Close Brothers

Update in relation to Close Brothers Premium Finance business

9 July 2025

Close Brothers Group plc ("the group" or "Close Brothers") today issues an update in relation to its Premium Finance business.

In line with the group's strategic priorities to simplify our portfolio, improve operational efficiency and drive sustainable growth, we are focusing the growth of our Premium Finance business towards commercial lines insurance premium finance ("commercial lines"), where we see strongest risk-adjusted returns and long-term growth potential. Whilst this means we will be reducing our emphasis on personal lines insurance premium finance ("personal lines"), we remain fully committed to supporting all aspects of our commercial brokers' overall proposition, including their associated personal lines portfolio where applicable.

With a proven track record and deep expertise, we see significant opportunities to expand our presence in the commercial lines market. Our focus will be on increasing our share of business with existing broker partners, developing new broker relationships and applying our underwriting capability to support higher-value cases.

While personal lines has played an important role in our Retail offering for many decades, the market environment has changed. Rising costs to serve customers, broker consolidation and increasing operational complexity have impacted the long-term attractiveness of personal lines relative to other parts of our portfolio.

Financial impact and outlook for the Premium Finance business

Focusing on commercial lines will enable us to invest in growth and strengthen our position in the market, while streamlining operations and reducing complexity.

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 approximately £20 million per annum by the 2030 financial year on an underlying basis (excluding the impact of inflation and business growth), with c.£15 million in estimated total costs to deliver the savings.

As a result of this decision, we will withdraw from certain broker relationships over the next six to 12 months. These brokers predominantly offer personal lines, without a material commercial lines focus, and represent a modest portion (c.10%) of our broker network. The portion of the business associated with these broker relationships contributed approximately 4% (H1 2025: £16 million; FY 2024: £34 million) of the group's operating income and represented approximately 3% or £330 million of the group's loan book as of 31 January 2025 (31 July 2024: 4% or £365 million). We are committed to maintaining full support for both customers and brokers throughout this period.

We expect the Premium Finance loan book to decline by c.30% in the next three years. Over the same period, operating profit in this business is expected to reduce, reflecting both the lower loan balances and the investment required to enhance the proposition and optimise the cost base. We expect this to be offset gradually by targeted growth in commercial lines and cost savings from a more efficient operating model. The net interest margin ("NIM") of the Premium Finance business is expected to remain broadly stable, with a marginal impact on the Banking division's overall NIM due to loan book mix effects.

Over time, we expect this business to operate with a smaller customer base, but with higher income per case and a reduced cost base, leading to improved profitability and returns.

A summary of key historical information on the Premium Finance business is included in the appendix for reference.

Mike Morgan, Group Chief Executive, said:

"We are proactively shaping a more efficient and focused Premium Finance business by repositioning it towards commercial lines. Over time, we expect this business to operate with a smaller customer base, but with higher income per case and a reduced cost base, leading to improved profitability and returns. As outlined previously, my priorities remain to simplify the group, improve operational efficiency, and drive sustainable growth. This decision brings us closer to a more sharpened portfolio of core businesses positioned to deliver attractive risk adjusted returns."

APPENDIX

Key historical information on the Premium Finance business

	HY 2025 As at 31 January 2025
Number of brokers	1.2k
(Customer) cases	2.3m
Loan book (total)	£958m
Of which personal lines[1]	£441m
Of which commercial lines[2]	£517m
Average loan size (total)	£0.6k
Typical loan maturity (total)	11 months

1 Personal lines predominantly provides finance for consumers' motor and home insurance premiums. The average loan is c.£0.3k, with an average tenor of 11 months.
2 Commercial lines predominantly provides finance for SMEs' insurance policies. The average loan is c.£2.4k, with an average tenor of 10 months.

Enquiries

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About Close Brothers

Close Brothers is a leading UK merchant banking group providing lending, deposit taking and securities trading. We employ approximately 3,000 people, principally in the United Kingdom and Ireland. Close Brothers Group plc is listed on the London Stock Exchange and is a constituent of the FTSE 250.

Cautionary Statement

Certain statements included or incorporated by reference within this announcement may constitute "forward-looking statements" in respect of the group's operations, performance, prospects and/or financial condition. 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 the group's annual report (available at:

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