

# 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