

Scheduled Q1 2026 Trading Update

20 November 2025

Close Brothers Group plc ("the group" or "Close Brothers") today issues its scheduled trading update relating to the first quarter of its 2026 financial year from 1 August 2025 to 31 October 2025.

Mike Morgan, Chief Executive, said:

"We have made a solid start to the year and are progressing at pace with our cost reduction initiatives, focusing on the delivery of our strategic priorities to improve operational efficiency and drive growth. Our capital position remains strong, and we are well positioned for future growth as a specialist banking group."

"We continue to engage with the FCA following the publication of their consultation in respect of motor finance commissions. We are committed to achieving a fair outcome for customers but do not believe the proposed redress methodology appropriately reflects actual customer loss or would deliver a proportionate and fair outcome in its current form."

Performance in the three months to 31 October 2025¹

The Banking business continued to deliver good underlying profitability, benefitting from a strong net interest margin, stable bad debt and an ongoing focus on costs. The loan book decreased 1% in the quarter to £9.4 billion (31 July 2025: £9.5 billion), reflecting continuing impact on demand from the uncertain external environment. We delivered growth in our Asset Finance and Motor Finance businesses, which was offset by an increase in the level of repayments and lower volumes in Property Finance and Invoice Finance. 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 annualised year-to-date net interest margin was 7.1%, benefitting from temporary higher behavioural fee income. As stated at the 2025 preliminary results, we expect the net interest margin to be slightly lower than 7% for the 2026 financial year, reflecting loan book mix impacts.

We are making progress on our initiatives to deliver additional cost reduction and optimise operational processes, 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. We are on track to deliver c.£20 million of annualised savings in the 2026 financial year and at least c.£20 million of annualised savings per annum in each of the following two years.

The annualised year-to-date bad debt ratio was 1.0%, reflecting the resilient credit quality of our loan book.

Group (central functions) reported an operating loss of £13.0 million in the quarter (Q1 2025: £14.2 million), in line with the guidance provided at the 2025 preliminary results of an operating loss of c.£50 million in the 2026 financial year, reflecting a reduction in legal and professional fees.

Motor finance commissions

As previously announced, following the publication of the Financial Conduct Authority ("FCA")'s consultation paper on 7 October 2025 on a proposed industry-wide redress scheme in respect of motor finance commissions, we updated our range of probability-weighted scenarios. This resulted in an increase of c.£135 million in our provision, which has been recognised in the first quarter, to a total provision of c.£300 million as at 31 October 2025, which includes both redress and certain operational costs. This represents the group's current best estimate based on all available information at this stage. The ultimate cost to the group could be materially higher or lower than the provision depending on the outcome of the consultation and any further legal, regulatory or industry developments.

The group is committed to achieving a fair outcome for customers and providing redress where loss has occurred. However, it does not believe the redress methodology proposed by the FCA appropriately reflects actual customer loss or achieves a proportionate outcome. In addition, the FCA's proposed approach to assessing unfairness does not align with the legal clarity provided by the Supreme Court judgement in respect of the "Johnson" case, which confirmed that the test for unfairness is highly fact specific and must take into account a broad range of factors.

We are continuing to engage with the FCA on the consultation, which is open until 12 December 2025. The FCA expects to publish final rules for the redress scheme in February or March 2026.

Strong balance sheet

We maintained a strong funding, liquidity and capital position during the quarter. Our funding base remained broadly stable at £12.6 billion (31 July 2025: £12.7 billion). We maintained our prudent liquidity position, with a 12-month average liquidity coverage ratio ("LCR") of 1,119%, substantially above regulatory requirements, as at 31 October 2025.

Our Common Equity Tier 1 ("CET1") capital and Total Capital ratios stood at 12.9% and 17.1% respectively at 31 October 2025 (31 July 2025: 13.8% and 17.8%). The decrease in the quarter was primarily driven by the additional provision in respect of motor finance commissions. Taking into account the estimated CET1 benefit from the sale of Winterflood², the pro-forma CET1 capital ratio as at 31 October 2025 would be c.13.4%, significantly above the group's regulatory requirement of 9.7%.

Outlook

We have delivered a solid performance in the first quarter and the previously communicated guidance for the 2026 financial year, as outlined at the 2025 preliminary results, remains unchanged.

Footnotes

1 The performance in the first quarter of the 2026 financial year relates to continuing operations unless otherwise stated. Winterflood Securities ("Winterflood") is now classified as a discontinued operation following the announcement on 25 July 2025 of an agreement to sell Winterflood to Marex Group plc. Close Brothers Vehicle Hire is being exited, and related operating lease assets are therefore excluded from the loan book totals.

2 The announced sale of Winterflood is expected to increase the group's CET1 capital ratio by c.55 basis points on a pro-forma basis as at 31 October 2025, 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.

Enquiries

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About Close Brothers

Close Brothers is a UK specialist 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.

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