"), operates through three (2024: five) operating segments: Commercial, Retail, and Property, and is primarily located within the UK.

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IAS").

The company financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Financial Instruments: Recognition and Measurement Reports) Regulations 2008 (SI 2008/410).

As permitted by FRS 102, the company has chosen to adopt IFRS 9 Financial Instruments where applicable and taken advantage of the disclosure exemptions available under that standard in relation to the presentation of a cash flow statement, share-based payments and related party transactions. Where required, equivalent disclosures are given in the consolidated financial statements of the group. The company has also taken advantage of the exemption in section 408 of the Companies Act 2006 not to present its company income statement and related notes.

Where relevant, the accounting policies of the company are the same as those of the group set out in this note except for (l) Leases. For the company, rental costs under operating leases are charged to the income statement in equal instalments over the period of the lease. Amounts owed by subsidiaries due within one year on the company balance sheet include cash held with Close Brothers Limited.

The consolidated and company financial statements have been prepared on a going concern basis and under the historical cost convention, except for financial assets and liabilities held at fair value through profit or loss and financial assets held at fair value through other comprehensive income. Further information on going concern can be found within the Strategic Report.

Items relevant to understanding financial performance are presented on the consolidated income statement under IAS 1. Adjusting items and administrative expenses before adjusting items are not presented on the consolidated income statement this year to provide more clarity in relation to the statutory figures. Prior year comparatives have been re-presented on the same basis.

(c) Accounting developments

Standards adopted during the year
The accounting standards applied this financial year are consistent with those of the previous financial year.

Future accounting developments
Minor amendments to IFRSs issued by the IASB are effective for the group from 1 August 2025. These changes are expected to have no or an immaterial impact on the group.

Amendments to the Classification and Measurement of Financial Instruments, which amend IFRS 9 "Financial Instruments" and IFRS 7 "Financial Instruments: Disclosures", are effective for the group from 1 August 2026. These amendments clarify certain classification and measurement and related disclosure requirements. IFRS 18 "Presentation and Disclosure in Financial Statements" is effective for the group from 1 August 2027. The impact of these accounting standard changes is currently under assessment.

(d) Consolidation and investment in subsidiaries

Subsidiaries
Subsidiaries are all entities over which the group has control. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Such power generally accompanies a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which the group effectively obtains control. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Under the acquisition method of accounting, with some limited exceptions, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any non-controlling interest is measured either at fair value or at the non-controlling interest's proportion of the net assets acquired. Acquisition related costs are accounted for as expenses when incurred, unless directly related to the issue of debt or equity securities. Any excess of the cost of acquisition over net assets is capitalised as goodwill. All intra-group balances, transactions, income and expenses are eliminated.

The company's investment in its subsidiary is valued at cost less any accumulated impairment losses.

(e) Foreign currency translation

For the company and those subsidiaries whose balance sheets are denominated in sterling, which is the company's functional and presentation currency, monetary assets and liabilities denominated in foreign currencies are translated into sterling at the closing rates of exchange at the balance sheet date. Foreign currency transactions are translated into sterling at the average rates of exchange at the date of the transaction and exchange differences arising are taken to the consolidated income statement.

The balance sheets of subsidiaries denominated in foreign currencies are translated into sterling at the closing rates. The income statements for these subsidiaries are translated at the average rates and exchange differences arising are taken to equity. Such exchange differences are reclassified to the consolidated income statement in the period in which the subsidiary is disposed of.

(f) Revenue recognition

Interest income
Interest on loans and advances made by the group, and fee income and expense and other direct costs relating to loan origination, restructuring or commitments are recognised in the consolidated income statement using the effective interest rate method.

The effective interest rate method applies a rate that discounts estimated future cash payments or receipts over the expected life of a financial instrument to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. The cash flows take into account all contractual terms of the financial instrument including transaction costs and all other premiums or discounts but not future credit losses. Interest income is recognised on a contractual basis where it is not possible to reliably estimate the cash flows or expected life of a financial instrument.

Fees and commissions

Where fees that have not been included within the effective interest rate method are earned on the execution of a significant act at a point in time, such as fees arising from negotiating or arranging a transaction for a third party, they are recognised as revenue when that act has been completed and the performance obligation has been met. Fees and corresponding expenses in respect of other services are recognised in the consolidated income statement as the right to consideration or payment accrues over time when services are performed and obligations are met. To the extent that fees and commissions are recognised in advance of billing they are included as accrued income or expense.

Dividends

Dividend income is recognised when the right to receive payment is established.

Gains less losses arising from dealing in securities

Non-interest income includes net realised and unrealised gains arising from the buying and selling of securities and from positions held in securities, including related interest income and dividends.

(g) Adjusted measures

Adjusted measures are management measures presented on a basis consistent with prior periods and exclude adjusting items which do not reflect underlying trading performance and which may be recurring. Adjusted measures also exclude exceptional items.

Adjusting items this year comprise amortisation of intangible assets on acquisition, restructuring costs, provision in relation to motor finance commissions, complaints handling and other operational and legal costs incurred in relation to motor finance commissions, provision in relation to early settlements in Motor Finance, operating loss of Close Brewery Rentals, and operating loss of Close Brothers Vehicle Hire.

Amortisation of intangible assets on acquisition is excluded to present the performance of the group's acquired businesses consistent with its other businesses. The other adjusting items do not reflect underlying trading performance.

Exceptional items are income and expense items that are material by size and/or nature and are non-recurring.

(h) Financial assets and liabilities (excluding derivatives)

Classification and measurement

Financial assets are classified at initial recognition on the basis of the business model within which they are managed and their contractual cash flow characteristics. The classification categories are amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL").

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Initial recognition is at fair value plus directly attributable transaction costs. Interest income is accounted for using the effective interest rate method.

Financial assets that are held to collect contractual cash flows and for subsequent sale, where the assets' cash flows represent solely payments of principal and interest, are classified at FVOCI. Directly attributable transaction costs are added to the initial fair value. Gains and losses are recognised in other comprehensive income, except for impairment gains and losses, until the financial asset is either sold or matures, at which time the cumulative gain or loss is recognised in the income statement. Impairment gains and losses are recognised in the income statement.

Financial assets are classified at FVTPL where they do not meet the criteria to be measured at amortised cost or FVOCI or where they are designated at FVTPL to reduce an accounting mismatch. Financial assets at FVTPL are recognised at fair value. Transaction costs are immediately recognised in profit or loss on initial recognition. Gains and losses that subsequently arise on changes in fair value are recognised in the income statement.

Financial liabilities are classified at initial recognition at amortised cost except for the following instruments which are classified at FVTPL: derivatives; financial liabilities held for trading; and financial liabilities designated as FVTPL to eliminate an accounting mismatch.

Financial liabilities at amortised cost are measured at fair value less directly attributable transaction costs on initial recognition. Interest expense is accounted for using the effective interest rate method. Financial liabilities at FVTPL are measured at fair value on initial recognition. Transaction costs are immediately recognised in profit or loss on initial recognition. Subsequent changes in fair value are recognised in the income statement except for financial liabilities designated at FVTPL; changes in fair value attributable to changes in credit risk are recognised in other comprehensive income.

The fair values of quoted financial assets or financial liabilities in active markets are based on bid or offer prices. If the market for a financial asset or financial liability is not active, or they relate to unlisted securities, the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or where the group has transferred the contractual rights to receive cash flows and transferred substantially all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred the assets continue to be recognised to the extent of the group's continuing involvement. Financial liabilities are derecognised when they are extinguished.

Modifications

The terms or cash flows of a financial asset or liability may be modified due to renegotiation or otherwise. If the terms or cash flows are substantially different to the original, then the financial asset or liability is derecognised and a new financial asset or liability is recognised at fair value. If the terms or cash flows are not substantially different to the original, then the financial asset or liability carrying value is adjusted to reflect the present value of modified cash flows discounted at the original EIR. The adjustment is recognised within income on the income statement.

1. Material accounting policies (continued)

(i) Impairment of financial assets

Expected credit losses
In accordance with IFRS 9, expected credit losses ("ECL") are recognised for loans and advances to customers and banks, other financial assets held at amortised cost, financial assets measured at FVOCI, loan commitments and financial guarantee contracts. The impairment charge in the income statement includes the change in expected credit losses.

At initial recognition, financial assets are considered to be in Stage 1 and a provision is recognised for 12 months of expected credit losses. If a significant increase in credit risk since initial recognition occurs, these financial assets are considered to be in Stage 2 and a provision is made for the lifetime expected credit losses. As a backstop, all financial assets 30 days past due are considered to have experienced a significant increase in credit risk and are transferred to Stage 2.

A financial asset will remain classified as Stage 2 until the credit risk has improved and it can be returned to Stage 1 or until it deteriorates such that it meets the criteria to move to Stage 3.

Where a financial asset no longer represents a significant increase in credit risk since origination it can move from Stage 2 back to Stage 1. As a minimum this means that all payments must be up-to-date, the quantitative probability of default assessment trigger is no longer met, and the account is not evidencing qualitative assessment triggers.

When objective evidence exists that a financial asset is credit impaired, such as the occurrence of a credit default event or identification of an unlikeliness to pay indicator, the financial asset is considered to be in Stage 3. As a backstop, all financial assets 90 days or more past due are considered to be credit impaired and transferred to Stage 3.

Cure definitions are in operation where certain financial assets in Stage 3 can move back to Stage 2, subject to Stage 3 indicators no longer being in effect, and meeting the appropriate cure period.

In all circumstances, loans and advances to customers are written off against the related provisions when there are no reasonable expectations of further recovery. This is typically following realisation of all associated collateral and available recovery actions against the customer. Subsequent recoveries of amounts previously written off decrease the amount of impairment losses recorded in the income statement.

The calculation of expected credit losses for loans and advances to customers, either on a 12-month or lifetime basis, is based on the probability of default ("PD"), the exposure at default ("EAD") and the loss given default ("LGD"), and includes forward-looking macroeconomic information where appropriate. Further information on this calculation methodology can be found in the "Use of estimates" section of the Risk Report.

The calculation of expected credit losses for some loan portfolios and receivables relating to operating lease assets is based on a simplified lifetime only expected credit loss approach. Under the simplified approach, stage classification represents management's internal assessment of credit risk.

Expected credit losses are assessed against actual loss experience via a series of provision adequacy reviews. These reviews also incorporate management judgement to ensure that our ECL coverage ratios remain appropriate.

(j) Settlement accounts

Settlement balance debtors and creditors are the amounts due to and from counterparties in respect of the group's market-making activities and are measured at fair value on initial recognition and carried at amortised cost. The balances are short term in nature, do not earn interest and are recorded at the amount receivable or payable.

(k) Loans to and from money brokers against stock advanced

Loans to money brokers against stock advanced is the cash collateral provided to these institutions for stock borrowing by the group's market-making activities and is measured at fair value on initial recognition and carried at amortised cost. Interest is paid on the stock borrowed and earned on the cash deposits advanced. The stock borrowing to which the cash deposits relate is short term in nature and is recorded at the amount receivable. Loans from money brokers against stock collateral provided are recorded at the amount payable. Interest is paid on the loans.

(l) Leases

Lessor
A finance lease is a lease or hire purchase contract that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Finance leases are recognised as loans at an amount equal to the gross investment in the lease, which comprises the lease payments receivable and any unguaranteed residual value, discounted at its implicit interest rate. Finance charges on finance leases are taken to income in proportion to the net funds invested.

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee. Rental income from operating leases is recognised in equal instalments over the period of the leases and included in other income in the consolidated income statement.

Lessee
A lease liability and right of use asset are recognised on the balance sheet at the lease commencement date. The lease liability is measured at the present value of future lease payments. The discount rate is the rate implicit in the lease, or if that cannot be determined, the group's incremental borrowing rate appropriate for the right of use asset. The right of use asset is measured at cost, comprising the initial lease liability, payments made at or before the commencement date less lease incentives received, initial direct costs, and estimated costs of restoring the underlying asset to the condition required by the lease.

Lease payments are allocated between the liability and finance cost. The finance cost relating to the lease liability is charged to the consolidated income statement over the lease term. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

As set out in Note 1(b), the company has a different accounting policy for leases under FRS 102. Rental costs under operating leases are charged to the income statement in equal instalments over the period of the lease.

(m) Sale and repurchase agreements and other secured lending and borrowings

Securities may be sold subject to a commitment to repurchase them. Such securities are retained on the consolidated balance sheet when substantially all the risks and rewards of ownership remain with the group. The transactions are treated as collateralised borrowing and the counterparty liability is included within loans and overdrafts from banks. Similar secured borrowing transactions, including securities lending transactions and collateralised short-term notes, are treated and presented in the same way. These secured financing transactions are initially recognised at fair value, and subsequently valued at amortised cost, using the effective interest rate method.

(n) Securitisation transactions

The group securitises its own financial assets via the sale of these assets to special purpose entities, which in turn issue securities to investors. All financial assets continue to be held on the group's consolidated balance sheet together with debt securities in issue recognised for the funding.

The group has a forward flow arrangement with a third party. In this arrangement, financial assets were originated and recognised on the balance sheet and simultaneously derecognised on sale of the assets.

See Note 1(h) for the derecognition accounting policy.

(o) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented on the consolidated balance sheet if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously.

(p) Derivatives and hedge accounting

On adoption of IFRS 9 Financial Instruments in 2018, the group elected to continue applying hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement.

In general, derivatives are used to minimise the impact of interest rate and currency exchange rate movements on the group's financial instruments. They are carried on the consolidated balance sheet at fair value which is obtained from quoted market prices in active markets, including recent market transactions and discounted cash flow models.

On acquisition, certain derivatives are designated as a hedge and the group formally documents the relationship between these derivatives and the hedged item. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivative is highly effective in offsetting changes in fair values or cash flows of hedged items. If a hedge was deemed partially ineffective but continues to qualify for hedge accounting, the amount of the ineffectiveness, taking into account the timing of the expected cash flows where relevant, would be recorded in the consolidated income statement. If the hedge is not, or has ceased to be highly effective, the group discontinues hedge accounting.

For fair value hedges, changes in the fair value are recognised in the consolidated income statement, together with changes in the fair value of the hedged item. For cash flow hedges, the fair value gain or loss associated with the effective proportion of the cash flow hedge is recognised initially directly in equity and recycled to the consolidated income statement in the period when the hedged item affects income.

(q) Intangible assets

Computer software (acquired and costs associated with development) and intangible assets on acquisition (excluding goodwill) are stated at cost less accumulated amortisation and provisions for impairment which are reviewed at least annually. Amortisation is calculated to write off their cost on a straight-line basis over the estimated useful lives as follows:

Computer software	3 to 10 years
Intangible assets on acquisition	8 to 20 years

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is assessed annually for impairment and carried at cost less any accumulated impairment.

(r) Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and provisions for impairment which are reviewed at least annually. Depreciation is calculated to write off their cost on a straight-line basis over their estimated useful lives as follows:

Long leasehold property	40 years
Short leasehold property	Over the length of the lease
Fixtures, fittings and equipment	3 to 5 years
Assets held under operating leases	1 to 20 years
Motor vehicles	1 to 5 years

(s) Share capital and other equity

Share issue costs

Incremental costs directly attributable to the issue of new shares or options, including those issued on the acquisition of a business, are shown in equity as a deduction, net of tax, from the proceeds.

Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are paid or, if earlier, approved by shareholders.

Treasury shares

Where the company or any member of the group purchases the company's share capital, the consideration paid is deducted from shareholders' equity as treasury shares until they are cancelled. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Other equity

Financial instruments are classified as equity when there is no contractual obligation to deliver cash, another financial asset, or a variable number of the group's own equity instruments to another entity. The instrument is measured at cost less transaction costs and distributions are recognised as a deduction from retained earnings when they become irrevocable.

1. Material accounting policies (continued)

(t) Employee benefits

The group operates a defined contribution pension scheme for eligible employees as well as a defined benefit pension scheme which is closed to new members and further accrual.

Under the defined contribution scheme the group pays fixed contributions into a fund separate from the group's assets. Contributions are charged in the consolidated income statement when they become payable.

The expected cost of providing pensions within the funded defined benefit scheme, determined on the basis of annual valuations using the projected unit method, is charged to the consolidated income statement. Actuarial gains and losses are recognised in full in the period in which they occur and recognised in other comprehensive income.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation, as adjusted for unrecognised past service cost, and as reduced by the fair value of scheme assets at the balance sheet date. Both the return on investment expected in the period and the expected financing cost of the liability, as estimated at the beginning of the period, are recognised in the results for the period. Any variances against these estimates in the year form part of the actuarial gain or loss. The assets of the scheme are held separately from those of the group in an independently managed fund.

The scheme entered into a buy-in transaction with an insurance company covering all members of the scheme. A buy-in is a bulk annuity policy that matches the scheme's assets and liabilities. The pension surplus on the group's balance sheet relates to the cash held by the scheme with the fair value of the insurance policy matched to the fair value of the scheme's liabilities, which remains subject to changes in actuarial valuations.

(u) Share-based payments to employees

The group operates three (2024: three) share-based award schemes: the Deferred Share Awards ("DSA") scheme, the Long Term Incentive Plan ("LTIP"), and the HMRC approved Save As You Earn ("SAYE") scheme.

The value of the DSA share award at the grant date is charged to the group's consolidated income statement in the year to which the award relates.

The costs of LTIP and SAYE are based on the fair value of awards on the date of grant. Fair values of share-based awards are determined using the Black-Scholes pricing model, with the exception of fair values for market-based performance conditions, which are determined using Monte Carlo simulation. Both models take into account the exercise price of the option, the current share price, the risk-free interest rate, the expected volatility of the company's share price over the life of the option award and other relevant factors. For non-market-based performance conditions, vesting conditions are not taken into account when measuring fair value, but are reflected by adjusting the number of shares in each award such that the amount recognised reflects the number that are expected to, and then actually do, vest. The fair value is expensed in the consolidated income statement on a straight-line basis over the vesting period, with a corresponding credit to the share-based payments reserve. At the end of the vesting period, or upon exercise, lapse or forfeit if earlier, this credit is transferred to retained earnings. Further information on the group's schemes is provided in Note 24 and in the Directors' Remuneration Report.

(v) Provisions and contingent liabilities

Provisions are recognised in respect of present obligations arising from past events where it is probable that outflows of resources will be required to settle the obligations and they can be reliably estimated. Provisions include costs directly attributable to the settlement of obligations.

Contingent liabilities are possible obligations whose existence depends on the outcome of uncertain future events or those present obligations where the outflows of resources are uncertain or cannot be measured reliably. Contingent liabilities are not recognised in the financial statements but are disclosed unless they are deemed remote.

(w) Taxes, including deferred taxes

Current tax is the expected tax payable on the taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

To enable the tax charge to be based on the profit for the year, deferred tax is provided in full on temporary timing differences, at the rates of tax expected to apply when these differences crystallise. Deferred tax assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be set. Deferred tax liabilities are offset against deferred tax assets when there is both a legal right to set off and an intention to settle on a net basis.

(x) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprises cash and demand deposits with banks, together with short-term highly liquid investments that are readily convertible to known amounts of cash.

(y) Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Executive Committee, which is considered the group's chief operating decision maker. All transactions between business segments are conducted on an arm's length basis, with intra-segment revenue and costs being eliminated on consolidation. Income and expenses directly associated with each segment are included in determining business segment performance.

(z) Discontinued operations

The results of discontinued operations are shown as:

- a single amount on the face of the consolidated income statement comprising the post-tax profit or loss of discontinued operations; and
- post-tax gain or loss recognised either on measurement to fair value less costs to sell or on the disposal of the discontinued operation.

A discontinued operation is a cash generating unit ("CGU") or a group of CGUs that either has been disposed of, or is classified as held for sale, and represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. Intercompany transactions between continuing and discontinued operations have been eliminated on consolidation in the consolidated income statement.

Disposal groups are classified as held for sale when their carrying amounts will be recovered principally through a sale rather than continuing use, and the sale is highly probable within 12 months. They are measured at the lower of carrying amount and fair value less costs to sell, with impairment losses, as needed, recognised in the income statement on initial classification and subsequent remeasurement. Financial assets and liabilities within a disposal group continue to be measured under IFRS 9.

2. Critical accounting judgements and estimates

The reported results of the group are sensitive to the judgements, estimates and assumptions that underlie the application of its accounting policies and preparation of its financial statements. UK company law and IFRS require the directors, in preparing the group's financial statements, to select suitable accounting policies, apply them consistently and make judgements, estimates and assumptions that are reasonable.

The group's estimates and assumptions are based on historical experience and reasonable expectations of future events and are reviewed on an ongoing basis. Actual results in the future may differ from the amounts estimated due to the inherent uncertainty.

The group's critical accounting judgements, made in applying its accounting policies as described in Note 1, and the key sources of estimation uncertainty that may have a significant risk of causing a material adjustment within the next financial year are set out below. There are no critical accounting judgements or key sources of estimation uncertainty relating to the company.

The impact of climate change on the group's judgements, estimates and assumptions has been considered in preparing these financial statements. While no material impact has been identified, climate risk continues to be monitored on an ongoing basis as set out in the Risk Report.

Critical accounting judgements

The critical accounting judgements of the group, which relate to expected credit loss provisions under IFRS 9 and motor finance commissions, are as follows:

- Establishing the criteria for a significant increase in credit risk;
- Determining the appropriate definition of default;
- Determining the impact of the FCA's motor commissions review on the goodwill impairment assessment; and
- Determining the affected customers in the motor finance commissions provisioning assessment, with further judgement and estimation then applied on the level of compensation and appropriate scenarios.

Further information on the first two judgements can be found in the "Use of judgements" section in the Risk Report, while further information on the third and fourth judgements can be found in Note 14 and Note 16 respectively.

Key sources of estimation uncertainty

The key sources of estimation uncertainty of the group, which relate to expected credit loss provisions, value in use calculations, and motor finance commissions, are as follows:

- Forward-looking macroeconomic information incorporated into expected credit loss models. This was also a key estimate in the prior year;
- Adjustments by management to model calculated expected credit losses due to limitations in the group's expected credit loss models or input data, which may be identified through ongoing model monitoring and validation of models. This was also a key estimate in the prior year;
- Estimate of future cash flow forecasts in the calculation of value in use for the testing of goodwill for impairment in relation to the Banking division cash generating units, in particular Motor Finance, due to lower cash flow forecasts. This was also a key estimate in the prior year;
- Estimates of the expected rental incomes and disposal values in the calculation of value in use for the operating lease assets of Close Brothers Vehicle Hire; and
- Estimates and assumptions applied in the calculation of the provision relating to motor finance commissions. These assumptions are the total cost of credit thresholds ("TCC"), which is a key factor in determining affected customers, claim rates and scenario weightings. Claim rate is defined as the estimated cost of customer remediation (based on customer engagement with redress invitation) as a percentage of the estimated cost of the eligible in scope population.

Additional disclosures on the estimation uncertainty relating to forward-looking macroeconomic information, model adjustments, operating lease assets, goodwill and motor finance commissions can be found in the Risk Report ("Use of estimates" and "Use of Adjustments" sections), Note 14, Note 15, and Note 16 respectively.

3. Segmental Analysis

The directors manage the group by class of business and present the segmental analysis on that basis. The group's activities are presented in three (2024: five) operating segments: Commercial, Retail, and Property.

In the segmental reporting information that follows, Group consists of central functions as well as various non-trading head office companies and consolidation adjustments and is set out in order that the information presented reconciles to the consolidated income statement. The Group balance sheet primarily includes treasury assets and liabilities comprising cash and balances at central banks, debt securities, customer deposits and other borrowings.

Divisions continue to charge market prices for the limited services rendered to other parts of the group. Funding charges between segments take into account commercial demands. More than 90% of the group's activities, revenue and assets are located in the UK.

	Banking						
	Commercial £ million	Retail £ million	Property £ million	Group £ million	Continuing operations £ million	Discontinued operations[1] £ million	Total £ million
Summary income statement for the year ended 31 July 2025							
Net interest income/(expense)	228.1	224.5	128.3	(12.1)	568.8	—	568.8
Impairment of operating lease assets	(30.0)	—	—	—	(30.0)	—	(30.0)
Other non-interest income	95.8	22.2	2.3	0.4	120.7	—	120.7
Operating income/(expense)	**293.9**	**246.7**	**130.6**	**(11.7)**	**659.5**	**—**	**659.5**
Provision in relation to motor finance commissions	—	(165.0)	—	—	(165.0)	—	(165.0)
Complaints handling and other operational and legal costs incurred in relation to motor finance commissions	—	(18.7)	—	—	(18.7)	—	(18.7)
Provision in relation to early settlements in Motor Finance	—	(33.0)	—	—	(33.0)	—	(33.0)
Depreciation and amortisation	(26.8)	(20.0)	(4.5)	(2.8)	(54.1)	—	(54.1)
Other administrative expenses	(185.0)	(164.1)	(29.7)	(39.5)	(418.3)	—	(418.3)
Impairment losses on financial assets	(18.8)	(44.5)	(29.5)	—	(92.8)	—	(92.8)
Total operating expenses	**(230.6)**	**(445.3)**	**(63.7)**	**(42.3)**	**(781.9)**	**—**	**(781.9)**
Operating profit/(loss) from continuing operations	**63.3**	**(198.6)**	**66.9**	**(54.0)**	**(122.4)**	**—**	**(122.4)**
Operating profit before tax from discontinued operations	**—**	**—**	**—**	**46.3**	**46.3**	**4.9**	**51.2**
External operating income/(expense)	491.4	364.3	215.1	(411.3)	659.5	—	659.5
Inter segment operating (expense)/income	(197.5)	(117.6)	(84.5)	399.6	—	—	—
Segment operating income/(expense)	293.9	246.7	130.6	(11.7)	659.5	—	659.5

1. Discontinued operations comprise Asset Management, sold on 28 February 2025, and Winterflood, classified as held for sale. See Note 29.

The Commercial operating segment above includes Novitas, which ceased lending to new customers in July 2021 following a strategic review. Novitas recorded an operating profit of £16.1 million (2024: loss of £0.1 million), including an impairment credit of £6.8 million (2024: £6.4 million impairment losses).

Novitas' income was £13.3 million (2024: £11.0 million) and expenses were £4.0 million (2024: £4.8 million). In line with IFRS 9's requirement to recognise interest income on Stage 3 loans on a net basis, income includes the partial unwinding over time of the expected credit loss recognised. Further information on Novitas can be found in the Credit Risk section of the Risk Report.

As set out in Note 29 "Discontinued operations and assets and liabilities classified as held for sale", the group announced it entered into an agreement to sell Close Brothers Asset Management ("CBAM"), one of the group's operating segments, to Oaktree Capital Management, L.P. on 19 September 2024 following a comprehensive strategic review, and completed the sale on 28 February 2025. CBAM's financial results are presented within this note as discontinued operations. On 25 July 2025, the group also announced the sale of Winterflood Securities, an execution services and securities business, to Marex Group plc. The sale is expected to complete in early 2026 and its financial results are also presented within this note as discontinued operations.

	Banking						
	Commercial £ million	Retail £ million	Property £ million	Group[2] £ million	Continuing operations £ million	Discontinued operations[3] £ million	Total £ million
Summary balance sheet information at 31 July 2025							
Total assets[1]	4,894.3	2,878.9	1,852.5	3,567.3	13,193.0	878.9	14,071.9
Total liabilities	—	—	—	11,548.1	11,548.1	788.3	12,336.4

1. Total assets for the Banking operating segments comprise the loan book and operating lease assets only. The Commercial operating segment includes the net loan book of Novitas of £nil.
2. Balance sheet includes £3,117.6 million assets and £11,353.5 million liabilities attributable to the Banking division primarily comprising the treasury balances described in the second paragraph of this note.
3. Discontinued operations on the balance sheet comprise Winterflood Securities. See Note 29. The assets and liabilities of Winterflood Securities presented in this table include intercompany balances for the purposes of segmental reporting.

Equity is allocated across the group as set out below. Banking division equity, which is managed as a whole rather than on a segmental basis, reflects loan book and operating lease assets of £9,625.7 million, in addition to assets and liabilities of £3,521.9 million and £11,556.2 million respectively primarily comprising treasury balances which are included within the Group column above.

Equity at 31 July 2025	Banking £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Equity	1,591.4	53.5	1,644.9	90.6	1,735.5

	Banking						
	Commercial	Retail	Property	Group	Continuing operations	Discontinued operations	Total
Other segment information for the year ended 31 July 2025							
Employees (average number)[1]	1,417	1,154	172	88	2,831	765	3,596

1. Banking segments include a central function headcount allocation. The company's average number of employees is equivalent to the Group number.

3. Segmental Analysis (continued)

	Banking						
	Commercial £ million	Retail £ million	Property £ million	Group £ million	Continuing operations £ million	Discontinued operations[1] £ million	Total £ million
Summary income statement for the year ended 31 July 2024							
Net interest income/(expense)	228.8	234.4	129.0	(11.5)	580.7	—	580.7
Impairment of operating lease assets	—	—	—	—	—	—	—
Other non-interest income	100.8	28.0	3.9	—	132.7	—	132.7
Operating income/(expense)	329.6	262.4	132.9	(11.5)	713.4	—	713.4
Provision in relation to the Borrowers in Financial Difficulty ("BiFD") review	(0.6)	(16.6)	—	—	(17.2)	—	(17.2)
Complaints handling and other operational and legal costs incurred in relation to motor finance commissions	—	(6.9)	—	—	(6.9)	—	(6.9)
Depreciation and amortisation	(26.1)	(20.8)	(4.9)	(2.3)	(54.1)	—	(54.1)
Other administrative expenses	(184.5)	(157.3)	(30.3)	(31.5)	(403.6)	—	(403.6)
Impairment losses on financial assets	(31.7)	(47.2)	(20.0)	—	(98.9)	—	(98.9)
Total operating expenses	(242.9)	(248.8)	(55.2)	(33.8)	(580.7)	—	(580.7)
Operating profit/(loss) from continuing operations	86.7	13.6	77.7	(45.3)	132.7	—	132.7
Operating profit before tax from discontinued operations[1]	—	—	—		—	9.3	9.3
External operating income/(expense)	517.0	376.7	224.7	(404.1)	714.3	—	714.3
Inter segment operating (expense)/ income	(187.4)	(114.3)	(91.8)	392.6	(0.9)	—	(0.9)
Segment operating income/(expense)	329.6	262.4	132.9	(11.5)	713.4	—	713.4

1. Discontinued operations represent the Asset Management division sold on 28 February 2025 and Winterflood shown as held for sale - see Note 29.

	Banking						
	Commercial £ million	Retail £ million	Property £ million	Group[2] £ million	Continuing operations £ million	Discontinued operations[3] £ million	Total £ million
Summary balance sheet information at 31 July 2024							
Total assets[1]	5,101.6	3,041.9	1,955.2	2,965.1	13,063.8	1,017.0	14,080.8
Total liabilities	—	—	—	11,433.5	11,433.5	804.8	12,238.3

1. Total assets for the Banking operating segments comprise the loan book and operating lease assets only. The Commercial operating segment includes the net loan book of Novitas of £62.4 million.
2. Balance sheet includes £2,970.1 million assets and £11,358.1 million liabilities attributable to the Banking division primarily comprising the treasury balances described in the second paragraph of this note.
3. Discontinued operations on the balance sheet comprise Winterflood Securities and Close Brothers Asset Management. See Note 29. The assets and liabilities presented in this table include intercompany balances for the purposes of segmental reporting.

Equity is allocated across the group as set out below. Banking division equity, which is managed as a whole rather than on a segmental basis, reflects loan book and operating lease assets of £10,098.7 million, in addition to assets and liabilities of £2,970.1 million and £11,358.1 million respectively primarily comprising treasury balances which are included within the Group column above.

Equity at 31 July 2024	Banking £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Equity	1,710.7	(80.4)	1,630.3	212.2	1,842.5

	Banking						
	Commercial £ million	Retail £ million	Property £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Other segmental information for the year ended 31 July 2024							
Employees (average number)[1]	1,461	1,195	199	87	2,942	1,183	4,125

1. Banking segments include a central function headcount allocation. The company's average number of employees is equivalent to the Group number.

4. Operating profit before tax

	2025 £ million	2024[1] £ million
Interest income[2]		
Cash and balances at central banks	**86.7**	98.5
Loans and advances to banks	**3.4**	8.1
Loans and advances to customers	**991.2**	1,006.8
Other interest income	**30.4**	19.8
	1,111.7	1,133.2
Interest expense		
Deposits from banks	**(4.3)**	(5.8)
Deposits by customers	**(405.9)**	(387.2)
Borrowings	**(80.8)**	(108.0)
Other interest expense[3]	**(51.9)**	(51.5)
	(542.9)	(552.5)
Net interest income	**568.8**	580.7

1. Comparative information restated following the classification of Close Brothers Asset Management and Winterflood as discontinued operations. See Notes 3 and 29.
2. Interest income calculated using the effective interest method.
3. Other interest expense includes interest expense of £26.9 million relating to derivative assets and liabilities (2024: £26.7 million interest income).

	2025 £ million	2024[1] £ million
Fee and commission income[2]		
Banking	**103.5**	104.2
Fee and commission expense[2]	**(16.7)**	(19.8)
Net fee and commission income	**86.8**	84.4

1. Comparative information restated following the classification of Close Brothers Asset Management and Winterflood as discontinued operations. See Notes 3 and 29.
2. Fee income and expense relates to financial instruments which are not at fair value through profit or loss. There is no fee income or expense arising from trust and other fiduciary activities (2024: £nil).

	2025 £ million	2024[1] £ million
Other income		
Operating lease assets rental income	**91.6**	92.3
Other[2]	**26.9**	37.4
	118.5	129.7

1. Comparative information restated following the classification of Close Brothers Asset Management and Winterflood as discontinued operations. See Notes 3 and 29.
2. Includes income from the amortisation of de-designated cash flow and fair value hedges totalling £11.4 million (2024: £27.9 million), and services provided in relation to operating lease assets.

4. Operating profit before tax (continued)

	2025 £ million	2024[1] £ million
Administrative expenses		
Staff costs:		
Wages and salaries	**194.0**	203.4
Social security costs	**26.7**	26.5
Share-based awards	**3.8**	3.2
Pension costs	**13.9**	13.7
	238.4	246.8
Depreciation and amortisation	**54.1**	54.1
Other administrative expenses[2]	**396.6**	180.9
	689.1	481.8

1. Comparative information restated following the classification of Close Brothers Asset Management and Winterflood as discontinued operations. See Notes 3 and 29.
2. Other administrative expenses of £396.6 million (2024: £180.9 million) include the following items which have been separately disclosed on the consolidated income statement: provision in relation to motor finance commissions of £165.0 million (2024: £nil), complaints handling and other operational and legal costs incurred in relation to motor finance commissions of £18.7 million (2024: £6.9 million), and provision in relation to early settlements in Motor Finance of £33.0 million (2024: £nil).

Staff costs of the company total £18.6 million (2024: £16.9 million) comprising largely of wages and salaries of £13.8 million (2024: £12.9 million).

5. Information regarding the auditors

	2025[1] £ million	2024[1] £ million
Fees payable		
Audit of the company's annual accounts	**1.3**	1.0
Audit of the company's subsidiaries pursuant to legislation	**4.8**	4.0
Audit related services	**0.3**	0.7
Other services	**0.6**	0.7
	7.0	6.4

1. During the year, an additional audit fee of £0.8 million (2024: £0.3 million) was paid to the auditors in relation to scope changes in the prior year audit, which is not included above.

The auditors of the group were PricewaterhouseCoopers LLP (2024: PricewaterhouseCoopers LLP).

6. Taxation

	2025 £ million	2024[1] £ million
Tax charged/(credited) to the income statement		
Current tax:		
UK corporation tax	**15.0**	38.8
Foreign tax	**1.0**	0.9
Adjustments in respect of previous years	**(1.3)**	(4.9)
	14.7	34.8
Deferred tax:		
Deferred tax credit for the current year	**(11.6)**	(2.5)
Adjustments in respect of previous years	**1.6**	5.1
	4.7	37.4
Tax on items not (credited)/charged to the income statement		
Current tax relating to:		
Acquisitions and disposals	**3.7**	(0.4)
Deferred tax relating to:		
Cash flow hedging	**(3.5)**	(8.4)
Financial instruments classified as fair value through other comprehensive income	**(1.2)**	(1.0)
Currency translation gains/(losses)	**0.4**	(0.4)
Acquisitions and disposals	**1.7**	(0.3)
	1.1	(10.5)
Reconciliation to tax expense		
UK corporation tax for the period at 25% (2024: 25%) on operating (loss)/profit	**(30.6)**	33.2
Disallowable items and other permanent differences[2]	**40.6**	6.8
Banking surcharge	**—**	—
Tax relief on coupon on other equity instruments	**(5.6)**	(2.8)
Prior period tax provision	**0.3**	0.2
	4.7	37.4

1. Comparative information restated following the classification of Close Brothers Asset Management and Winterflood as discontinued operations. See Notes 3 and 29.
2. Disallowable items and other permanent differences largely relate to the non-deductible provision in relation to motor finance commissions.

The standard UK corporation tax rate for the financial year is 25.0% (2024: 25.0%). An additional 3.0% (2024: 3.0%) surcharge applies to banking company profits as defined in legislation, but only above a threshold amount which is not exceeded by the current year banking company profits. The effective tax rate of (3.8)% (2024: 28.2%), which relates to a £4.7 million charge on an operating loss before tax of £122.4 million, differs to the UK corporation tax rate primarily due to disallowable expenditure, which more than offsets the tax relief on coupons on the group's AT1 instrument.

The UK government has implemented the Pillar Two global minimum tax rate of 15% and a UK domestic minimum top-up tax with effect from the group's financial year commencing 1 August 2024. The jurisdictions in relation to which Pillar Two tax liabilities are expected to potentially arise for the group are the Republic of Ireland, Jersey and Guernsey. The current tax charge for the period includes £nil in respect of Pillar Two income taxes. The group has adopted the IAS 12 exemption from recognition and disclosure regarding the impact on deferred tax assets and liabilities arising from this legislation. The company has adopted the same exemption under FRS 102.

6. Taxation (continued)

Movements in deferred tax assets and liabilities were as follows:

	Capital allowances £ million	Pension scheme £ million	Share-based payments and deferred compensation £ million	Impairment losses £ million	Cash flow hedging £ million	Intangible assets £ million	Other £ million	Total £ million
Group								
At 1 August 2023	12.9	(0.3)	8.7	5.9	(13.4)	(0.9)	(2.1)	10.8
(Charge)/credit to the income statement	(8.2)	0.1	(1.5)	0.1	—	0.3	3.5	(5.7)
Credit to other comprehensive income	0.4	—	—	—	8.4	—	1.0	9.8
Charge to equity	—	—	—	—	—	—	—	—
Acquisitions	—	—	—	—	—	(1.5)	0.9	(0.6)
At 31 July 2024	5.1	(0.2)	7.2	6.0	(5.0)	(2.1)	3.3	14.3
Credit/(charge) to the income statement	8.3	0.1	(1.0)	(0.6)	—	—	1.6	8.4
(Charge)/credit to other comprehensive income	(0.4)	—	—	—	3.5	—	1.2	4.3
Charge to equity	—	—	—	—	—	—	—	—
Disposals	(0.1)	—	(3.2)	—	—	1.6	—	(1.7)
Reclassification to assets held for sale	6.2	—	(0.8)	—	—	—	0.3	5.7
At 31 July 2025	**19.1**	**(0.1)**	**2.2**	**5.4**	**(1.5)**	**(0.5)**	**6.4**	**31.0**

The group's deferred tax asset comprises £5.7 million (31 July 2024: £4.8 million) due within one year and £25.3 million (31 July 2024: £9.5 million) due after more than one year.

	Capital allowances £ million	Pension scheme £ million	Share-based payments and deferred compensation £ million	Total £ million
Company				
At 1 August 2023	(0.4)	(0.3)	1.1	0.4
Credit to the income statement	0.2	0.1	(0.5)	(0.2)
Credit to other comprehensive income	—	—	—	—
At 31 July 2024	(0.2)	(0.2)	0.6	0.2
Charge to the income statement	0.2	0.1	(0.1)	0.2
Credit to other comprehensive income	—	—	—	—
At 31 July 2025	**—**	**(0.1)**	**0.5**	**0.4**

The company's deferred tax asset comprises £0.1 million (31 July 2024: £0.2 million) due within one year and £0.3 million (31 July 2024: £nil) due after more than one year.

As the group has been and is expected to continue to be consistently taxpaying, the full deferred tax assets have been recognised. However, deferred tax assets of £0.5 million (31 July 2024: £0.5 million) have not been recognised in respect of certain carried forward tax losses. It is currently uncertain whether the group will be able to utilise these losses.

7. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders and the number of basic weighted average shares. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive share options and awards.

Continuing operations	**2025**	2024[1]
Basic	**(99.8)p**	56.2p
Diluted	**(99.8)p**	56.1p
Adjusted basic[2]	**59.3p**	75.8p
Adjusted diluted[2]	**59.3p**	75.6p

Discontinued operations		
Basic	**32.9p**	3.5p
Diluted	**32.9p**	3.4p

Continuing and discontinued operations		
Basic	**(66.9)p**	59.7p
Diluted	**(66.9)p**	59.5p

1. Comparative information restated following the classification of Close Brothers Asset Management and Winterflood as discontinued operations. See Notes 3 and 29.
2. Excludes the adjusting items set out in the table below and the associated tax effect.

	2025 £ million	2024[1] £ million
(Loss)/profit attributable to shareholders	**(100.2)**	89.3
Less profit from discontinued operations, net of tax	**(49.2)**	(5.1)
(Loss)/profit attributable to shareholders on continuing operations	**(149.4)**	84.2
Adjustments:		
Provision in relation to motor finance commissions	**165.0**	—
Complaints handling and other operational and legal costs incurred in relation to motor finance commissions	**18.7**	6.9
Provision in relation to early settlements in Motor Finance	**33.0**	—
Provision in relation to the Borrowers in Financial Difficulty ("BiFD") review	**—**	17.2
Restructuring costs	**2.3**	3.1
Amortisation of intangible assets on acquisition	**0.2**	0.2
Operating loss before tax of Close Brewery Rentals	**4.1**	2.1
Operating loss before tax of Close Brothers Vehicle Hire	**43.4**	5.4
Tax effect of adjustments	**(28.6)**	(5.7)
Adjusted profit attributable to shareholders on continuing operations	**88.7**	113.4

1. Comparative information restated following the classification of Close Brothers Asset Management and Winterflood as discontinued operations. See Notes 3 and 29.

The tax rate on adjusting items is 10.7% (2024: 16.3%), which differs to the standard UK corporation tax rate for the financial year of 25.0% (2024: 25.0%). This is primarily due to £150.0 million of the provisions in relation to motor finance commissions and early settlements in Motor Finance comprising disallowable expenditure (2024: primarily due to £14.0 million of the provision in relation to the BiFD review comprising disallowable expenditure).

	2025	2024
Average number of shares		
Basic weighted	**149.7**	149.7
Effect of dilutive share options and awards	**0.2**	0.3
Diluted weighted	**149.9**	150.0

8. Dividends

	2025 £ million	2024 £ million
For each ordinary share		
Final dividend for previous financial year paid in November 2024: £nil (November 2023: 45.0p)	**—**	67.1
Interim dividend for current financial year paid in April 2025: £nil (April 2024: £nil)	**—**	—
	—	67.1

Given the continued uncertainty regarding the outcome of the FCA's review of motor finance commission arrangements and any potential financial impact, the group will not pay a final dividend on its ordinary shares for the 2025 financial year. As previously stated, the decision to reinstate dividends will be reviewed by the board once there is further clarity on the financial impact of the FCA review of motor finance commissions.

9. Loans and advances to banks

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	Total £ million
At 31 July 2025	**135.2**	**1.3**	**3.5**	**14.2**	**7.5**	**161.7**
At 31 July 2024	269.2	0.1	4.3	16.4	3.7	293.7

10. Loans and advances to customers

(a) Maturity and classification analysis of loans and advances to customers

The following tables set out the maturity and IFRS 9 classification analysis of loans and advances to customers. At 31 July 2025, loans and advances to customers with a maturity of two years or less was £7,346.3 million (31 July 2024: £7,733.6 million) representing 75.7% (31 July 2024: 75.3%) of total gross loans and advances to customers:

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total gross loans and advances to customers £ million	Impairment provisions £ million	Total net loans and advances to customers £ million
At 31 July 2025	**85.1**	**2,984.1**	**2,512.4**	**1,764.7**	**2,220.7**	**142.1**	**9,709.1**	**(249.7)**	**9,459.4**
At 31 July 2024	88.5	2,888.2	2,654.9	2,102.0	2,399.1	143.9	10,276.6	(445.8)	9,830.8

	31 July 2025 £ million	31 July 2024 £ million
Gross loans and advances to customers		
Held at amortised cost	**9,697.3**	10,264.8
Held at fair value through profit or loss	**11.8**	11.8
	9,709.1	10,276.6

(b) Loans and advances to customers held at amortised cost and impairment provisions by stage

Gross loans and advances to customers held at amortised cost by stage and the corresponding impairment provisions and provision coverage ratios are set out below:

		Stage 2				
	Stage 1 £ million	**Less than 30 days past due £ million**	**Greater than or equal to 30 days past due £ million**	**Total £ million**	**Stage 3 £ million**	**Total £ million**
At 31 July 2025						
Gross loans and advances to customers held at amortised cost						
Commercial	**3,717.5**	**925.1**	**39.0**	**964.1**	**108.1**	**4,789.7**
Of which: Commercial excluding Novitas	3,717.5	924.6	39.0	963.6	105.8	4,786.9
Of which: Novitas	—	0.5	—	0.5	2.3	2.8
Retail	**2,611.1**	**252.6**	**15.1**	**267.7**	**95.2**	**2,974.0**
Property	**1,585.6**	**15.7**	**43.5**	**59.2**	**288.8**	**1,933.6**
	7,914.2	**1,193.4**	**97.6**	**1,291.0**	**492.1**	**9,697.3**
Impairment provisions						
Commercial	**21.7**	**10.8**	**5.2**	**16.0**	**35.8**	**73.5**
Of which: Commercial excluding Novitas	21.7	10.3	5.2	15.5	33.5	70.7
Of which: Novitas	—	0.5	—	0.5	2.3	2.8
Retail	**25.3**	**13.9**	**2.7**	**16.6**	**53.2**	**95.1**
Property	**3.6**	**1.0**	**—**	**1.0**	**76.5**	**81.1**
	50.6	**25.7**	**7.9**	**33.6**	**165.5**	**249.7**
Provision coverage ratio						
Commercial	**0.6%**	**1.2%**	**13.3%**	**1.7%**	**33.1%**	**1.5%**
Within which: Commercial excluding Novitas	0.6%	1.1%	13.3%	1.6%	31.7%	1.5%
Within which: Novitas	—%	100.0%	—%	100.0%	100.0%	100.0%
Retail	**1.0%**	**5.5%**	**17.9%**	**6.2%**	**55.9%**	**3.2%**
Property	**0.2%**	**6.4%**	**—%**	**1.7%**	**26.5%**	**4.2%**
	0.6%	**2.2%**	**8.1%**	**2.6%**	**33.6%**	**2.6%**

	Stage 1 £ million	Stage 2 Less than 30 days past due £ million	Stage 2 Greater than or equal to 30 days past due £ million	Stage 2 Total £ million	Stage 3 £ million	Total £ million
At 31 July 2024						
Gross loans and advances to customers held at amortised cost						
Commercial	3,877.8	801.5	33.1	834.6	400.2	5,112.6
Of which: Commercial excluding Novitas	3,877.8	800.5	33.1	833.6	118.1	4,829.5
Of which: Novitas	—	1.0	—	1.0	282.1	283.1
Retail	2,815.7	221.2	9.9	231.1	90.0	3,136.8
Property	1,717.0	9.8	53.3	63.1	235.3	2,015.4
	8,410.5	1,032.5	96.3	1,128.8	725.5	10,264.8
Impairment provisions						
Commercial	20.9	9.6	4.2	13.8	256.0	290.7
Of which: Commercial excluding Novitas	20.9	8.6	4.2	12.8	36.3	70.0
Of which: Novitas	—	1.0	—	1.0	219.7	220.7
Retail	27.7	14.8	2.2	17.0	50.2	94.9
Property	3.6	0.2	0.3	0.5	56.1	60.2
	52.2	24.6	6.7	31.3	362.3	445.8
Provision coverage ratio						
Commercial	0.5%	1.2%	12.7%	1.7%	64.0%	5.7%
Within which: Commercial excluding Novitas	0.5%	1.1%	12.7%	1.5%	30.7%	1.4%
Within which: Novitas	—%	100.0%	—	100.0%	77.9%	78.0%
Retail	1.0%	6.7%	22.2%	7.4%	55.8%	3.0%
Property	0.2%	2.0%	0.6%	0.8%	23.8%	3.0%
	0.6%	2.4%	7.0%	2.8%	49.9%	4.3%

Stage allocation of loans and advances to customers has been applied in line with the definitions set out in Note 1(i).

Additional disclosures on the stage allocation and movements of loans and advances to customers can be found in the Risk Report.

(c) Adjustments

By their nature, limitations in the group's expected credit loss models or input data may be identified through ongoing model monitoring and validation of models. In certain circumstances, management make appropriate adjustments to model-calculated expected credit losses. Adjustments have been identified as a key source of estimation uncertainty as set out in Note 2 "Critical accounting judgements and estimates".

(d) Reconciliation of loans and advances to customers held at amortised cost and impairment provisions

Reconciliation of gross loans and advances to customers and associated impairment provisions are set out below.

New financial assets originate in Stage 1 only, and the amount presented represents the value at origination.

Subsequently, a loan may transfer between stages, and the presentation of such transfers is based on a comparison of the loan at the beginning of the year (or at origination if this occurred during the year) and the end of the year (or just prior to final repayment or write off).

Repayments relating to loans which transferred between stages during the year are presented within the transfers between stages lines. Such transfers do not represent overnight reclassification from one stage to another. All other repayments are presented in a separate line.

ECL model methodologies may be updated or enhanced from time to time and the impacts of such changes are presented on a separate line.

Enhancements to our model suite are a contributory factor to ECL movements and such factors have been taken into consideration when assessing any required adjustments to modelled output and ensuring appropriate provision coverage levels.

A loan is written off when there is no reasonable expectation of further recovery following realisation of all associated collateral and available recovery actions against the customer.

10. Loans and advances to customers (continued)

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Total £ million
Gross loans and advances to customers held at amortised cost				
At 1 August 2024	**8,410.5**	**1,128.8**	**725.5**	**10,264.8**
New financial assets originated	**5,766.1**	**—**	**—**	**5,766.1**
Transfers to Stage 1	**200.4**	**(289.4)**	**(5.2)**	**(94.2)**
Transfers to Stage 2	**(1,381.4)**	**1,112.6**	**(4.5)**	**(273.3)**
Transfers to Stage 3	**(274.4)**	**(146.1)**	**321.9**	**(98.6)**
Net transfer between stages and repayments[1]	**(1,455.4)**	**677.1**	**312.2**	**(466.1)**
Repayments while stage remained unchanged and final repayments	**(4,852.2)**	**(464.3)**	**(223.7)**	**(5,540.2)**
Changes to model methodologies	**48.3**	**(48.3)**	**—**	**—**
Write offs	**(3.1)**	**(2.3)**	**(321.9)**	**(327.3)**
At 31 July 2025	**7,914.2**	**1,291.0**	**492.1**	**9,697.3**

1. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Total £ million
Gross loans and advances to customers held at amortised cost				
At 1 August 2023	7,990.2	1,062.0	583.4	9,635.6
New financial assets originated	6,695.5	—	—	6,695.5
Transfers to Stage 1	138.2	(205.2)	(7.6)	(74.6)
Transfers to Stage 2	(1,165.5)	904.8	(8.4)	(269.1)
Transfers to Stage 3	(310.2)	(130.8)	329.1	(111.9)
Net transfer between stages and repayments[1]	(1,337.5)	568.8	313.1	(455.6)
Repayments while stage remained unchanged and final repayments	(4,936.3)	(501.2)	(114.4)	(5,551.9)
Write offs	(1.4)	(0.8)	(56.6)	(58.8)
At 31 July 2024	8,410.5	1,128.8	725.5	10,264.8

1. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

The gross carrying amount before modification of loans and advances to customers which were modified during the year while in Stage 2 or 3 was £259.5 million (2024: £283.1 million). £0.1 million loss (2024: £nil) was recognised as a result of these modifications. The gross carrying amount at 31 July 2025 of modified loans and advances to customers which transferred from Stage 2 or 3 to Stage 1 during the year was £20.9 million (31 July 2024: £38.7 million). The accounting policy for modifications is set out in Note 1(i).

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Total £ million
Impairment provisions on loans and advances to customers held at amortised cost				
At 1 August 2024	**52.2**	**31.3**	**362.3**	**445.8**
New financial assets originated	**46.0**	**—**	**—**	**46.0**
Transfers to Stage 1	**1.1**	**(4.3)**	**(1.0)**	**(4.2)**
Transfers to Stage 2	**(13.4)**	**30.6**	**(1.4)**	**15.8**
Transfers to Stage 3	**(4.3)**	**(11.4)**	**88.0**	**72.3**
Net remeasurement of expected credit losses arising from transfer of stages and repayments[1]	**(16.6)**	**14.9**	**85.6**	**83.9**
Repayments and ECL movements while stage remained unchanged and final repayments	**(29.5)**	**(10.9)**	**27.0**	**(13.4)**
Changes to model methodologies	**1.4**	**0.5**	**(0.4)**	**1.5**
Charge to the income statement	**1.3**	**4.5**	**112.2**	**118.0**
Write offs	**(2.9)**	**(2.2)**	**(309.0)**	**(314.1)**
At 31 July 2025	**50.6**	**33.6**	**165.5**	**249.7**

1. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Total £ million
Impairment provisions on loans and advances to customers held at amortised cost				
At 1 August 2023	58.1	32.2	290.3	380.6
New financial assets originated	51.7	—	—	51.7
Transfers to Stage 1	0.6	(3.9)	(0.7)	(4.0)
Transfers to Stage 2	(13.4)	31.4	(1.1)	16.9
Transfers to Stage 3	(5.9)	(12.0)	98.7	80.8
Net remeasurement of expected credit losses arising from transfer of stages and repayments[1]	(18.7)	15.5	96.9	93.7
Repayments and ECL movements while stage remained unchanged and final repayments	(37.7)	(15.6)	26.6	(26.7)
Changes to model methodologies	—	—	—	—
Charge to the income statement	(4.7)	(0.1)	123.5	118.7
Write offs	(1.2)	(0.8)	(51.5)	(53.5)
At 31 July 2024	52.2	31.3	362.3	445.8

1. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

	2025 £ million	2024 £ million
Impairment losses relating to loans and advances to customers held at amortised cost:		
Charge to income statement arising from movement in impairment provisions	**118.0**	118.7
Amounts written off directly to income statement and other costs, net of discount unwind on Stage 3 loans to interest income, and recoveries	**(29.9)**	(21.7)
	88.1	97.0
Impairment losses relating to other financial assets	**4.7**	1.8
Impairment losses on financial assets recognised in income statement	**92.8**	98.8

Impairment losses on financial assets of £92.8 million (2024: £98.8 million) include an impairment credit of £6.8 million in relation to Novitas (2024: impairment charge of £6.4 million).

The contractual amount outstanding at 31 July 2025 on financial assets that were written off during the period and are still subject to recovery activity is £27.1 million (31 July 2024: £22.1 million).

(e) Finance lease and hire purchase agreement receivables

	31 July 2025 £ million	31 July 2024 £ million
Net loans and advances to customers comprise		
Hire purchase agreement receivables	**3,613.4**	3,749.8
Finance lease receivables	**945.6**	896.7
Other loans and advances	**4,900.4**	5,184.3
	9,459.4	9,830.8

10. Loans and advances to customers (continued)

The following table shows a reconciliation between gross investment in finance lease and hire purchase agreement receivables included in the net loans and advances to customers table above to present value of minimum lease and hire purchase payments.

	31 July 2025 £ million	31 July 2024 £ million
Gross investment in finance leases and hire purchase agreement receivables due:		
One year or within one year	**1,983.2**	1,987.6
>One to two years	**1,535.1**	1,573.2
>Two to three years	**1,155.3**	1,168.2
>Three to four years	**647.7**	692.0
>Four to five years	**225.0**	222.6
More than five years	**41.2**	46.4
	5,587.5	5,690.0
Unearned finance income	**(884.5)**	(904.5)
Present value of minimum lease and hire purchase agreement payments	**4,703.0**	4,785.5
Of which due:		
One year or within one year	**1,661.0**	1,671.1
>One to two years	**1,292.2**	1,326.6
>Two to three years	**974.2**	982.6
>Three to four years	**547.9**	579.4
>Four to five years	**191.9**	185.9
More than five years	**35.8**	39.9
	4,703.0	4,785.5

The aggregate cost of assets acquired for the purpose of letting under finance leases and hire purchase agreements was £7,848.3 million (2024: £7,898.6 million). The average effective interest rate on finance leases approximates to 12.4% (2024: 12.2%). The present value of minimum lease and hire purchase agreement payments reflects the fair value of finance lease and hire purchase agreement receivables before deduction of impairment provisions.

11. Debt securities

	Fair value through profit or loss £ million	Fair value through other comprehensive income £ million	Amortised cost £ million	Total £ million
Sovereign and central bank debt	**—**	**601.6**	**—**	**601.6**
Supranational, sub-sovereigns and agency ("SSA") bonds	**—**	**146.2**	**—**	**146.2**
Covered bonds	**—**	**105.6**	**—**	**105.6**
Long trading positions in debt securities	**—**	**—**	**—**	**—**
Other debt securities	**1.1**	**—**	**4.7**	**5.8**
At 31 July 2025	**1.1**	**853.4**	**4.7**	**859.2**

	Fair value through profit or loss £ million	Fair value through other comprehensive income £ million	Amortised cost £ million	Total £ million
Sovereign and central bank debt	—	383.7	—	383.7
Supranational, sub-sovereigns and agency ("SSA") bonds	—	145.5	—	145.5
Covered bonds	—	187.7	—	187.7
Long trading positions in debt securities	16.0	—	—	16.0
Other debt securities	0.8	—	6.8	7.6
At 31 July 2024	16.8	716.9	6.8	740.5

Movements on the book value of sovereign and central bank debt comprise:

	2025 £ million	2024 £ million
Sovereign and central bank debt at 1 August	**383.7**	186.1
Additions	**512.4**	194.2
Redemptions	**(299.1)**	—
Currency translation differences	**2.2**	(1.5)
Movement in value	**2.4**	4.9
Sovereign and central bank debt at 31 July	**601.6**	383.7

Movements on the book value of SSA bonds comprise:

	2025 £ million	2024 £ million
SSA bonds at 1 August	**145.5**	—
Additions	**—**	155.4
Redemptions	**—**	(15.2)
Currency translation differences	**0.4**	(0.3)
Movement in value	**0.3**	5.6
SSA bonds at 31 July	**146.2**	145.5

Movements on the book value of covered bonds comprise:

	2025 £ million	2024 £ million
Covered bonds 1 August	**187.7**	106.3
Additions	**15.5**	139.7
Redemptions/disposals	**(97.4)**	(59.0)
Currency translation differences	**0.5**	(0.3)
Movement in value	**(0.7)**	1.0
Covered bonds at 31 July	**105.6**	187.7

12. Equity shares

	31 July 2025 £ million	31 July 2024 £ million
Long trading positions	**—**	25.8
Other equity shares	**—**	1.6
	—	27.4

Equity shares at 31 July 2024 related to Winterflood Securities. At 31 July 2025, the assets and liabilities of Winterflood Securities have been classified as held for sale. See Note 29 for more detail.

13. Derivative financial instruments

The group enters into derivative contracts with a number of financial institutions for risk management purposes to hedge exposures to interest rate and exchange rate movements. Derivatives are classified as held for trading unless they are designated as being in a hedge accounting relationship. The group's total derivative asset and liability position as reported on the consolidated balance sheet is as follows.

	31 July 2025			31 July 2024		
	Notional value £ million	Assets £ million	Liabilities £ million	Notional value £ million	Assets £ million	Liabilities £ million
Exchange rate contracts	**376.3**	**0.1**	**7.3**	275.3	2.3	0.4
Interest rate contracts	**7,012.4**	**103.0**	**97.4**	7,202.6	99.1	128.6
	7,388.7	**103.1**	**104.7**	7,477.9	101.4	129.0

Interest rate contracts are held for interest rate risk management and interest margin stabilisation purposes.

13. Derivative financial instruments (continued)

Included in the derivatives above are the following cash flow and fair value hedges:

	31 July 2025			31 July 2024		
	Notional value £ million	**Assets £ million**	**Liabilities £ million**	Notional value £ million	Assets £ million	Liabilities £ million
Cash flow hedges						
Interest rate contracts	**658.7**	**4.9**	**1.7**	514.4	4.8	0.6
Fair value hedges						
Interest rate contracts	**4,775.6**	**89.5**	**88.5**	4,431.7	78.8	116.3

Where derivatives are designated as being in a hedge accounting relationship, the group applies fair value and cash flow hedging if the relevant transaction meets the required documentation and hedge effectiveness criteria.

Fair value hedge accounting

Fair value hedges seek to hedge the exposure to changes in the fair value of recognised assets and liabilities or firm commitments. For fair value hedges of interest rate risk, changes in the benchmark interest rate are considered the largest component of the overall change in fair value. Other risks such as credit risk are managed but excluded from the hedge accounting relationship. Changes in the fair value of derivatives in a fair value hedge are recorded in the income statement, along with changes in the fair value of the hedged item (asset or liability) attributable to the hedged risk. If the hedged item is measured at amortised cost, the fair value changes due to the hedged risk adjust the carrying amount of the hedged asset or liability. If the hedge no longer qualifies for hedge accounting, changes in the fair value of the hedged item attributable to the hedged risk are no longer recognised in the income statement and the cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement over the period to maturity. For micro fair value hedges, this is applied using a straight-line method over the period to maturity.

Cash flow hedge accounting

Cash flow hedges seek to hedge the exposure to variability in future cash flows due to movements in the relevant benchmark interest rate with interest rate swaps. These future cash flows relate to future interest payments or receipts on recognised financial instruments and on forecast transactions for periods of five (2024: six) years. The effective portion of changes in the fair value of qualifying cash flow hedges is recognised in other comprehensive income within the cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss. When a hedging instrument expires, is sold, or no longer meets the criteria for hedge accounting, any cumulative gain or loss in equity remains there until the forecast transaction is recognised in the income statement. If the forecast transaction is no longer expected to occur, the cumulative gain or loss in equity is immediately transferred to the income statement. The group applies portfolio cash flow hedging for interest rate risk exposures on a portfolio of actual and forecast variable interest rate cash flows arising from variable rate borrowings. Cash flow hedge accounting is applied when hedging interest rate risk exposures on floating rate assets.

To assess hedge effectiveness the change in fair value or cash flows of the hedging instruments is compared with the change in fair value or cash flows of the hedged item attributable to the hedged risk. A hedge is considered highly effective if the results are within a ratio of 80%-125%.

The main sources of hedge ineffectiveness can include, but are not limited to, basis mismatch, maturity mismatch, credit valuation adjustments and cash flow timing mismatch between the hedged item and the hedging instrument.

The maturity profiles for the notional amounts of the group's cash flow and fair value hedges are set out as follows.

	On demand £ million	Within three months £ million	Between three and six months £ million	Between six months and one year £ million	Between one and five years £ million	After more than five years £ million	Total £ million
Cash flow hedges							
Interest rate risk							
31 July 2025	**–**	**5.8**	**0.5**	**13.1**	**619.8**	**19.5**	**658.7**
31 July 2024	–	6.1	1.4	3.2	482.0	21.7	514.4
Fair value hedges							
Interest rate risk							
31 July 2025	**–**	**543.7**	**737.2**	**1,502.0**	**1,308.1**	**684.6**	**4,775.6**
31 July 2024	–	516.1	672.3	1,080.7	1,446.5	716.1	4,431.7

Cash flow hedges have an average fixed rate of 4.0% (31 July 2024: 4.0%). Fair value hedges have an average fixed rate of 3.3% (31 July 2024: 3.7%).

Details of the hedging instruments for the group's hedge ineffectiveness assessment are set out as follows.

	Changes in fair value of hedging instrument used for calculating hedge ineffectiveness 2025 £ million	Hedge ineffectiveness recognised in income statement 2025 £ million	Changes in fair value of hedging instrument used for calculating hedge ineffectiveness 2024 £ million	Hedge ineffectiveness recognised in income statement 2024 £ million
Cash flow hedges				
Interest rate risk	**(1.2)**	**(0.1)**	(0.9)	—
Fair value hedges				
Interest rate risk	**33.9**	**0.1**	50.9	—

The carrying amount of hedging interest rate swaps is held within derivative financial instruments and the hedge ineffectiveness is held within other income. Details of the hedged exposures covered by the group's hedging strategies are set out as follows.

	Carrying amount of hedged item £ million	Accumulated amount of fair value adjustments on the hedged item £ million	Changes in fair value of hedged item used for calculating hedge ineffectiveness £ million
At 31 July 2025			
Fair value hedges			
Assets			
Debt securities	**424.0**	**(20.1)**	**(4.9)**
Loans and advances to customers and undrawn commitments	**163.6**	**(8.1)**	**1.3**
	587.6	**(28.2)**	**(3.6)**
Liabilities			
Deposits by customers	**3,342.1**	**7.3**	**3.1**
Debt securities in issue	**615.8**	**(76.4)**	**19.3**
Subordinated loan capital	**195.5**	**(5.6)**	**7.8**
	4,153.4	**(74.7)**	**30.2**

	Carrying amount of hedged item £ million	Accumulated amount of fair value adjustments on the hedged item £ million	Changes in fair value of hedged item used for calculating hedge ineffectiveness £ million
At 31 July 2024			
Fair value hedges			
Assets			
Debt securities	355.7	(15.2)	11.8
Loans and advances to customers and undrawn commitments	146.8	(9.3)	4.1
	502.5	(24.5)	15.9
Liabilities			
Deposits by customers	3,092.2	4.2	8.1
Debt securities in issue	596.3	(95.7)	46.8
Subordinated loan capital	187.2	(13.3)	11.8
	3,875.7	(104.8)	66.7

Details of the impact of hedging relationships on the income statement and other comprehensive income are set out as follows.

	Changes in fair value of hedged item used for calculating hedge ineffectiveness £ million	Gains/(losses) on discontinued hedges recognised in other comprehensive income £ million	(Losses)/gains from changes in value of hedging instrument recognised in other comprehensive income £ million	Amounts reclassified from reserves to income statement[1] £ million
Cash flow hedges				
Interest rate risk				
31 July 2025	**1.0**	**2.9**	**(1.1)**	**12.3**
31 July 2024	1.0	14.4	(0.9)	28.9

1. Following de-designation of hedge relationships, the amounts previously recognised in the cash flow hedge reserve have been reclassified to other income to the extent that the hedged cash flows occurred during the year.

14. Intangible assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Group total £ million	Company software £ million
Cost					
At 1 August 2023	142.5	333.2	50.4	526.1	0.2
Additions	8.3	28.1	7.3	43.7	0.1
Disposals	—	(12.6)	(0.3)	(12.9)	—
At 31 July 2024	150.8	348.7	57.4	556.9	0.3
Additions	—	25.6	—	25.6	—
Disposals	—	(6.1)	—	(6.1)	—
Disposal of subsidiaries[1]	(46.9)	(16.6)	(51.7)	(115.2)	—
Reclassification to assets held for sale[2]	(67.7)	(20.4)	—	(88.1)	—
At 31 July 2025	**36.2**	**331.2**	**5.7**	**373.1**	**0.3**
Accumulated amortisation and impairments					
At 1 August 2023	47.9	167.8	46.7	262.4	0.2
Amortisation charge for the year	—	38.9	1.4	40.3	0.1
Disposals	—	(11.4)	(0.4)	(11.8)	—
At 1 August 2024	47.9	195.3	47.7	290.9	0.3
Amortisation charge for the year	—	38.3	0.8	39.1	—
Impairment charge for the year	16.6	2.0	—	18.6	—
Disposals	—	(5.3)	—	(5.3)	—
Disposal of subsidiaries[1]	(3.5)	(9.2)	(46.0)	(58.7)	—
Reclassification to assets held for sale[2]	(58.9)	(18.9)	—	(77.8)	—
At 31 July 2025	**2.1**	**202.2**	**2.5**	**206.8**	**0.3**
Net book value at 31 July 2025	**34.1**	**129.0**	**3.2**	**166.3**	**—**
Net book value at 31 July 2024	102.9	153.4	9.7	266.0	—
Net book value at 1 August 2023	94.6	165.4	3.7	263.7	—

1. Close Brothers Asset Management was sold to Oaktree Capital Management, L.P. on 28 February 2025 – see Note 29.
2. Intangible assets relating to Winterflood Securities and Close Brewery Rentals have been reclassified to assets held for sale – see Note 29.

Goodwill additions of £8.3 million and intangible assets on acquisition additions of £7.3 million in the prior year ended 31 July 2024 relate to the group's acquisition of the 100% shareholdings of Close Brothers Finance Designated Activity Company (goodwill of £4.7 million and intangible assets on acquisition of £3.6 million) and Bottriell Adams LLP ("Bottriell Adams") (goodwill of £3.6 million and intangible assets on acquisition of £3.7 million).

Software includes assets under development of £30.6 million (31 July 2024: £35.4 million).

Intangible assets on acquisition relate to broker and customer relationships and are amortised over a period of eight to 20 years.

In the 2025 financial year, £0.2 million (2024: £0.2 million) of the amortisation charge is included in amortisation of intangible assets on acquisition and £37.2 million (2024: £36.6 million) of the amortisation charge is included in administrative expenses shown in the consolidated income statement.

Impairment tests for goodwill and other intangible assets

Overview

At 31 July 2025, goodwill has been allocated to eight (31 July 2024: nine) individual cash generating units ("CGUs"). Seven (July 2024: seven) are within the Banking division and one is the Winterflood Securities division ("Winterflood"). At 31 July 2024, the Asset Management division was also a CGU. However, as disclosed in Note 29, the group completed the sale of Asset Management on 28 February 2025 and therefore the CGU and associated goodwill have been derecognised from the balance sheet.

Also as disclosed in Note 29, the group announced on 25 July 2025 its agreement to sell Winterflood to Marex Group plc with the transaction expected to complete in early 2026. As a result, Winterflood was classified as held for sale on the balance sheet in line with IFRS 5. A goodwill impairment of £14.5 million was recognised, reflecting the requirement to hold the business at the lower of carrying value and fair value less costs to sell. At 31 July 2025, the goodwill classified as held for sale in relation to Winterflood is £8.8 million (31 July 2024: £23.3 million).

As disclosed at half year 2025, two additional CGUs, namely the group's Vehicle Hire and Brewery Rentals businesses, were separated out from an existing Banking CGU. This allowed a more accurate position of the CGUs to be presented. The intangible assets of these two new CGUs totalled £4.1 million, comprising £2.1 million of goodwill and £2.0 million of software. Following a review at half year, a full impairment of these intangible assets was subsequently recognised. Brewery Rentals met the held for sale criteria under IFRS 5 in the second half of the year.

Goodwill is allocated to the CGU in which the historical acquisition occurred and hence the goodwill originated. Further information on the performance of each division can be found in Note 3 “Segmental Analysis”. Goodwill impairment reviews are carried out at least annually by assessing the recoverable amount of the group’s CGUs, which is the higher of fair value less costs to sell and value in use. Goodwill impairment reviews have been performed for 31 July 2025 in light of the current trading and regulatory environment.

Methodology

The recoverable amounts for all CGUs except Winterflood are measured based on value in use. A value in use calculation uses discounted cash flow forecasts based on the most recent three-year strategy plans. The value in use calculations are sensitive primarily to changes in the assumptions for future cash flows, which include consideration for future capital requirements and appropriate allocation of overhead costs, as well as discount rates.

The most relevant assumptions underlying management’s strategy plans for the Banking CGUs, which are based on past experience and forecast market conditions, are expected loan book growth rates, net return on loan book, future costs and future capital requirements. While these assumptions are relevant to management's plans, they may not all be key assumptions in the goodwill impairment test. In addition, while Banking CGUs are not individually regulated, for the purposes of an impairment assessment, theoretical capital requirements have been taken into consideration in calculating a CGU's value in use and carrying value to ensure that capital constraints on free cash flows are appropriately reflected and the carrying value is on a comparable basis.

Beyond the group’s three-year planning horizon, estimates of future cash flows in the fourth and fifth years, and longer where appropriate, are made by management with due consideration given to the relevant assumptions set out above. After the final year, a terminal value is calculated using an annual growth rate of 2%, which is consistent with the UK government’s long-term inflation target.

The cash flows are discounted using a pre-tax estimated weighted average cost of capital as set out in the following table. The methodology used to derive the discount rates is fundamentally consistent with the prior year and the discount rates used are also consistent with the prior year. However, they differ across the CGUs, reflecting the nature of the CGUs’ business and the current market returns appropriate to the CGU that investors would require for a similar asset.

Assessment overview

At 31 July 2025, the results of the review indicate there is no goodwill impairment except in relation to the Winterflood, Vehicle Hire and Brewery Rentals CGUs as noted above. Having performed stress test value in use calculations, the group believes that any reasonably possible change in the key assumptions which have been used would not lead to the carrying value of any remaining CGU to exceed its recoverable amount except Motor Finance.

Assessment of CGUs

The Motor Finance CGU, which includes goodwill of £3.0 million and other intangible assets of £10.7 million, relates to the group's UK motor finance business. Cash flows for this CGU have been estimated for seven years to ensure an appropriate value in use is calculated given a period of strategic change in the shorter term. Consistent with the prior year, the value in use calculation for this CGU has been identified as a key source of estimation uncertainty. The value in use of Motor Finance excludes the £163.9 million balance sheet provision in relation to motor finance commissions and £33.0 million provision in relation to early settlements, both as described in Note 16, in line with the requirements of IAS 36.

The key source of estimation uncertainty within the Motor Finance value in use calculation relates to the expected future cash flows, which include consideration for the CGU's strategic growth plans, as well as forecast costs and capital charge. While, as noted previously, the cash flows exclude the provision in relation to motor finance commissions, the cash flows may nevertheless be impacted by the uncertainty surrounding, and outcome of, the FCA's review and the group's strategic and capital actions response. As described in Note 2, determining the impact on goodwill of this matter is a critical accounting judgement. It also represents a key assumption for the Motor Finance goodwill impairment assessment.

The value in use of Motor Finance is calculated to be 133% (31 July 2024: 121%) of carrying value, which represents a headroom of £53 million (31 July 2024: £35 million). Management's future growth expectations are in part dependent on assumptions relating to funding, capital and customer demand. To demonstrate the sensitivity to lower cash flows or a delay in future growth, a 33% reduction in the annual cash flows to perpetuity would result in the full reduction of the available headroom. However, this outcome reflects the CGU's sensitivity and does not include all possible management actions which may affect capital and cash flow forecasts for each CGU of the Banking division if any further response were required in respect of the FCA review. Separately, the pre-tax discount rate used is 14.9% (31 July 2024: 15.2%) and an absolute increase of 2.5% in the discount rate would result in the full reduction of the available headroom.

14. Intangible Assets (continued)

The Asset Finance and Leasing ("AF&L") CGU includes goodwill of £9.8 million, which is significant in comparison to total goodwill following the disposal of Asset Management and classification of Winterflood as held for sale. The value in use of AF&L is calculated to be 122% (31 July 2024: 135%) of carrying value. The value in use calculation is also dependent on management's assumptions for future cash flows. To demonstrate the sensitivity to cash flows, a 10% reduction in the annual cash flows to perpetuity would result in a 46% reduction in the available headroom.

These scenarios for Motor Finance and AF&L are a demonstration of sensitivity only and do not represent management's base case scenarios where, as stated, value in use remains above carrying value.

Details of the CGUs in which the goodwill carrying amount is significant in comparison with total goodwill, together with the pre-tax discount rate used in determining value in use, are disclosed separately in the table below:

	31 July 2025		31 July 2024	
Cash generating unit	**Goodwill £ million**	**Pre-tax discount rate %**	Goodwill £ million	Pre-tax discount rate %
Winterflood Securities	**—**	**—**	23.3	14.8
Asset Finance and Leasing	**9.8**	**14.9**	9.8	15.2
Other Banking division CGUs	**24.3**	**14.4-15.2**	26.3	14.5-15.4
	34.1		59.4	

15. Property, plant and equipment

	Leasehold property £ million	Fixtures, fittings and equipment £ million	Assets held under operating leases £ million	Motor vehicles £ million	Right of use assets[1] £ million	Total £ million
Group						
Cost						
At 1 August 2023	21.5	65.5	449.1	0.4	94.0	630.5
Additions	1.3	12.9	64.7	—	10.0	88.9
Disposals	(0.4)	(13.3)	(71.9)	—	(11.1)	(96.7)
At 31 July 2024	22.4	65.1	441.9	0.4	92.9	622.7
Additions	3.2	2.7	40.3	—	10.3	56.5
Disposals	(13.3)	(4.2)	(75.9)	—	(26.5)	(119.9)
Disposal of subsidiaries[2]	(5.1)	(6.8)	—	—	(7.5)	(19.4)
Reclassification to assets held for sale[3]	(0.7)	(21.9)	(80.1)	(0.1)	(19.1)	(121.9)
At 31 July 2025	**6.5**	**34.9**	**326.2**	**0.3**	**50.1**	**418.0**
Accumulated depreciation and impairments						
At 1 August 2023	15.0	40.9	177.9	0.2	39.4	273.4
Depreciation and impairment charges for the year	2.3	9.1	44.4	0.1	15.5	71.4
Disposals	(0.3)	(13.4)	(48.3)	—	(9.7)	(71.7)
At 31 July 2024	17.0	36.6	174.0	0.3	45.2	273.1
Depreciation and impairment charges for the year	1.3	8.2	78.3	—	13.3	101.1
Disposals	(13.0)	(4.1)	(53.3)	—	(25.1)	(95.5)
Disposal of subsidiaries[2]	(3.2)	(4.7)	—	—	(3.4)	(11.3)
Reclassification to assets held for sale[3]	(0.6)	(13.8)	(39.1)	(0.1)	(5.2)	(58.8)
At 31 July 2025	**1.5**	**22.2**	**159.9**	**0.2**	**24.8**	**208.6**
Net book value at 31 July 2025	**5.0**	**12.7**	**166.3**	**0.1**	**25.3**	**209.4**
Net book value at 31 July 2024	5.4	28.5	267.9	0.1	47.7	349.6
Net book value at 1 August 2023	6.5	24.6	271.2	0.2	54.6	357.1

1. Right of use assets primarily relate to the group's leasehold properties.
2. Close Brothers Asset Management was sold to Oaktree Capital Management, L.P. on 28 February 2025 - see Note 29.
3. Property, plant and equipment relating to Winterflood Securities and Close Brewery Rentals have been reclassified to assets held for sale - see Note 29.

The net book value of assets held under operating leases includes £0.1 million (31 July 2024: £0.6 million) relating to vehicles held in inventories. There was a loss of £2.0 million from the sale of assets held under operating leases for the year ended 31 July 2025 (2024: gain of £0.4 million).

Assets held under operating leases primarily relate to vehicles owned by the group's Vehicle Hire business, which is part of the Commercial operating segment. At 31 July 2025, the carrying value of the operating lease assets in relation to this business was £165.0 million (31 July 2024: £222.4 million). The group has decided to exit this business with performance impacted by a challenging market backdrop, particularly post-Covid, and there is limited opportunity to deliver enhanced returns. To realise maximum value and ensure we continue to support our customers in line with contractual terms, the exit will be phased over time, with the business being managed down over the next three to five years.

As a result of this decision and the recent decline in asset values in this sector, an impairment charge of £30.0 million in relation to the operating lease assets has been recognised within operating income in the consolidated income statement. The impairment follows a value in use ("VIU") assessment under IAS 36 "Impairment of Assets" based on management's exit plan. The key sources of estimation uncertainty in the VIU calculation relates to the expected rental incomes and disposal values of the vehicles. At 31 July 2025, a 7.5% absolute increase or decrease in expected rental incomes would decrease or increase the impairment charge by £10.2 million or £10.3 million respectively. Separately, a 15% absolute increase or decrease in the disposal values would decrease or increase the impairment charge by £12.7 million or £13.2 million respectively. The discount rate is not a key assumption in the VIU calculation.

Vehicle Hire's operating loss before tax of £43.4 million is presented as an adjusting item. This includes the £30.0 million asset impairment charge, a £10.9 million underlying loss and £2.5 million impairment of intangible assets, of which £1.5 million relates to the full impairment of the goodwill associated with the business.

At 31 July 2024, assets held under operating leases of £267.9 million largely comprised vehicles owned by the Vehicle Hire business of £222.4 million, and brewery containers owned by Close Brewery Rentals Limited ("CBRL") of £44.5 million. During the current year, CBRL met the relevant IFRS 5 criteria and the business' assets held under operating leases totalling £41.0 million have been reclassified to assets held for sale on the balance sheet. See Note 29 for further detail.

	31 July 2025 £ million	31 July 2024 £ million
Future minimum lease rentals receivable under non-cancellable operating leases		
One year or within one year	**50.5**	51.0
>One to two years	**39.1**	36.1
>Two to three years	**30.3**	28.2
>Three to four years	**15.4**	19.1
>Four to five years	**5.9**	6.7
More than five years	**2.9**	2.1
	144.1	143.2

	Leasehold property £ million	Fixtures, fittings and equipment £ million	Total £ million
Company			
Cost			
At 1 August 2023	0.3	11.8	12.1
Additions	—	—	—
At 31 July 2024	0.3	11.8	12.1
Additions	—	—	—
At 31 July 2025	**0.3**	**11.8**	**12.1**
Depreciation			
At 1 August 2023	0.1	3.1	3.2
Charge for the year	—	1.2	1.2
At 31 July 2024	0.1	4.3	4.4
Charge for the year	—	1.2	1.2
At 31 July 2025	**0.1**	**5.5**	**5.6**
Net book value at 31 July 2025	**0.2**	**6.3**	**6.5**
Net book value at 31 July 2024	0.2	7.5	7.7
Net book value at 1 August 2023	0.2	8.7	8.9

15. Property, plant and equipment

The net book value of leasehold property comprises:

	Group		Company	
	31 July 2025 £ million	31 July 2024 £ million	**31 July 2025 £ million**	31 July 2024 £ million
Long leasehold property	**0.2**	1.1	**0.2**	0.2
Short leasehold property	**4.8**	4.3	**—**	—
	5.0	5.4	**0.2**	0.2

16. Other assets and liabilities

	31 July 2025 £ million	31 July 2024 £ million
Prepayments, accrued income and other assets		
Prepayments	**92.0**	110.7
Accrued income	**3.1**	21.1
Trade and other receivables[1]	**91.5**	54.9
	186.6	186.7
Accruals, deferred income and other liabilities		
Accruals	**87.1**	118.0
Deferred income	**5.0**	7.5
Trade and other payables	**80.2**	148.7
Provisions[2]	**210.3**	32.3
	382.6	306.5

1. Trade and other receivables include an insurance settlement receivable (see Credit risk section of the Risk Report) and £21.1 million (31 July 2024: £nil) of contingent deferred consideration relating to the disposal of Close Brothers Asset Management (see Note 29).
2. Provisions have been separated out on the consolidated balance sheet for the current and prior year to provide additional clarity.

	Legal and regulatory £ million	Property £ million	Other £ million	Total £ million
Group provisions				
At 1 August 2023	2.3	8.1	8.8	19.2
Additions	19.1	1.4	3.5	24.0
Utilisation	(1.8)	(1.0)	(6.5)	(9.3)
Released	—	(0.6)	(1.0)	(1.6)
At 31 July 2024	19.6	7.9	4.8	32.3
Additions	204.0	0.8	1.0	205.8
Utilisation	(20.5)	(0.1)	(0.9)	(21.5)
Released	—	(0.3)	—	(0.3)
Reclassification to liabilities held for sale	—	(3.0)	(3.0)	(6.0)
At 31 July 2025	**203.1**	**5.3**	**1.9**	**210.3**

	Property £ million	Other £ million	Total £ million
Company provisions			
At 1 August 2023	0.4	2.0	2.4
Additions	—	0.3	0.3
Utilisation	—	(0.7)	(0.7)
Released	—	(0.4)	(0.4)
At 31 July 2024	0.4	1.2	1.6
Additions	—	0.1	0.1
Utilisation	—	(0.5)	(0.5)
Released	(0.2)	—	(0.2)
At 31 July 2025	**0.2**	**0.8**	**1.0**

Provisions are made for claims and other items which arise in the normal course of business. Claims may arise in respect of legal and regulatory matters, while other items largely relate to property dilapidations and employee benefits. A provision is recognised where it is determined that there is a legal or constructive present obligation arising from a past event, payment is probable, and the amount can be estimated reliably. The timing and/or outcome of these claims and other items are uncertain.

Provision in relation to motor commissions

An overview of developments in relation to motor finance commissions including the Supreme Court's judgment, the FCA's review, related updates and other claims and complaints is set out in the 'FCA's review of historical motor finance commission arrangements' section of the Strategic Report. In the previous financial year, it was concluded that this matter was a contingent liability under IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". At half year 2025, a further detailed assessment against IAS 37 was performed, which determined that the criteria for a provision had been met and a provision of £165.0 million was recognised. During the second half of the financial year, the provision decreased slightly to £163.9 million, reflecting some utilisation in relation to costs, partly offset by an unwinding of the discount relating to the time value of money.

Taking into account all available information, and recognising there have been significant developments since the half year, including the Supreme Court's judgment and the FCA's subsequent market statements, the provision on the balance sheet has been reassessed and remains unchanged at £163.9 million. This includes estimates of the potential redress for affected customers, as well as relevant directly attributable operational and legal costs. The estimated provision is based on probability weighted scenarios using various assumptions, which may differ across the scenarios, relating to potential outcomes of the FCA review and any redress scheme proposed. All scenarios selected assume a certain level of compensation based on management's assessment of affected customers in light of the Supreme Court judgment and are considered to represent an appropriate range of potential outcomes. Other assumptions include, for example, claim rates, time periods in scope of any remediation scheme and the costs to deliver any remediation.

The Supreme Court in the Johnson v FirstRand Bank Limited case noted that the test for customer unfairness is highly fact sensitive and takes into account a broad range of factors. These factors include, for example, commission size relative to the charge for credit, nature of the commission, characteristics of the customer, compliance with regulations and disclosures made to the customer. In management's provisioning assessment, significant judgement has been applied in determining the affected customers, the level of compensation and the appropriate scenarios. These represent areas of critical accounting judgement for the group.

In addition, a number of assumptions have been applied in the calculation of the provision, with certain assumptions representing key sources of estimation uncertainty. These relate to the total cost of credit ("TCC") thresholds used in determining the affected population of customers, claim rates and the weightings applied to the scenarios. A 10% relative increase or decrease in the TCC thresholds would result in a decrease of £25 million or increase of £31 million respectively in the estimated provision. Separately, a 10% relative increase or decrease in the assumed claim rates would result in a £14.7 million increase or decrease in the estimated provision. Changes in other assumptions, including scenario weightings, may also result in material changes to the estimated provision.

The estimated provision is the outcome of a thorough assessment, representing the group's current evaluation based on available information and recent developments. There remains significant uncertainty over the FCA's proposals in relation to a redress scheme which will be subject to public consultation, and therefore the ultimate cost to the group could be materially higher or lower than the provision taken. During the year, the group incurred £18.7 million (2024: £6.9 million) of complaints handling expenses and other operational and legal costs in relation to motor commissions. This included increased resourcing to manage complaints and legal expenses, notably those related to the Supreme Court appeal, as well as the subsequent discount unwind of the original £165 million provision described above. These costs, as well as £165.0 million recognised in the income statement relating to the initial provision, do not reflect underlying trading performance and therefore have been presented as separate adjusting items and excluded from adjusted operating profit by management.

Provision in relation to early settlements in Motor Finance

Following the identification of historical deficiencies in certain operational processes related to early settlement of loans in the Motor Finance business, the group recognised a separate provision of £33.0 million at 31 July 2025 in relation to a proactive customer remediation programme to be implemented by the group. The provision reflects management's best estimate of the cost of remediation in relation to impacted customers, including compensatory interest and associated administrative costs, based on the information currently available and will be refined as the scope and design of the remediation programme are finalised. Since identification of the issue, the group has acted quickly to amend the relevant processes and implemented additional controls to prevent recurrence. The group is fully committed to ensuring that affected customers are appropriately compensated and expects to contact customers in early 2026.

17. Settlement balances and short positions

	31 July 2025 £ million	31 July 2024 £ million
Settlement balances	–	600.1
Short positions in:		
Debt securities	–	5.5
Equity shares	–	9.3
	–	14.8
	–	614.9

Settlement balances and short positions at 31 July 2024 related to Winterflood Securities. At 31 July 2025, the assets and liabilities of Winterflood Securities have been classified as held for sale. See Note 29 for more detail.

18. Financial liabilities

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
Deposits by banks	**9.3**	**78.8**	**—**	**—**	**—**	**—**	**88.1**
Deposits by customers	**1,161.4**	**2,640.3**	**3,533.7**	**852.9**	**611.0**	**—**	**8,799.3**
Loans and overdrafts from banks	**1.5**	**—**	**—**	**—**	**—**	**—**	**1.5**
Debt securities in issue	**—**	**56.5**	**124.1**	**974.2**	**503.2**	**333.3**	**1,991.3**
At 31 July 2025	**1,172.2**	**2,775.6**	**3,657.8**	**1,827.1**	**1,114.2**	**333.3**	**10,880.2**

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
Deposits by banks	0.9	53.0	84.5	—	—	—	138.4
Deposits by customers	706.6	2,320.7	3,397.9	1,685.2	583.2	—	8,693.6
Loans and overdrafts from banks	46.6	9.0	—	110.0	—	—	165.6
Debt securities in issue	—	21.9	246.6	799.0	595.3	323.6	1,986.4
At 31 July 2024	754.1	2,404.6	3,729.0	2,594.2	1,178.5	323.6	10,984.0

At 31 July 2025, the parent company had £251.3 million (31 July 2024: £250.8 million) of non-instalment debt securities in issue with an interest rate of 7.75% and a final maturity date of 2028.

As outlined in Note 26(c), at 31 July 2025 the group accessed £nil (31 July 2024: £110.0 million) and £nil (31 July 2024: £nil) cash under the Bank of England's Term Funding Scheme with Additional Incentives for SMEs ("TFSME") and Indexed Long-Term Repo ("ILTR") respectively. During the year, the group made an early repayment of £110.0 million (31 July 2024: £490.0 million) against the TFSME. Cash from these schemes is included within loans and overdrafts from banks. Residual maturities of the schemes, which include accrued interest, are as follows:

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
At 31 July 2025	**—**	**—**	**—**	**—**	**—**	**—**	**—**
At 31 July 2024	—	0.5	—	110.0	—	—	110.5

19. Subordinated loan capital

	Prepayment date	Initial interest rate	31 July 2025 £ million	31 July 2024 £ million
Final maturity date				
2031	2026	2.00%	**195.5**	187.2
			195.5	187.2

At 31 July 2025, the parent company had £201.2 million (31 July 2024: £200.8 million) of subordinated loan capital with an interest rate of 2.00% and a final maturity date of 2031.

20. Called up share capital, distributable reserves and other equity instrument

	31 July 2025		31 July 2024	
	million	£ million	million	£ million
Group and company				
Ordinary shares of 25p each (allotted, issued and fully paid)	**152.1**	**38.0**	152.1	38.0

At 31 July 2025, the company's reserves available for distribution under section 830(2) and 831(2) of the Companies Act 2006 were £259.8 million (2024: £299.6 million). The directors have applied the guidance provided by ICAEW TECH 02/17 in determining this.

Other equity instrument comprises the group's £200.0 million Fixed Rate Reset Perpetual Subordinated Contingent Convertible Securities, or Additional Tier 1 capital ("AT1"), issued on 29 November 2023. These AT1 securities are classified as an equity instrument under IAS 32 "Financial Instruments: Presentation" with the proceeds recognised in equity net of transaction costs of £2.4 million.

These securities carry a coupon of 11.125%, payable semi-annually on 29 May and 29 November of each year, and have a first reset date on 29 May 2029. Two coupon payments totalling £22.3 million were made in the year. The securities include, among other things, a conversion trigger of 7.0% Common Equity Tier 1 capital ratio and are callable any time in the six-month period prior to and including the first reset date or on each reset date occurring every five years thereafter.

Additional disclosures on the group's capital position and capital risk can be found on pages 81 to 83 in the Capital risk section of the Risk Report.

21. Guarantees, commitments and contingent liabilities

Guarantees

	Group		Company	
	31 July 2025 £ million	31 July 2024 £ million	**31 July 2025 £ million**	31 July 2024 £ million
Earliest period in which guarantee could be called				
Within one year	**96.4**	137.7	**87.3**	130.0
More than one year	**2.1**	3.7	**—**	—
	98.5	141.4	**87.3**	130.0

Guarantees arise in the normal course of business and include performance guarantees issued by certain businesses. Where the group undertakes to make a payment on behalf of its subsidiaries for guarantees issued, such as bank facilities or property leases, or as irrevocable letters of credit for which an obligation to make a payment to a third party has not arisen at the reporting date, they are included in these consolidated financial statements.

Commitments

Undrawn facilities, credit lines and other commitments to lend – revocable and irrevocable

	31 July 2025 £ million	31 July 2024 £ million
Within one year	**823.0**	1,038.2
After more than one year	**—**	9.5
	823.0	1,047.7

Other commitments
Subsidiaries had contracted capital and other financial commitments of £31.2 million (2024: £46.5 million).

Operating lease commitments
During the year, the company recognised lease payments as an expense of £2.1 million (2024: £2.1 million). At 31 July 2025, the company had future minimum lease payments under non-cancellable operating leases relating to property of £0.8 million within one year, £12.2 million between one and five years, and £nil after more than five years, totalling £13.0 million (31 July 2024: £2.1 million, £8.3 million, and £2.2 million respectively, totalling £12.6 million).

Contingent liabilities

In the normal course of the group's business, there may be other contingent liabilities relating to complaints, legal proceedings or regulatory reviews. These cases are not currently expected to have a material impact on the group.

22. Related party transactions

Transactions with key management

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of an entity. The group's key management are the members of the group's Board and Executive Committee, which include all Executive Directors and Non-Executive Directors. The related parties of the group include its key management and their close family members. Details of Directors' remuneration and interests in shares are disclosed in the Directors' Remuneration Report. The table below details, on an aggregated basis, the group's key management emoluments:

	2025 £ million	2024 £ million
Emoluments		
Salaries and fees	**5.3**	6.0
Benefits and allowances	**2.1**	0.8
Performance related awards in respect of the current year:		
Cash	**—**	1.7
	7.4	8.5
Termination benefits	**0.9**	—
Post-employment benefits	**0.1**	—
Share-based awards	**1.1**	0.7
	9.5	9.2

22. Related party transactions (continued)

Gains upon exercise of options by the group's key management, expensed to the income statement in previous years, totalled £0.4 million (2024: £1.8 million).

Amounts included in deposits by customers at 31 July 2025 attributable, in aggregate, to the group's key management were £0.3 million (31 July 2024: £0.3 million). These relationships are undertaken on standard commercial terms.

23. Pensions

The group operates defined contribution pension schemes for eligible employees as well as a defined benefit pension scheme which is closed to new members and further accrual. Assets of all schemes are held separately from those of the group.

Defined contribution schemes

During the year the charge to the consolidated income statement for the group's defined contribution pension schemes was £13.4 million (2024: £13.2 million), representing contributions payable by the group and is included in administrative expenses.

Defined benefit pension scheme

The group's only defined benefit pension scheme ("the scheme") is a final salary scheme which operates under trust law. The scheme is managed and administered in accordance with the scheme's Trust Deed and Rules and all relevant legislation by a trustee board made up of trustees nominated by both the company and the members.

The pension surplus on the group's balance sheet is £0.2 million (31 July 2024: £0.8 million) relating to the cash held by the scheme, with the fair value of the insurance policy matched to the fair value of the scheme's liabilities, which remains subject to changes in actuarial valuations as presented in this note.

The scheme was closed to new entrants in August 1996 and closed to further accrual during 2012. At 31 July 2025 this scheme had 15 (31 July 2024: 21) deferred members, 63 (31 July 2024: 58) pensioners and dependents and 8 (31 July 2024: 8) insured annuitants.

Funding position

The scheme's most recent triennial actuarial valuation at 31 July 2021 showed that the scheme was fully funded. As such, no further contributions are scheduled.

IAS 19 valuation

The following disclosures are reported in accordance with IAS 19. Significant actuarial assumptions are as follows:

	2025 %	2024 %
Inflation rate (Retail Price Index)	**3.2**	3.4
Inflation rate (CPI)	**2.8**	3.0
Discount rate for scheme liabilities[1]	**5.6**	4.9
Expected interest/expected long-term return on plan assets	**5.6**	4.9
Mortality assumptions[2]:		
Existing pensioners from age 65, life expectancy (years):		
Men	**23.2**	22.9
Women	**25.0**	24.8
Non-retired members currently aged 50, life expectancy from age 65 (years):		
Men	**24.0**	23.6
Women	**26.3**	26.1

1. Based on market yields at 31 July 2025 and 2024 on high quality sterling-denominated corporate bonds, adjusted to be consistent with the estimated term of the post-employment benefit obligation, using the Willis Towers Watson model "Global RATE:Link".
2. Based on standard tables SAPS S2 Light (2024: SAPS S2 Light) produced by the CMI Bureau of the Institute and Faculty of Actuaries with adjusted mortality multipliers for pensioners and non-pensioners, together with projected future improvements in line with the CMI 2024 (2024: CMI 2023) core projection model with a long-term trend of 1.5% per annum.

The scheme has been accounted for in the company and the surplus has been recognised as an asset on the company and group's balance sheet within "Trade and other receivables".

The group has the unconditional right to any surpluses that arise within the scheme once all benefits have been secured in full. As such no asset ceiling has been applied, and accordingly the scheme surplus is recognised on the consolidated balance sheet.

	2025 £ million	2024 £ million	2023 £ million	2022 £ million	2021 £ million
Fair value of scheme assets[1]					
Equities	—	—	—	—	9.4
Bonds	—	—	—	30.3	33.6
Cash	0.2	0.9	1.4	3.5	0.2
Insured annuities	21.5	23.2	22.4	1.0	—
Total assets	21.7	24.1	23.8	34.8	43.2
Fair value of liabilities	(21.5)	(23.3)	(22.5)	(27.6)	(35.6)
Surplus	0.2	0.8	1.3	7.2	7.6

1. There are no amounts included within the fair value of scheme assets relating to the financial instruments of Close Brothers Group plc.

Movement in the present value of scheme liabilities during the year:

	2025 £ million	2024 £ million
Carrying amount at 1 August	(23.3)	(22.5)
Interest expense	(1.1)	(1.1)
Benefits paid	1.4	1.3
Actuarial gain/(loss)	1.5	(1.0)
Carrying amount at 31 July	(21.5)	(23.3)

Movement in the fair value of scheme assets during the year:

	2025 £ million	2024 £ million
Carrying amount at 1 August	24.1	23.8
Interest income	1.1	1.2
Benefits paid	(1.4)	(1.2)
Administrative costs paid	(0.5)	(0.6)
(Losses)/returns on scheme assets, excluding interest income	(1.6)	0.9
Carrying amount at 31 July	21.7	24.1

Historical experience of actuarial gains/(losses) are shown below:

	2025 £ million	2024 £ million	2023 £ million	2022 £ million	2021 £ million
Returns/(losses) on scheme assets	(1.6)	0.9	(10.6)	(8.7)	1.9
Experience (losses)/gains on scheme liabilities	—	(0.4)	(0.9)	0.4	—
Impact of changes in assumptions	1.5	(0.5)	5.8	8.2	(1.4)
Total actuarial changes in liabilities	1.5	(0.9)	4.9	8.6	(1.4)
Total actuarial gains/(losses)	(0.1)	—	(5.7)	(0.1)	0.5

Actuarial movements would be recognised in other comprehensive income. Income of £nil (2024: £0.1 million) from the interest on the scheme surplus has been recognised within administrative expenses in the consolidated income statement. The group's policy is not to allocate the net defined benefit cost between group entities participating in the scheme.

The valuation of the scheme's liabilities is sensitive to the key assumptions used in the valuation. The effect of a change in those assumptions in 2025 and 2024 is set out below. The analysis reflects the variation of the individual assumptions. The variation in price inflation includes all inflation-linked pension increases in deferment and in payment.

		Impact on defined benefit obligation increase/(decrease)			
		2025		2024	
Key assumption	Sensitivity	%	£ million	%	£ million
Discount rate	0.25% decrease	2.5	0.5	2.8	0.6
Price inflation (RPI)	0.25% increase	1.4	0.3	1.3	0.3
Mortality	Increase in life expectancy at age 65 by one year	2.8	0.6	2.7	0.6

23. Pensions (continued)

The company is exposed to a number of risks relating to the scheme, including assumptions not being borne out in practice. Some of the most significant risks are as follows, although the list is not exhaustive.

- Change in bond yields: A decrease in corporate bond yields will increase the value placed on the scheme's defined benefit obligation ("DBO"), although following the buy-in transaction this will be largely offset by an increase in the value of the scheme's assets.
- Asset volatility: There is a risk that a fall in asset values is not matched by a corresponding reduction in the value placed on the scheme's DBO. This risk has been significantly reduced by the purchase of an insurance policy to cover the scheme's liabilities.
- Inflation risk: The majority of the scheme's DBO is linked to inflation, where higher inflation will lead to a higher value being placed on the DBO. Some of the scheme's non-buy-in assets are either unaffected by inflation or loosely correlated with inflation (e.g. growth assets), meaning that an increase in inflation will generally decrease the surplus. The value of the buy-in asset will vary with inflation broadly in line with the changes to the scheme's DBO.
- Life expectancy: An increase in life expectancy will lead to an increased value being placed on the scheme's DBO and on the insurance policy assets. Future mortality rates cannot be predicted with certainty. The impact on the DBO would be very closely matched by the impact on the buy-in asset value.

The weighted average duration of the benefit payments reflected in the scheme liabilities is 10 years (2024: 11 years).

The Virgin Media Ltd v NTL Pension Trustees II decision, handed down by the High Court on 16 June 2023 (upheld by the Court of Appeal in July 2024), considered the implications of section 37 of the Pension Schemes Act 1993, with the potential to cause a significant impact on the pensions industry. The trustees will investigate the possible implications in due course, but it is not possible at present to estimate the potential impact, if any, on the scheme.

24. Share-based awards

The Save As You Earn ("SAYE"), Long Term Incentive Plan ("LTIP") and Deferred Share Awards ("DSA") share-based awards have been granted under the group's share schemes. The general terms and conditions for these share-based awards are described on pages 156 to 158 in the Directors' Remuneration Report.

In order to satisfy a number of the awards below, the company has purchased company shares into Treasury and the Close Brothers Group Employee Share Trust has purchased company shares. At 31 July 2025, 1.6 million (31 July 2024: 1.6 million) and 1.3 million (31 July 2024: 1.7 million) of these shares were held respectively and in total £31.3 million (2024: £38.9 million) was recognised within the share-based payments reserve. During the year £9.2 million (2024: £4.6 million) of these shares were released to satisfy share-based awards to employees. The share-based payments reserve as shown in the consolidated statement of changes in equity also includes the cumulative position in relation to unvested share-based awards charged to the consolidated income statement of £4.7 million (2024: £5.1 million). The share-based awards charge of £5.0 million (2024: £4.6 million) is included in administrative expenses shown in the consolidated income statement.

Movements in the number of share-based awards outstanding and their weighted average share prices are as follows:

	SAYE		LTIP		DSA	
	Number	Weighted average exercise price	Number	Weighted average exercise price	Number	Weighted average exercise price
At 1 August 2023	2,804,727	—	1,352,840	—	491,948	—
Granted	3,597,558	371.0p	655,791	—	282,309	—
Exercised	(28,728)	813.9p	(122,788)	—	(239,280)	—
Forfeited	(1,658,190)	754.9p	(97,255)	—	(1,836)	—
Lapsed	(803,600)	828.7p	(466,854)	—	(939)	—
At 31 July 2024	3,911,767	—	1,321,734	—	532,202	—
Granted	3,297,025	243.0p	390,601	—	459,578	—
Exercised	(2,981)	371.0p	(57,429)	—	(765,039)	—
Forfeited	(2,431,561)	393.7p	(300,733)	—	(13,102)	—
Lapsed	(61,075)	964.4p	—	—	(65)	—
At 31 July 2025	**4,713,175**	**—**	**1,354,173**	**—**	**213,574**	**—**
Exercisable at:						
31 July 2025	**18,933**	**957.2p**	**63,904**	**—**	**121,541**	**—**
31 July 2024	17,017	1,213.3p	61,733	—	205,654	—

The table below shows the weighted average market price at the date of exercise:

	2025	2024
SAYE	**410.0p**	798.3p
LTIP	**342.8p**	807.3p
DSA	**336.0p**	660.8p

The range of exercise prices and weighted average remaining contractual life of awards and options outstanding are as follows:

	2025 Options outstanding		2024 Options outstanding	
	Number outstanding	**Weighted average remaining contractual life Years**	Number outstanding	Weighted average remaining contractual life Years
SAYE				
Between £2 and £3	**3,226,727**	**3.4**	—	—
Between £3 and £4	**1,345,831**	**1.6**	3,557,353	3.4
Between £7 and £8	**111,847**	**1.0**	265,843	2.4
Between £8 and £9	**2,565**	**0.3**	10,130	1.3
Between £9 and £10	**20,573**	**0.4**	34,705	1.6
Between £10 and £11	**—**	**—**	3,651	0.8
Between £11 and £12	**—**	**—**	2,091	0.3
Between £12 and £13	**5,087**	**1.2**	24,785	1.3
Between £13 and £14	**545**	**—**	13,209	0.5
LTIP				
Nil	**1,337,923**	**3.5**	1,305,484	3.6
DSA				
Nil	**229,824**	**1.4**	548,452	1.7
Total	**6,280,922**	**2.9**	5,765,703	3.2

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24. Share-based awards (continued)

For the share-based awards granted during the year, the weighted average fair value of those options at 31 July 2025 was 167.1p (31 July 2024: 251.0p). The main assumptions for the valuation of these share-based awards comprised:

At 31 July 2025 Exercise period	Share price at issue	Exercise price	Expected volatility	Expected option life in years	Dividend yield	Risk free interest rate
SAYE						
1 Jul 2028 to 30 Dec 2028	303.8p	243.0p	55.0%	3	7.3%	4.0%
LTIP						
26 Sep 2027 to 26 Sep 2028	431.8p	—	50.0%	3	4.6%	4.0%
26 Sep 2027 to 26 Sep 2030	431.8p	—	53.0%	2	3.9%	4.2%
26 Sep 2027 to 26 Sep 2030	431.8p	—	50.0%	3	4.6%	4.3%
DSA						
26 Sep 2026 to 26 Sep 2027	431.8p	—	—	—	—	—
26 Sep 2027 to 26 Sep 2028	431.8p	—	—	—	—	—

At 31 July 2024 Exercise period of awards granted in 2024 and 2023	Share price at issue	Exercise price	Expected volatility	Expected option life in years	Dividend yield	Risk free interest rate
SAYE						
1 December 2025 to 31 May 2026	918.8p	735.0p	36.0%	3	7.2%	3.6%
1 December 2027 to 31 May 2028	918.8p	735.0p	31.0%	5	7.2%	4.0%
1 June 2026 to 30 November 2026	896.3p	717.0p	33.0%	3	7.4%	3.7%
1 June 2028 to 30 November 2028	896.3p	717.0p	32.0%	5	7.4%	3.6%
1 June 2027 to 30 December 2027	463.8p	371.0p	41.0%	3	7.3%	4.3%
LTIP						
11 October 2025 to 10 October 2026	1110.0p	—	36.0%	3	7.2%	3.6%
11 October 2026 to 10 October 2027	923.0p	—	33.0%	4	7.2%	3.6%
4 October 2026 to 3 October 2027	871.9p	—	31.0%	3	7.9%	4.7%
4 October 2026 to 3 October 2027	871.9p	—	31.0%	3	7.9%	4.7%
1 May 2027 to 30 April 2028	380.2p	—	41.0%	3	7.5%	4.1%
DSA						
10 October 2024 to 9 October 2025	923.1p	—	—	—	—	—
28 September 2023 to 26 September 2024	965.0p	—	—	—	—	—
21 September 2023 to 19 September 2024	965.0p	—	—	—	—	—
28 September 2024 to 27 September 2025	965.0p	—	—	—	—	—
29 September 2025 to 27 September 2026	965.0p	—	—	—	—	—
4 October 2025 to 3 October 2026	871.9p	—	—	—	—	—
8 March 2024 to 7 March 2025	808.0p	—	—	—	—	—
4 June 2024 to 3 June 2025	808.0p	—	—	—	—	—
7 March 2025 to 6 March 2026	808.0p	—	—	—	—	—
1 June 2025 to 31 May 2026	808.0p	—	—	—	—	—
10 March 2026 to 09 Mar 2027	808.0p	—	—	—	—	—

Expected volatility was determined mainly by reviewing share price volatility for the expected life of each option up to the date of grant.

25. Consolidated cash flow statement reconciliation

	2025 £ million	2024 £ million
(a) Reconciliation of operating (loss)/profit before tax to net cash inflow from operating activities		
Operating (loss)/profit before tax from continuing operations	**(122.4)**	132.7
Operating profit before tax from discontinued operations	**51.2**	9.3
Tax paid	**(28.1)**	(29.6)
Depreciation, amortisation and impairment	**159.4**	111.7
Impairment losses on financial assets	**92.7**	98.8
Provision in relation to motor finance commissions excluding cash paid	**161.4**	—
Complaints handling and other operational and legal costs incurred excluding cash paid in relation to motor finance commissions	**5.6**	—
Provision in relation to early settlements in Motor Finance	**33.0**	—
Gain on disposal of CBAM excluding cash paid in relation to transaction costs	**(67.6)**	—
Amortisation of de-designated cash flow hedges	**(11.4)**	(27.9)
Decrease/(increase) in:		
Interest receivable and prepaid expenses	**4.8**	5.5
Net settlement balances and trading positions	**3.8**	(0.3)
Net money broker loans against stock advanced	**(7.7)**	27.0
Decrease in interest payable and accrued expenses	**(0.8)**	(12.7)
Net cash (outflow)/inflow from trading activities	**273.9**	314.5
Cash (outflow)/inflow arising from changes in:		
Loans and advances to banks not repayable on demand	**1.4**	24.0
Loans and advances to customers	**196.8**	(699.4)
Assets let under operating leases	**(20.3)**	(41.1)
Sovereign and central bank debt	**(213.3)**	(194.2)
SSA bonds	**—**	(140.2)
Covered bonds	**81.9**	(80.7)
Deposits by banks	**(52.1)**	(1.3)
Deposits by customers	**100.1**	975.1
Loans and overdrafts from banks	**(148.8)**	(492.2)
Debt securities in issue (net)	**(18.4)**	(67.6)
Derivative financial instruments (net)	**1.0**	—
Other assets less other liabilities	**39.0**	21.1
Net cash inflow/(outflow) from operating activities	**241.2**	(382.0)
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries		
Purchase of subsidiaries, net of cash acquired	**(0.5)**	(15.4)
(c) Analysis of net cash inflow in respect of the sale of subsidiaries		
Cash consideration received	**146.4**	0.9
Cash and cash equivalents disposed of	**(42.4)**	—
	104.0	0.9
(d) Analysis of cash and cash equivalents[1]		
Cash and balances at central banks	**1,917.2**	1,584.2
Loans and advances to banks	**184.6**	260.3
	2,101.8	1,844.5

1. Excludes £31.9 million (2024: £33.2 million) of cash reserve accounts and cash held in trust.

During the year ended 31 July 2025, the non-cash changes on debt financing amounted to £32.2 million (31 July 2024: £35.9 million) arising largely from interest accretion and fair value hedging movements.

26. Financial risk management

The group faces a number of risks in the normal course of its business. To manage these effectively, a consistent approach is adopted based on a set of overarching principles, namely:

- adhering to our established and proven business model;
- implementing an integrated risk management approach based on the concept of three lines of defence; and
- setting and operating within clearly defined risk appetites, monitored with defined metrics and limits.

The group's Enterprise Risk Management Framework details the core risk management components and structures, and defines a consistent and measurable approach to identifying, assessing, controlling and mitigating, reviewing and monitoring, and reporting risk.

The Board retains overall responsibility for overseeing the maintenance of a system of internal control, which ensures that an effective risk management framework and oversight process operate across the group, while risk management across the group is overseen by the Risk Committee.

The Risk Report provides more information on the group's approach to risk management. As a financial services group, financial instruments are central to the group's activities. The risk associated with financial instruments represents a significant component of those faced by the group and is analysed in more detail below.

Details of the material accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 1.

(a) Classification

The following tables analyse the group's assets and liabilities in accordance with the categories of financial instruments in IFRS 9. Derivatives designated as hedging instruments are classified as fair value through profit or loss.

	Derivatives designated as hedging instruments £ million	Fair value through profit or loss £ million	Fair value through other comprehensive income £ million	Amortised cost £ million	Total £ million
At 31 July 2025					
Assets					
Cash and balances at central banks	–	–	–	1,917.0	1,917.0
Settlement balances	–	–	–	–	–
Loans and advances to banks	–	–	–	161.7	161.7
Loans and advances to customers	–	11.8	–	9,447.6	9,459.4
Debt securities	–	1.1	853.4	4.7	859.2
Equity shares	–	–	–	–	–
Loans to money brokers against stock advanced	–	–	–	–	–
Derivative financial instruments	94.4	8.7	–	–	103.1
Other financial assets	–	21.1	–	63.6	84.7
	94.4	42.7	853.4	11,594.6	12,585.1
Liabilities					
Settlement balances and short positions	–	–	–	–	–
Deposits by banks	–	–	–	88.1	88.1
Deposits by customers	–	–	–	8,799.3	8,799.3
Loans and overdrafts from banks	–	–	–	1.5	1.5
Debt securities in issue	–	–	–	1,991.3	1,991.3
Loans from money brokers against stock advanced	–	–	–	–	–
Subordinated loan capital	–	–	–	195.5	195.5
Derivative financial instruments	90.2	14.5	–	–	104.7
Other financial liabilities	–	–	–	103.5	103.5
	90.2	14.5	–	11,179.2	11,283.9

	Derivatives designated as hedging instruments £ million	Fair value through profit or loss £ million	Fair value through other comprehensive income £ million	Amortised cost £ million	Total £ million
At 31 July 2024					
Assets					
Cash and balances at central banks	—	—	—	1,584.0	1,584.0
Settlement balances	—	—	—	627.5	627.5
Loans and advances to banks	—	—	—	293.7	293.7
Loans and advances to customers	—	11.8	—	9,819.0	9,830.8
Debt securities	—	16.8	716.9	6.8	740.5
Equity shares	—	27.4	—	—	27.4
Loans to money brokers against stock advanced	—	—	—	22.5	22.5
Derivative financial instruments	83.6	17.8	—	—	101.4
Other financial assets	—	1.2	—	102.4	103.6
	83.6	75.0	716.9	12,455.9	13,331.4
Liabilities					
Settlement balances and short positions	—	14.8	—	600.1	614.9
Deposits by banks	—	—	—	138.4	138.4
Deposits by customers	—	—	—	8,693.6	8,693.6
Loans and overdrafts from banks	—	—	—	165.6	165.6
Debt securities in issue	—	—	—	1,986.4	1,986.4
Loans from money brokers against stock advanced	—	—	—	16.7	16.7
Subordinated loan capital	—	—	—	187.2	187.2
Derivative financial instruments	116.9	12.1	—	—	129.0
Other financial liabilities	—	—	—	189.9	189.9
	116.9	26.9	—	11,977.9	12,121.7

(b) Valuation

The fair values of the group's subordinated loan capital and debt securities in issue are set out below.

	31 July 2025		31 July 2024	
	Fair value £ million	**Carrying value £ million**	Fair value £ million	Carrying value £ million
Subordinated loan capital	**193.5**	**195.5**	179.4	187.2
Debt securities in issue	**2,013.2**	**1,991.3**	1,998.5	1,986.4

The fair value of gross loans and advances to customers at 31 July 2025 is estimated to be £9,543.4 million (31 July 2024: £9,806.4 million), with a carrying value of £9,459.4 million (31 July 2024: £9,830.8 million). The fair value of deposits by customers is estimated to be £8,798.2 million (31 July 2024: £8,691.8 million), with a carrying value of £8,799.3 million (31 July 2024: £8,693.6 million). These estimates are based on highly simplified assumptions and inputs and may differ to actual amounts received or paid. The differences between fair value and carrying value are not considered to be significant, and are consistent with management's expectations given the nature of the Banking business and the short average tenor of the instruments. However, the differences have increased in comparison to the prior year in line with market interest rates.

Valuation hierarchy

The group holds financial instruments that are measured at fair value subsequent to initial recognition. Each instrument has been categorised within one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These levels are based on the degree to which the fair value is observable and are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities where prices are readily available and represent actual and regularly occurring market transactions on an arm's length basis. An active market is one in which transactions occur with sufficient frequency to provide ongoing pricing information;
- Level 2 fair value measurements are those derived from quoted prices in less active markets for identical assets or liabilities or those derived from inputs other than quoted prices that are observable for the asset or liability, either directly as prices or indirectly derived from prices; and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data ("unobservable inputs").

Instruments classified as Level 1 predominantly comprise sovereign and central bank debt, SSA bonds, covered bonds and liquid listed debt securities. The fair value of these instruments is derived from quoted prices in active markets.

26. Financial risk management (continued)

Instruments classified as Level 2 predominantly comprise less liquid listed equity shares, investment grade corporate bonds and over-the-counter derivatives. The fair value of equity shares and bonds are derived from quoted prices in less active markets in comparison to Level 1. Over-the-counter derivatives largely relate to interest rate and exchange rate contracts (see Note 13 for further information). The valuation of such derivatives includes the use of discounted future cash flow models, with the most significant input into these models being interest rate yield curves developed from quoted rates.

Instruments classified as Level 3 predominantly comprise loans and advances to customers, over-the-counter derivatives and contingent consideration payable and receivable in relation to the acquisition and disposal of subsidiaries.

The valuation of Level 3 derivatives is similar to Level 2 derivatives and includes the use of discounted future cash flow models, with the most significant input into these models being interest rate yield curves developed from quoted rates.

The valuation of Level 3 loans and advances to customers is determined on a discounted expected cash flow basis net of expected credit losses. The discount rate used in the valuation is the interest rate charged on the loan, which reflects an arm's length rate chargeable on similar transactions.

The valuation of Level 3 contingent consideration is determined on a discounted expected cash flow basis.

The group believes that there is no reasonably possible change to the inputs used in the valuation of these positions which would have a material effect on the group's consolidated income statement.

During the year, there were no transfers from Level 1 and 2 to 3.

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy.

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
At 31 July 2025				
Assets				
Loans and advances to customers held at FVTPL	–	–	11.8	11.8
Debt securities:				
Sovereign and central bank debt	601.6	–	–	601.6
SSA bonds	146.2	–	–	146.2
Covered bonds	105.6	–	–	105.6
Derivative financial instruments	–	99.1	4.0	103.1
Contingent consideration	–	–	21.1	21.1
Other assets	–	–	1.1	1.1
	853.4	99.1	38.0	990.5
Liabilities				
Short positions:				
Derivative financial instruments	–	100.5	4.2	104.7
	–	100.5	4.2	104.7

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
At 31 July 2024				
Assets				
Loans and advances to customers held at FVTPL	—	—	11.8	11.8
Debt securities:				
Sovereign and central bank debt	383.7	—	—	383.7
SSA bonds	145.5	—	—	145.5
Covered bonds	187.7	—	—	187.7
Long trading positions in debt securities	13.8	2.2	—	16.0
Equity shares	5.9	21.4	0.1	27.4
Derivative financial instruments	—	95.3	6.1	101.4
Contingent consideration	—	—	1.2	1.2
Other assets	—	—	0.8	0.8
	736.6	118.9	20.0	875.5
Liabilities				
Short positions:				
Debt securities	3.3	2.2	—	5.5
Equity shares	2.2	7.1	—	9.3
Derivative financial instruments	—	122.6	6.4	129.0
Contingent consideration	—	—	3.0	3.0
	5.5	131.9	9.4	146.8

Movements in financial instruments categorised as Level 3 were:

	Loans and advances to customers held at FVTPL £ million	Derivative financial assets £ million	Derivative financial liabilities £ million	Equity shares £ million	Contingent consideration £ million	Other assets £ million	Total £ million
At 1 August 2023	—	11.1	(11.2)	0.2	(0.8)	—	(0.7)
Total (losses)/gains recognised in the consolidated income statement	—	(5.0)	4.8	—	0.4	—	0.2
Purchases, issues, originations and transfers in	11.8	—	—	—	(0.5)	0.8	12.1
Sales, settlements and transfers out	—	—	—	(0.1)	(0.9)	—	(1.0)
At 31 July 2024	11.8	6.1	(6.4)	0.1	(1.8)	0.8	10.6
Total gains/(losses) recognised in the consolidated income statement	1.5	(2.1)	2.2	—	—	—	1.6
Purchases, issues, originations and transfers in	3.6	—	—	—	—	0.3	3.9
Sales, settlements and transfers out	(5.1)	—	—	(0.1)	22.9	—	17.7
Reclassification to liabilities held for sale	—	—	—	—	—	—	—
At 31 July 2025	**11.8**	**4.0**	**(4.2)**	**—**	**21.1**	**1.1**	**33.8**

The gains recognised in the consolidated income statement relating to Level 3 instruments held at 31 July 2025 amounted to £1.6 million (2024: gains of £0.2 million).

26. Financial risk management (continued)

(c) Credit risk

Credit risk is the risk of a reduction in earnings and/or value, as a result of the failure of a counterparty or associated party, with whom the group has contracted, to meet its obligations as they fall due. Credit risk across the group mainly arises through the lending and treasury activities of the Banking division.

Maximum exposure to credit risk

The table below presents the group's maximum exposure to credit risk, before taking account of any collateral and credit risk mitigation, arising from its on balance sheet and off balance sheet financial instruments. For off balance sheet instruments, the maximum exposure to credit risk represents the contractual nominal amounts.

	31 July 2025 £ million	31 July 2024 £ million
On balance sheet		
Cash and balances at central banks	**1,917.0**	1,584.0
Settlement balances	**—**	627.5
Loans and advances to banks	**161.7**	293.7
Loans and advances to customers	**9,459.4**	9,830.8
Debt securities	**859.2**	740.5
Loans to money brokers against stock advanced	**—**	22.5
Derivative financial instruments	**103.1**	101.4
Other financial assets	**84.7**	103.6
	12,585.1	13,304.0
Off balance sheet		
Irrevocable undrawn commitments	**211.6**	281.8
Total maximum exposure to credit risk	**12,796.7**	13,585.8

Assets pledged and received as collateral

The group pledges assets for repurchase agreements and securities borrowing agreements which are generally conducted under terms that are customary to standard borrowing contracts.

The group is a participant of the Bank of England's Term Funding Scheme with Additional Incentives for SMEs ("TFSME"), Short-Term Repo ("STR"), Indexed Long Term Repo ("ILTR") and Discount Window Facility ("DWF").

Under these schemes, asset finance loan receivables of £nil (31 July 2024: £404.8 million) and retained notes relating to motor finance loan receivables of £nil (31 July 2024: £34.4 million) were positioned as collateral with the Bank of England, against which £nil (31 July 2024: £110.0 million) of cash was drawn from the TFSME. During the year, the group early repaid £110.0 million (31 July 2024: £490.0 million) against the TFSME.

The group has securitised without recourse and restrictions £1,544.8 million (31 July 2024: £1,657.0 million) of its insurance premium and motor loan receivables in return for cash and asset-backed securities in issue of £1,323.4 million (31 July 2024: £1,453.7 million), of which £245.9 million (31 July 2024: £359.1 million) is retained by the group. This includes the £nil (31 July 2024: £34.4 million) retained notes positioned as collateral with the Bank of England.

As the group has retained exposure to substantially all the risk and rewards of the above receivables, it continues to recognise these assets in loans and advances to customers on its consolidated balance sheet.

The majority of loans and advances to customers are secured against specific assets. Consistent and prudent lending criteria are applied across the whole loan book with emphasis on the quality of the security provided.

At 31 July 2025, Winterflood had pledged equity and debt securities of £nil (31 July 2024: £18.3 million) in the normal course of business.

Financial assets: Loans and advances to customers

The group's approach to managing credit risk relating to loans and advances to customers is set out in the "Credit risk" section of the Risk Report.

Information on the group's internal credit risk reporting can be found in the "Credit risk" section of the Risk Report, including an analysis of gross loans and advances to customers, trade receivables and undrawn facilities by the group's internal credit risk grading.

Information on the collateral held in relation to loans and advances to customers can also be found in the "Credit risk" section of the Risk Report, including analyses of gross loans and advances to customers by LTV ratio.

Financial assets: Treasury assets

The credit risk presented by the group's treasury assets is low. Immaterial impairment provisions are recognised for cash and balances at central banks, sovereign and central bank debt, SSA bonds and covered bonds. These financial assets are investment grade and in Stage 1.

Financial assets: Settlement balances and loans to money brokers against stock advanced

The credit risk presented by settlement balances in the Securities division is limited, as such balances represent delivery versus payment transactions where delivery of securities occurs simultaneously with payment. The credit risk is therefore limited to the change in market price of a security between trade date and settlement date and not the absolute value of the trade. Winterflood is a market maker and trades on a principal-only basis with regulated counterparties including stockbrokers, wealth managers, institutions and hedge funds who are either authorised and regulated by the PRA and/or FCA or equivalent regulator in the respective country.

Counterparty exposure and settlement failure monitoring controls are in place as part of an overall risk management framework and settlement balances past due are actively managed.

Loans to money brokers against stock advanced of £nil (31 July 2024: £22.5 million) is the cash collateral provided to these institutions, for stock borrowing by Winterflood. The stock borrowing to which the cash deposits relate is short term in nature and is recorded at the amount payable. The credit risk of this financial asset is therefore limited.

Settlement balances in relation to Winterflood have been classified as held for sale at 31 July 2025. The following table shows the ageing of Winterflood settlement balances at 31 July 2024:

	Stage 1 £ million	Stage 2 £ million	Stage 3 £ million	Impairment provision £ million	Total £ million
At 31 July 2024					
Not past due	599.9	—	—	—	599.9
Less than 30 days past due	24.6	—	—	—	24.6
More than 30 days but less than 90 days past due	—	2.5	—	—	2.5
More than 90 days past due	—	—	0.5	—	0.5
	624.5	2.5	0.5	—	627.5

Company financial assets: Amounts owed by subsidiaries

Amounts owed by subsidiaries on the company balance sheet largely relate to Close Brothers Limited and Close Brothers Holdings Limited, and the credit risk presented by these financial assets is immaterial.

(d) Market risk

Interest rate risk
Additional disclosures on the group's interest rate risk can be found in the "Non-traded market risk" section of the Risk Report.

Foreign exchange risk
Additional disclosures on the group's foreign exchange risk can be found in the "Non-traded market risk" section of the Risk Report.

Market price risk
Trading financial instruments: Equity shares and debt securities
The group's trading activities relate to Winterflood. Additional disclosures on Winterflood's market price risk can be found in the "Traded market risk" section of the Risk Report.

Non-trading financial instruments
Net gains and losses on non-trading financial instruments are disclosed in Note 11.

26. Financial risk management (continued)

(e) Liquidity risk

Liquidity risk is the risk that liabilities cannot be met when they fall due or can only be met at an uneconomic price and arises mainly in the Banking division. The following table analyses the contractual maturities of the group's on balance sheet financial liabilities on an undiscounted cash flow basis. Additional disclosures on the group's liquidity risk can be found on pages 101 to 102 of the Risk Report.

	On demand £ million	In less than three months £ million	In more than three months but not more than six months £ million	In more than six months but not more than one year £ million	In more than one year but not more than five years £ million	In more than five years £ million	Total £ million
At 31 July 2025							
Settlement balances	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Deposits by banks	**9.3**	**78.9**	**—**	**—**	**—**	**—**	**88.2**
Deposits by customers	**1,161.7**	**2,625.6**	**1,570.5**	**2,070.3**	**1,614.3**	**—**	**9,042.4**
Loans and overdrafts from banks	**1.5**	**—**	**—**	**—**	**—**	**—**	**1.5**
Debt securities in issue	**—**	**71.2**	**84.3**	**114.5**	**1,577.6**	**403.3**	**2,250.9**
Loans from money brokers against stock advanced	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Subordinated loan capital	**—**	**2.0**	**—**	**3.0**	**15.0**	**205.0**	**225.0**
Derivative financial instruments	**0.2**	**47.2**	**33.9**	**45.3**	**182.2**	**68.2**	**377.0**
Lease liabilities	**0.2**	**1.4**	**1.5**	**3.3**	**24.1**	**1.9**	**32.4**
Other financial liabilities	**24.3**	**47.0**	**0.3**	**1.2**	**2.6**	**0.3**	**75.7**
Total	**1,197.2**	**2,873.3**	**1,690.5**	**2,237.6**	**3,415.8**	**678.7**	**12,093.1**

	On demand £ million	In less than three months £ million	In more than three months but not more than six months £ million	In more than six months but not more than one year £ million	In more than one year but not more than five years £ million	In more than five years £ million	Total £ million
At 31 July 2024							
Settlement balances	—	600.1	—	—	—	—	600.1
Deposits by banks	0.9	53.2	86.1	—	—	—	140.2
Deposits by customers	708.9	2,309.5	1,502.1	2,008.7	2,474.8	—	9,004.0
Loans and overdrafts from banks	46.7	9.9	1.4	2.7	111.7	—	172.4
Debt securities in issue	—	40.0	119.3	195.4	1,541.7	409.8	2,306.2
Loans from money brokers against stock advanced	16.7	—	—	—	—	—	16.7
Subordinated loan capital	—	2.0	—	2.0	16.0	209.0	229.0
Derivative financial instruments	0.3	47.3	37.0	50.6	183.0	86.8	405.0
Lease liabilities	0.2	3.2	2.7	3.9	29.6	18.1	57.7
Other financial liabilities	22.6	101.0	1.3	10.9	27.1	2.5	165.4
Total	796.3	3,166.2	1,749.9	2,274.2	4,383.9	726.2	13,096.7

Derivative financial instruments in the table above include net currency swaps. The following table shows the currency swaps on a gross basis:

	On demand £ million	In less than three months £ million	In more than three months but not more than six months £ million	In more than six months but not more than one year £ million	In more than one year but not more than five years £ million	In more than five years £ million	Total £ million
At 31 July 2025	**5.0**	**183.5**	**105.2**	**206.5**	**180.8**	**68.2**	**749.2**
At 31 July 2024	0.9	259.9	37.0	49.8	178.6	86.8	613.0

(f) Offsetting

The following table shows the impact on derivative financial assets and liabilities which have not been offset but for which the group has enforceable master netting arrangements in place with counterparties. The net amounts show the exposure to counterparty credit risk after offsetting benefits and collateral, and are not intended to represent the group's actual exposure to credit risk.

Master netting arrangements allow outstanding transactions with the same counterparty to be offset and settled net, either unconditionally or following a default or other predetermined event. Financial collateral on derivative financial instruments consists of cash settled, typically daily, to mitigate the mark to market exposures.

	Gross amounts recognised £ million	Master netting arrangements £ million	Financial collateral[1] £ million	Net amounts after offsetting[1] £ million
At 31 July 2025				
Derivative financial assets	**103.1**	**(95.5)**	**27.9**	**35.5**
Derivative financial liabilities	**104.7**	**(95.5)**	**(5.1)**	**4.1**
At 31 July 2024				
Derivative financial assets	101.4	(97.9)	(0.8)	2.7
Derivative financial liabilities	129.0	(97.9)	(67.5)	(36.4)

1. Financial collateral and net amounts after offsetting include initial margin of £35.2 million (31 July 2024: £38.7 million).

27. Interest in unconsolidated structured entities

Structured entities are those entities that have been designed so that voting or similar rights are not the dominant factor in deciding who has control, such as when any voting rights relate to administrative tasks only, or when the relevant activities are directed by means of contractual arrangements.

In February 2025, the group disposed of its Asset Management division, which had interests in structured entities as a result of contractual arrangements arising from the management of assets on behalf of its clients . These structured entities consisted of unitised vehicles such as Authorised Unit Trusts ("AUTs") and Open Ended Investment Companies ("OEICs") which entitled investors to a percentage of the vehicles' net asset value. The structured entities were financed by the purchase of units or shares by investors. The group did not hold direct investments in its structured entities.

The assets under management of unconsolidated structured entities managed by the group were £nil at 31 July 2025 (31 July 2024: £5,434.0 million). There is no management fee income from unconsolidated structured entities managed by the group (2024: £nil) within the revenue of continuing operations in the consolidated income statement.

28. Investments in subsidiaries

In accordance with section 409 of the Companies Act 2006, the following is a list of the group's subsidiaries at 31 July 2025, which are all wholly owned and incorporated in the UK unless otherwise stated.

The investment in subsidiary of £487.0 million (31 July 2024: £487.0 million) in the company balance sheet relates to a 100% shareholding in Close Brothers Holdings Limited of £287.0 million (31 July 2024: £287.0 million) and an investment in the AT1 securities of Close Brothers Limited of £200.0 million (31 July 2024: £200.0 million). The company issued AT1 securities of £200.0 million on 29 November 2023 as described in Note 20 and simultaneously entered into a back-to-back transaction with its subsidiary Close Brothers Limited.

There was no impairment of these investments in this and the prior year albeit indicators of impairment exist in light of the FCA's motor commissions review. The impairment assessment of the investment in Close Brothers Holdings Limited, based on a discounted cash flow analysis of expected future dividends, which includes consideration for the potential impact of the FCA's motor commissions review, demonstrated that its value in use remains above its carrying value.

28. Investments in subsidiaries (continued)

Group

Close Brothers Holdings Limited[1]

Banking

Air and General Finance Limited[1]
Arrow Audit Services Limited[1]
Close Asset Finance Limited[1]
Close Brewery Rentals Limited[2]
Close Brothers Asset Finance GmbH[3] (Germany)
Close Brothers DAC[4] (Ireland)
Close Brothers Factoring GmbH[3] (Germany)
Close Brothers Finance Designated Activity Company[5] (Ireland)
Close Brothers Finance plc[1]
Close Brothers Limited[1]
Close Brothers Motor Finance Payments Limited[5] (Ireland)
Close Brothers Premium DAC[4] (Ireland)
Close Brothers Retention Holdings Designated Activity Company[5] (Ireland)
Close Brothers Technology Services Limited[1]
Close Brothers Vehicle Hire Limited[6]
Close Business Finance Limited[1]
Close Credit Management (Holdings) Limited[1]
Close Finance (CI) Limited[7] (Jersey)
Close Invoice Finance Limited[1]
Close Leasing Limited[8]
Close PF Funding I Limited[9, 15]
Commercial Acceptances Limited[1]
Commercial Finance Credit Limited[1]
Corporate Asset Solutions Limited[10]
Delta Funding 2025 Limited[9,15]
Finance for Industry Limited[1]
Finance for Industry Services Limited[1]
Kingston Asset Finance Limited[1]
Kingston Asset Leasing Limited[1]
Novitas Loans Limited[1]
Novitas (Salisbury) Limited[1]
Orbita Funding 2022-1 plc[9,15]
Orbita Funding 2023-1 plc[9,15]
Orbita Funding 2024-1 plc[9,15]
Surrey Asset Finance Limited[1]
Topaz Asset Finance 2019-1 DAC[11,15]
Topaz Asset Finance 2020-1 DAC[11,15]

Securities

W.S. (Nominees) Limited[12]
Winterflood Client Nominees Limited[12]
Winterflood Gilts Limited[12]
Winterflood Jersey Limited[13]
Winterflood Jersey Nominees Limited[13]
Winterflood Securities Holdings Limited[12]
Winterflood Securities Limited[12]
Winterflood Securities US Corporation[14] (Delaware, USA)

Registered office addresses:
1. 10 Crown Place, London EC2A 4FT, United Kingdom.
2. Unit 9B, Albion Drive, Thurnscoe, Rotherham, South Yorkshire S63 0BA, United Kingdom.
3. Grosse Bleiche 35-39, 55116, Mainz, Germany.
4. Swift Square, Building 1, Santry Demesne, Northwood, Dublin D09 A0E4, Ireland.
5. Unit 18, Northwood House, Northwood Business Campus, Dublin D09 A0E4, Ireland.
6. Lows Lane, Stanton-By-Dale, Ilkeston, Derbyshire DE7 4QU, United Kingdom.
7. Conway House, Conway Street, St Helier JE4 5SR, Jersey.
8. Jackson House, Sibson Road, Sale M33 7RR, United Kingdom.
9. 10th Floor, 5 Churchill Place, London E14 5HU, United Kingdom.
10. 30 Finsbury Square, London EC2A 1AG, United Kingdom.
11. 1-2 Victoria Buildings, Haddington Road, Dublin D04 XN32, Ireland.
12. Riverbank House, 2 Swan Lane, London EC4R 3GA, United Kingdom.
13. 28 Esplanade, St Helier JE2 3QA, Jersey.
14. 1209 Orange Street, Wilmington 19801, New Castle, Delaware, USA.

Subsidiaries by virtue of control:
15. The related undertakings are included in the consolidated financial statements as they are controlled by the group.

29. Discontinued operations and assets and liabilities classified as held for sale

At 31 July 2025, the group's discontinued operations comprised Close Brothers Asset Management ("CBAM") and Winterflood Securities ("Winterflood"). Close Brewery Rentals Limited ("CBRL") has been classified as held for sale at 31 July 2025 but the business does not meet the criteria to be classified as discontinued operations under IFRS 5.

Close Brothers Asset Management

On 19 September 2024, the group announced that it had entered into an agreement to sell its wealth management business, Close Brothers Asset Management ("CBAM"), one of the group's operating segments, to funds managed by Oaktree Capital Management, L.P. ("Oaktree"). The sale completed on 28 February 2025.

CBAM relates to the group's 100% shareholding in Close Asset Management Holdings Limited ("CAMHL") and its subsidiaries. The business is a well-regarded UK wealth management franchise and the transaction will strengthen the group's capital base and enhance its position to navigate the current uncertain environment.

In the group's 2025 Half Year Results, the business fulfilled the requirements of IFRS 5 to be classified as discontinued operations in the consolidated income statement. In addition, the assets and liabilities of the business were presented as held for sale in the consolidated balance sheet. On completion, the assets and liabilities were derecognised and a gain on disposal was recognised as follows.

Results of discontinued operations

	Seven months ended 28 February 2025 £ million	Year ended 31 July 2024 £ million
Operating income	**95.4**	157.8
Operating expenses	**(90.8)**	(146.8)
Trading profit	**4.6**	11.0
Gain on disposal	**60.8**	—
Operating profit before tax	**65.4**	11.0
Tax[1]	**(1.5)**	(3.6)
Profit after tax	**63.9**	7.4

1. The tax charge of £1.5 million relates to the trading profit of the business prior to disposal. The gain on disposal is not taxable.

Cash flow from discontinued operations

	Seven months ended 28 February 2025 £ million	Year ended 31 July 2024 £ million
Net cash flow from operating activities	**(1.5)**	17.4
Net cash flow from investing activities	**(3.5)**	(9.7)
Net cash flow from financing activities	**(1.7)**	(2.9)

Consolidated gain on disposal

	31 July 2025 £ million
Cash consideration received	**146.4**
Contingent deferred consideration	**21.1**
Total consideration	**167.5**
Disposal transaction costs	**(7.0)**
	160.5
Net assets on completion date	**99.7**
Consolidated gain on disposal	**60.8**

Cash consideration of £146.4 million was received on completion. The contingent deferred consideration is in the form of preference shares, redeemable no later than Oaktree's exit, for an amount of up to £28.0 million plus interest at a rate of 8% per annum, stepping up to 12% after five years.

The contingent deferred consideration is subject to potential deductions, including in relation to retention of key individuals and certain potential regulatory costs and separation cost overruns. The preference shares are measured at fair value through profit or loss under IFRS 9. The fair value is calculated to be £21.1 million based on a discounted expected cash flow method, with the main assumptions relating to the expected time until redemption and the aforementioned potential deductions.

29. Discontinued operations and assets and liabilities classified as held for sale (continued)

Winterflood Securities

As announced on 25 July 2025, the group agreed to the sale of Winterflood Securities, an execution services and securities business and one of the group's operating segments, to Marex Group plc. The sale is expected to complete in early 2026, upon receipt of the customary regulatory approvals. The business has fulfilled the requirements of IFRS 5 to be classified as discontinued operations in the consolidated income statement with comparative information restated. In addition, the assets and liabilities of the business have been presented as held for sale in the consolidated balance sheet.

Assets and liabilities held for sale

The major classes of assets and liabilities classified as held for sale, which exclude intercompany balances eliminated on consolidation, are as follows:

	31 July 2025 £ million
Balance sheet	
Intangible assets	**10.3**
Property, plant and equipment	**20.2**
Loans and advances to banks	**54.8**
Settlement balances	**726.4**
Equity shares	**28.3**
Debt securities and loans	**32.8**
Other assets	**14.2**
Total assets classified as held for sale	**887.0**
Bank loans and overdrafts	**15.3**
Settlement balances	**698.2**
Equity shares	**10.4**
Debt securities and loans	**14.8**
Accruals and deferred income	**8.5**
Other liabilities	**20.2**
Total liabilities classified as held for sale	**767.4**

Results of discontinued operations

	Year ended 31 July 2025 £ million	Year ended 31 July 2024 £ million
Operating income	**77.3**	73.0
Operating expenses	**(77.1)**	(74.8)
Impairment credit on financial assets	**0.1**	0.1
Goodwill impairment recognised on remeasurement of disposal group as held for sale	**(14.5)**	—
Operating loss before tax	**(14.2)**	**(1.7)**
Tax	**(0.5)**	(0.6)
Loss after tax	**(14.7)**	**(2.3)**

Cash flow from discontinued operations

	Year ended 31 July 2025 £ million	Year ended 31 July 2024 £ million
Net cash flow from operating activities	**(8.3)**	53.0
Net cash flow from investing activities	**0.1**	(9.0)
Net cash flow from financing activities	**(0.5)**	(1.5)

Close Brewery Rentals Limited

As announced on 15 July 2025, the group agreed to the sale of its brewery container rentals business, CBRL, to MML Keystone, a fund managed by MML Capital. The sale was subsequently completed on 31 August 2025, as disclosed in Note 30. At 31 July 2025, the assets and liabilities of the business have been classified as held for sale but it does not meet the criteria to be classified as discontinued operations under IFRS 5. The results of CBRL are therefore included within continuing operations.

Assets and liabilities held for sale

The major classes of assets and liabilities classified as held for sale, which exclude intercompany balances eliminated on consolidation, are as follows:

	31 July 2025 £ million
Balance sheet	
Property, plant and equipment	**42.8**
Loans and advances to banks	**0.2**
Other assets	**4.0**
Total assets classified as held for sale	**47.0**
Accruals and deferred income	**0.7**
Other liabilities	**5.3**
Total liabilities classified as held for sale	**6.0**

30. Post balance sheet event

Close Brewery Rentals Limited

On 31 August 2025, the group completed the sale of Close Brewery Rentals Limited ("CBRL") to MML Keystone, following the agreement announced on 15 July 2025. As disclosed in Note 29, the business was classified as held for sale at 31 July 2025. The completion of this sale, which resulted in an immaterial gain on disposal, is a non-adjusting event under the requirements of IAS 10 "Events after the reporting period".

Glossary and definition of key terms

Additional Tier 1 ("AT1") capital	Additional regulatory capital that along with CET1 capital makes up a bank's or banking group's Tier 1 regulatory capital. Includes the group's perpetual subordinated contingent convertible securities classified as other equity instruments under IAS 32
Adjusted	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
Adjusted Earnings per Share ("AEPS")	Adjusted operating profit less tax and AT1 coupons divided by basic weighted average number of ordinary shares in issue
Applicable requirements	Applicable capital ratio requirements consist of the Pillar 1 requirement as defined by the CRR, the Pillar 2a requirement set by the PRA, and the capital conservation buffer and countercyclical buffer as defined by the PRA Rulebook. Any applicable PRA buffer is excluded
Average maturity of funding allocated to the loan book	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
Bad debt ratio	(Adjusted) impairment losses in the year as a percentage of average net loans and advances to customers and operating lease assets excluding Vehicle Hire, which is in wind-down, and Brewery Rentals, which has been classified as held for sale on the group's balance sheet
Basic earnings per share ("EPS")	Total profit attributable to ordinary shareholders divided by basic weighted average number of ordinary shares in issue
Basic earnings per share ("EPS") continuing operations	Operating profit from continuing operations less tax and AT1 coupons, divided by basic weighted average number of ordinary shares in issue
Buy As You Earn ("BAYE")	The HM Revenue & Customs-approved Share Incentive Plan that gives all employees the opportunity to become shareholders in the group
Capital Requirements Directive ("CRD")	European Union regulation implementing the Basel III requirements in Europe, alongside CRR II
Capital Requirements Regulation ("CRR")	Regulation 575/2013/EU, as it forms part of the assimilated law of the United Kingdom
CDP	Formerly the "Carbon Disclosure Project", a leading, internationally recognised independent rating agency and assessor of corporate carbon emissions disclosures and actions
CET1 capital ratio	Measure of the group's CET1 capital as a percentage of risk weighted assets, as required by CRR
Common Equity Tier 1 ("CET1") capital	Measure of capital as defined by the CRR. CET1 capital consists of the highest quality capital including ordinary shares, related share premium account, retained earnings and other reserves, less goodwill and certain intangible assets and other regulatory adjustments
Compensation ratio	Total staff costs as a percentage of adjusted operating income
Cost of funds	Interest expense incurred to support lending activities excluding Vehicle Hire and Brewery Rentals divided by the average net loans and advances to customers and operating lease assets excluding Vehicle Hire and Brewery Rentals
Credit-impaired	Where one or more events that have a detrimental impact on the estimated future cash flows of a loan have occurred. Credit-impaired events are more severe than significant increase in credit risk triggers. Accounts which are credit-impaired will be allocated to Stage 3
Customer satisfaction score ("CSAT")	A measure of customer satisfaction expressed as a percentage of positive responses from the total of those surveyed
Discounting	The process of determining the present value of future payments
Dividend per share ("DPS")	Comprises the final dividend proposed for the respective year, together with the interim dividend declared and paid in the year
Effective interest rate ("EIR")	The interest rate at which revenue is recognised on loans and discounted to their carrying value over the life of the financial asset
Effective tax rate ("ETR")	Tax on operating profit/(loss) as a percentage of operating profit/(loss) on ordinary activities before tax
Expected credit loss ("ECL")	The unbiased probability-weighted average credit loss determined by evaluating a range of possible outcomes and future economic conditions
Expense/income ratio	(Adjusted) operating expenses divided by (adjusted) operating income
Exposure at default ("EAD")	The capital outstanding at the point of default
Financial Conduct Authority ("FCA")	A financial regulatory body in the UK, regulating financial firms and maintaining integrity of the UK's financial market

Financial Ombudsman Service ("FOS")	The Financial Ombudsman Service settles complaints between consumers and businesses that provide financial services
Financial Reporting Council ("FRC")	An independent regulatory body responsible for promoting high quality corporate governance and reporting amongst UK companies
Forbearance	Forbearance occurs when a customer is experiencing financial difficulty in meeting their financial commitments and a concession is granted, by changing the terms of the financial arrangement, which would not otherwise be considered
General Data Protection Regulation ("GDPR")	Regulation intended to strengthen and unify data protection for all individuals within the European Union
Gross carrying amount	Loan book before expected credit loss provision
Growth Guarantee Scheme ("GGS")	The successor scheme to the Recovery Loan Scheme, the Growth Guarantee Scheme launched in July 2024 and is designed to support access to finance for UK small businesses as they look to invest and grow
High quality liquid assets ("HQLAs")	Assets which qualify for regulatory liquidity purposes, including Bank of England deposits and sovereign and central bank debt
HM Revenue & Customs ("HMRC")	The UK's tax, payments and customs authority
Independent financial adviser ("IFA")	Professional offering independent, whole of market advice to clients including investments, pensions, protection and mortgages
Internal Capital Adequacy Assessment Process ("ICAAP")	An annual self-assessment of a bank's material risks and the associated level of capital needed to be held, and undertaking appropriate stress testing of capital adequacy
Internal Liquidity Adequacy Assessment Process ("ILAAP")	The processes for the identification, measurement, management and monitoring of liquidity
Internal ratings based ("IRB") approach	A supervisor-approved method using internal models, rather than standardised risk weightings, to calculate regulatory capital requirements for credit risk
International Accounting Standards ("IAS")	Older set of standards issued by the International Accounting Standards Council, setting up accounting principles and rules for preparation of financial statements. IAS are being superseded by IFRS
International Financial Reporting Standards ("IFRS")	Globally accepted accounting standards issued by the IFRS Foundation and the International Accounting Standards Board
Leverage ratio	Tier 1 capital as a percentage of non-risk-weighted total exposures, adjusted for certain capital deductions, including intangible assets, and off-balance sheet exposures
Lifetime expected credit loss provision ("Lifetime ECL")	Losses that result from default events occurring within the lifetime of the loan
Liquidity coverage ratio ("LCR")	Measure of the group's HQLAs as a percentage of expected net cash outflows over the next 30 days in a stressed scenario
Loan to value ("LTV") ratio	For a secured or structurally protected loan, the loan balance as a percentage of the total value of the asset
Long-term bad debt ratio	Long-term bad debt ratio is 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
Loss given default ("LGD")	The amount lost on a loan if a customer defaults
Net asset value ("NAV") per share	Total assets less total liabilities and AT1, divided by the number of ordinary shares in issue excluding own shares
Net interest margin ("NIM")	Banking (adjusted) operating income divided by average net loans and advances to customers and operating lease assets excluding Vehicle Hire and Brewery Rentals
Net stable funding ratio ("NSFR")	Regulatory measure of the group's weighted funding as a percentage of weighted assets
Net zero	Target of completely negating the amount of greenhouse gases produced by reducing emissions or implementing methods for their removal
Paris Agreement	International treaty on climate change, adopted in 2015, with a goal to limit global warming to well below 2ºC, and preferably to 1.5ºC, compared to pre-industrial levels
Personal Contract Plan ("PCP")	PCP is a form of vehicle finance where the customer defers a significant portion of credit to the final repayment at the end of the agreement, thereby lowering the monthly repayments compared to a standard hire-purchase arrangement. At the final repayment date, the customer has the option to: (a) pay the final payment and take the ownership of the vehicle; (b) return the vehicle and not pay the final repayment; or (c) part-exchange the vehicle with any equity being put towards the cost of a new vehicle
Probability of default ("PD")	Probability that a customer will default on their loan
Prudential Regulation Authority ("PRA")	A financial regulatory body, responsible for regulating and supervising banks and other financial institutions in the UK
Return on assets	Adjusted operating profit less tax and AT1 coupons divided by average total assets for continuing operations at the balance sheet date and prior year
Return on average tangible equity ("RoTE")	Adjusted operating profit, less tax and AT1 coupons, divided by average total shareholders' equity, excluding intangible assets and AT1, for continuing operations

Return on net loan book ("RoNLB")	Banking adjusted operating profit divided by average net loans and advances to customers and operating lease assets excluding Vehicle Hire and Brewery Rentals
Return on opening equity ("RoE")	Adjusted operating profit less tax and AT1 coupons divided by opening equity for continuing operations, excluding AT1
Risk weighted assets ("RWAs")	A measure of the amount of a bank's exposures, adjusted for risk in line with the CRR. It is used in determining the capital requirement for a financial institution
Scope 1, 2 and 3 emissions	Categorisation of greenhouse gas emissions, as defined by the Greenhouse Gas (GHG) Protocol, into direct emissions from owned or controlled sources (Scope 1), indirect emissions from the generation of purchased electricity, heating and cooling consumed by the reporting company (Scope 2), and all other indirect emissions that occur in a company's value chain (Scope 3)
Significant increase in credit risk ("SICR")	An assessment of whether credit risk has increased significantly since initial recognition of a loan using a range of triggers. Accounts which have experienced a significant increase in credit risk will be allocated to Stage 2
Standardised approach	Generic term for regulator-defined approaches for calculating credit, operational and market risk capital requirements as set out in the CRR
Subordinated debt	Represents debt that ranks below, and is repaid after claims of, other secured or senior debt owed by the issuer
Task Force on Climate-related Financial Disclosures ("TCFD")	Regulatory framework to improve and increase reporting of climate-related financial information, including more effective and consistent disclosure of climate-related risks and opportunities
Term funding	Funding with a remaining maturity greater than 12 months
Term Funding Scheme for Small and Medium-sized Enterprises ("TFSME")	The Bank of England's Term Funding Scheme with additional incentives for SMEs
Tier 2 capital	Additional regulatory capital that along with Tier 1 capital makes up a bank's total regulatory capital. Includes qualifying subordinated debt
Total funding as percentage of loan book	Total funding divided by net loans and advances to customers and operating lease assets
Total shareholder return ("TSR")	Measure of shareholder return including share price appreciation and dividends, which are assumed to be re-invested in the company's shares
Watch list	Internal risk management process for heightened monitoring of exposures that are showing increased credit risk

Investor relations

Financial calendar (provisional)

Event	Date
First quarter trading update	20 November 2025
Annual General Meeting	20 November 2025
Half year end	31 January 2026
Interim results	March 2026
Third quarter trading update	May 2026
Financial year end	31 July 2026
Preliminary results	September 2026

The financial calendar is updated on a regular basis throughout the year. Please refer to our website www.closebrothers.com for up-to-date details.

Cautionary statement

Certain statements included or incorporated by reference within this report may constitute "forward-looking statements" in respect of the group's operations, performance, prospects, financial condition and/or environmental, social and governance ambitions, targets and commitments. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "will", "should", "expects", "believes", "intends", "plans", "potential", "targets", "goal" or "estimates". By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. There are also a number of factors that could cause actual future operations, performance, financial conditions, results or developments to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. These factors include, but are not limited to, those contained in this report. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Except as may be required by law or regulation, no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this document should be construed as a profit forecast. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser.

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Website: www.linkgroup.eu
Online proxy voting: https://uk.investorcentre.mpms.mufg.com/

Shareholder warning

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that prove to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money.

How to avoid share fraud

- Keep in mind that firms authorised by the FCA are unlikely to contact you out of the blue with an offer to buy or sell shares.
- Do not get into a conversation, but note the name of the person and firm contacting you and then end the call.
- Check the Financial Services Register at https://register.fca.org.uk/s/ to see if the person and firm contacting you are authorised by the FCA.
- Beware of fraudsters claiming to be from an authorised firm, copying its website, or giving you false contact details.
- If you want to phone the caller back, use the firm's contact details listed on the Financial Services Register at https://register.fca.org.uk/s/
- If the firm does not have contact details on the Register or they tell you the details are out of date, call the FCA on 0800 111 6768.
- Search the list of unauthorised firms to avoid at https://www.fca.org.uk/consumers/unauthorised-firms-individuals
- Remember that if you buy or sell shares from an unauthorised firm, you cannot access the Financial Ombudsman Service or Financial Services Compensation Scheme.
- Get independent financial and professional advice before handing over any money.
- If it sounds too good to be true, it probably is.

Report a scam

If fraudsters approach you, tell the FCA using the share fraud reporting form at https://www.fca.org.uk/consumers/report-scam-us. You can also find out more about investment scams at https://www.fca.org.uk/scamsmart/how-avoid-investment-scams. You can call the FCA Consumer Helpline on 0800 111 6768. If you have already paid money to share fraudsters, call Action Fraud on 0300 123 2040.

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Board of Directors and Executive Committee photography by Richard Davies.

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