Close Brothers

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Half Year Results for the Six Months to 31 January 2025

18 March 2025

FOCUSING ON RESILIENCE AND LONG-TERM GROWTH

Mike Morgan, Chief Executive, said:

"The group's performance reflects the strength and resilience of our business model, with robust underlying profit in the Banking business. We have made significant progress on our capital actions, achieving a pro-forma CET1 capital ratio of 13.4% at 31 January 2025, following the sale of Close Brothers Asset Management ("CBAM") and despite the impact of a £165 million provision relating to motor finance commissions."

"At our core, we have been here to serve our customers, deliver excellent service, provide specialist expertise and build strong, lasting relationships over the years. Today we are a trusted partner to UK SMEs, millions of customers, and our dedicated colleagues. Our banking model is more relevant than ever, and aligned with the UK government's growth agenda. We will build on our strong foundations while making the right strategic choices for long-term success. My priorities include focusing on greater simplification, improving operational efficiency, and driving sustainable growth. Our goal is to ensure that, once the motor finance commissions uncertainty has been resolved, the group is well positioned to generate strong, sustainable returns. Alongside a stronger capital position, delivering on these priorities will create a more efficient and resilient business, one that delivers greater value for shareholders and continues to support customers, as we have through many cycles."

Key Financials[1]

	First half 2025	First half 2024	Change %
Operating (loss)/profit before tax[2]	**£(103.0)m**	£88.1m	(217)
Adjusted operating profit[3]	**£74.9m**	£88.1m	(15)
Profit from discontinued operations, net of tax[4]	**£0.3m**	£3.9m	(93)
(Loss)/profit attributable to shareholders and other equity owners	**£(111.8)m**	£68.8m	(263)
Adjusted basic earnings per share (continuing operations only)[3,5]	**30.9p**	43.4p	(29)
Basic earnings per share (continuing operations only)[5]	**(82.8p)**	42.6p	(294)
Basic earnings per share (continuing and discontinued operations)[4,5]	**(82.1p)**	46.0p	(278)
Ordinary dividend per share	**-**	-	
Return on opening equity[6]	**6.1%**	8.5%	
Return on average tangible equity[6]	**7.4%**	9.9%	
Net interest margin[7]	**7.3%**	7.5%	
Bad debt ratio[7]	**1.0%**	0.9%	

	31 January 2025	31 July 2024	Change %
Loan book[8]	£9.8bn	£10.1bn	(3)
Net asset value ("NAV") per share[9]	£10.1	£11.1	(8)
Tangible net asset value ("TNAV") per share[9]	£8.4	£9.3	(9)
CET1 capital ratio (transitional)	12.2%	12.8%	
CET1 capital ratio (transitional) pro-forma after CBAM disposal[10]	13.4%	n/a	
Tier 1 capital ratio (transitional)	14.1%	14.7%	

Total capital ratio (transitional)	16.0%	16.6%	

Key Financials (Excluding Novitas)

	First half 2025	First half 2024	Change %
Operating (loss)/profit before tax	£(105.6)m	£87.9m	(220)
Adjusted operating profit	£72.3m	£87.9m	(18)
Net interest margin[7]	7.2%	7.5%	
Bad debt ratio[7]	1.0%	0.8%	

	31 January 2025	31 July 2024	Change %
Loan book[8]	**£9.8bn**	£10.0bn	(3)

1. Please refer to definitions on pages 75 to 77.
2. Statutory operating loss in the first half 2025 of £(103.8) million excludes £0.8 million of intercompany transactions relating to discontinued operations.
3. Adjusted measures are presented on a basis consistent with prior periods and exclude amortisation of intangible assets on acquisition, to present the performance of the group's acquired businesses consistent with its other businesses; and any exceptional and other adjusting items which do not reflect underlying trading performance. Further detail on the reconciliation between operating and adjusted measures can be found in Note 2 "Segmental Analysis". Please refer to the basis of presentation on page 27 for further information.
4. Discontinued operations relate to Close Brothers Asset Management, which has 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 at 31 January 2025. Statutory profit from discontinued operations in the first half 2025 of £1.1 million excludes £(0.8) million of intercompany transactions.
5. Refer to Note 4 "Earnings per Share" for the calculation of basic and adjusted earnings per share.
6. Return on opening equity and return on tangible equity have been restated for first half 2024 to exclude discontinued operations.
7. Net interest margin and bad debt ratio calculated on an annualised basis.
8. Loan book includes operating lease assets.
9. NAV and TNAV per share for H1 24 and H1 25 include discontinued operations.
10. Pro-forma CET1 capital ratio as at 31 January 2025, reflecting the estimated benefit of c.120 basis points in relation to sale of CBAM. Please refer to page 26 for further information.

Strategic Highlights: Delivering on our Capital Actions and Strengthening our Underlying Business

- In March 2024, we announced a range of management actions aimed at strengthening the group's available CET1 capital by approximately £400 million by the end of the 2025 financial year. As a result of these actions, approximately £360 million of CET1 capital has been generated or preserved as of 31 January 2025 (relative to the capital trajectory projected at the time)

- The sale of CBAM completed on 28 February 2025 and is estimated to generate a profit on disposal of approximately £59 million and increase the group's CET1 ratio by c.120 bps on a pro-forma basis as at 31 January 2025 from 12.2% to 13.4%. The transaction has simplified the group and allows us to sharpen our focus on our ongoing lending business

- Significant progress has been made on implementing cost management initiatives, as we continue to focus on optimising our cost base, with an additional c.£5 million of annualised savings now expected to be delivered. This increases the estimated total annualised savings to c.£25 million by the end of the current financial year, up from £20 million previously

- We continue to evaluate a range of additional potential management actions to further optimise RWAs, including potential risk transfer of assets in Motor Finance and other portfolios, together with a continuous review of our businesses and portfolios and other tactical actions

Financial Performance

- Operating **income reduced 1%** to £390.0 million (H1 2024: £394.5 million), with a marginal decline in Banking and lower interest income in Group (central functions) more than offsetting higher income in Winterflood

- **Adjusted operating expenses rose marginally** to £267.0 million (H1 2024: £264.7 million), as lower costs, reflecting recent cost initiatives in both Banking and Winterflood, were more than offset by higher Group (central functions) expenses

- **Adjusted operating profit decreased 15%** to £74.9 million (H1 2024: £88.1 million), driven by an increase in impairment charges, as well as a marginal decline in income and slightly higher costs

- The group reported a **statutory operating loss before tax of £103.8 million** (H1 2024: statutory operating profit before tax of £87.0 million), primarily driven by a £165 million provision in relation to motor finance commissions as well as the impact of complaints handling and other operational and legal costs incurred in relation to motor finance commissions

- Group **return on average tangible equity ("RoTE")[1] decreased to 7.4%** (H1 2024: 9.9%)

- In **Banking**, the loan book reduced 3% in the first half to £9.8 billion (31 July 2024: £10.1 billion), driven by seasonality and selective lending, as we sought to optimise risk weighted assets and further strengthened our capital position. The net interest margin remained strong at 7.3% (H1 2024: 7.5%). Adjusted operating profit reduced to £104.1 million (H1 2024: £111.7 million) primarily reflecting an increase in the bad debt ratio to 1.0% (H1 2024: 0.9%), which remains below our long-term average, mainly driven by the ongoing review of provisions and coverage across our loan portfolios and compares to a relatively low charge in the comparative period

- Notwithstanding the reduction in the loan book, we continued to benefit from the diversity of our Banking businesses, with customer demand remaining robust and good growth in portfolios including Transport, Motor Finance Ireland and Materials Handling

- In **Winterflood**, market conditions have remained unfavourable and the business delivered an operating loss of £0.8 million (H1 2024: £2.6 million operating loss); **Winterflood Business Services** ("WBS") income increased 22% to £9.5 million (H1 2024: £7.8 million), with assets under administration ("AuA") up 27% to £17.5 billion (H1 2024: £13.8 billion)

- We maintained a **strong balance sheet** position with our **Common Equity Tier 1 ("CET1") ratio at 12.2% (13.4% on a pro-forma basis)** at 31 January 2025 (31 July 2024: 12.8%), significantly above our applicable requirement of 9.7%, despite the impact of the £165 million provision

- We recognised **£177.9 million of adjusting items** (H1 2024: £nil), consisting of a £165.0 million provision relating to motor finance commissions, £8.4 million reflecting complaints handling and other operational and legal costs incurred in relation to motor finance commissions, £4.0 million of impairment of intangible assets, £0.4 million of restructuring costs and £0.1 million of amortisation of intangible assets on acquisition

- Operating profit before tax from **discontinued operations (CBAM)** was **£4.7 million** (H1 2024: £6.3 million). Statutory profit from discontinued operations of **£1.1 million** (H1 2024: £5.0 million)

- Given the continued significant uncertainty regarding the outcome of the FCA's review of motor finance commission arrangements and the Supreme Court appeals relating to motor finance commissions and any potential financial impact as a result, the group **will not pay an interim dividend** in respect of the first half of the 2025 financial year

Guidance

In **Banking**, we are encouraged by the robust underlying profit performance delivered in the first half

- We will resume selective loan book growth, subject to demand, with modest growth expected in the second half of the 2025 financial year. The loan book at 31 July 2025 is expected to remain broadly flat year-on-year

- We expect the full-year net interest margin to be around 7%, slightly below the first half exit rate of 7.1%

- Banking adjusted operating expenses in the 2025 financial year expected to increase by c.1% on the prior year

- Estimated total annualised cost savings of c.£25 million by the end of the current financial year, up from £20 million previously

- The bad debt ratio is expected to remain below our long-term average of 1.2% in the 2025 financial year

While short-term trading conditions remain challenging, we are confident that **Winterflood** remains well positioned to benefit when market conditions return.

- Remain focused on diversifying revenue streams
- Expect to grow AuA in WBS to over £20 billion by 2026

We expect **Group (central functions)** net expenses to be between £55 million and £60 million in the 2025 financial year, reflecting elevated professional fees and expenses as well as a decline in interest income

With respect to items recognised as **adjusting**

- We estimate costs associated with complaints handling and other operational and legal costs to be c.£22 million in the 2025 financial year
- We expect to incur £2-3 million of restructuring costs in the 2025 financial year

In the near-term, we expect to maintain our **CET1 capital ratio** around the top end of our medium-term target range of **12% to 13%**, balancing growth and resilience.

The reinstatement of **dividends** will be reviewed once there is further clarity on the financial impact of the FCA review of motor finance commission arrangements and the Supreme Court appeals.

1. Group return on average tangible equity calculated as adjusted operating profit attributable to ordinary shareholders divided by average total shareholder's equity, excluding intangible assets and other equity instruments. Prior year numbers have been restated to exclude discontinued operations.

Enquiries

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A virtual presentation to analysts and investors will be held today at 9.30 am followed by a Q&A session. A webcast and dial-in facility will be available by registering at: https://webcasts.closebrothers.com/results/HalfYearResults2025

Financial Calendar (Provisional)

The enclosed provisional financial calendar below is updated on a regular basis throughout the year. Please refer to our website www.closebrothers.com for up-to-date details.

Event	Date
Third quarter trading update	21 May 2025
Financial year end	31 July 2025
Preliminary results 2025	September 2025

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.

Chief Executive's Statement

I was honoured to assume the position of Group chief executive in January, and I step into this role with a clear focus and determination to address both the challenges and opportunities that lie ahead. We have taken decisive actions to navigate today's volatile environment, and I firmly believe in the strength of our core business and the attributes that have defined this group.

We have made significant progress in strengthening our capital position, achieving a pro-forma CET1 capital ratio of 13.4% at 31 January 2025, following the sale of CBAM and despite the impact of a £165 million provision relating to motor finance commissions. This reflects our commitment to resilience and ensuring we can navigate the current environment with confidence. I want to thank our customers, colleagues, and shareholders for their continued support.

Despite the short-term impact of the motor finance commissions uncertainty on our financial performance, our core banking model remains resilient. We continue to deliver a robust underlying profit in our Banking business.

At our core, we have been here to serve our customers, deliver excellent service, provide specialist expertise and build strong, lasting relationships since 1878. Today we are a trusted partner to UK SMEs, millions of customers, and our dedicated colleagues. Our banking model is more relevant than ever, and aligned with the UK government's growth agenda, which places a strong emphasis on supporting SMEs. Through every economic cycle, we have stood by our customers, and that will not change.

That said, I recognise that the returns we generate today are not where they need to be, and this must change. That is why I am committed to challenging ourselves and our businesses to drive meaningful improvements. We must build on our strong foundations while making the right strategic choices for long-term success. My priorities include focusing on greater simplification, improving operational efficiency, and driving sustainable growth to ensure we resume the delivery of higher levels of returns.

The sale of CBAM has simplified the group and allows us to sharpen our focus on our ongoing business. We are actively evaluating our lending mix and portfolios to ensure they maximise returns. While we have made progress on cost savings, our efficiency metrics must improve and there is more to be done. I have initiated a review to drive a step-change in operational efficiency and cost reduction. These will focus on simplification and modernisation of technology platforms, leveraging of offshore capabilities and cost transformation of centrally provided services. A more efficient, focused group will allow us to reinvest in areas with the greatest growth potential.

Looking ahead, we see many opportunities across our markets, and are actively evaluating ways to drive growth within our Banking businesses. We remain committed to markets that offer attractive and sustainable risk adjusted returns.

Alongside a stronger capital position, these steps will create a more efficient and resilient business, one that delivers greater value for shareholders and continues to support customers, as we have through many cycles.

Our goal is to ensure that, once the motor finance commissions uncertainty has been resolved, the group is well positioned to generate strong, sustainable returns.

With an experienced leadership team and our relentless commitment to supporting our customers, I am confident in our ability to navigate the road ahead. I look forward to sharing further updates in the months to come.

Financial Performance

We reported a statutory operating loss before tax of £103.8 million (H1 2024: statutory operating profit of £87.0 million), primarily driven by the £165 million provision in relation to motor finance commissions. On an adjusted basis, excluding the impact from certain items which do not reflect the underlying performance of our business, the group's operating profit decreased 15% to £74.9 million (H1 2024: £88.1 million) driven by an increase in impairment charges, as well as a marginal decline in income and slightly higher costs.

In Banking, adjusted operating profit reduced to £104.1 million (H1 2024: £111.7 million), as a reduction in costs was more than offset by an increase in impairment charges and a marginal decline in income, primarily driven by the impact of the temporary pause in UK motor lending. The net interest margin remained strong at 7.3% and credit performance was resilient, with the bad debt ratio 20 basis points below the long-term average at 1.0%. Winterflood delivered an operating loss of £0.8 million (H1 2024: operating loss of £2.6 million), with trading income down as the business continues to navigate a challenging market environment. WBS continued to see good momentum, with income rising 22% to £9.5 million and AuA up 27% to £17.5 billion.

The group maintained a strong capital, funding and liquidity position. Our CET1 capital ratio was 12.2% at 31 January 2025 (31 July 2024: 12.8%). On a pro-forma basis, reflecting the sale of CBAM, our CET1 capital ratio was 13.4%. Our funding base reduced modestly to £12.7 billion (31 July 2024: £13.0 billion) at 31 January 2025, and we continued to have strong access to funding markets, with retail deposits increasing by 12% in the first six months of the financial year. We adhere to a conservative funding strategy, borrowing long and lending short. Additionally, we have consciously maintained a higher level of liquidity, with a 12-month average liquidity coverage ratio ("LCR") of 953%, substantially above regulatory requirements, as at 31 January 2025.

Delivering on our Capital Actions

In March 2024, we announced a number of management actions aimed at strengthening the group's available CET1 capital by approximately £400 million by the end of the 2025 financial year. These actions have largely been implemented and, as a result, approximately £360 million of CET1 capital has been generated or preserved as of 31 January 2025 (relative to the capital trajectory projected at the time).

In March 2024 we took the difficult decision to cancel payment of the 2024 dividend, allowing us to retain c.£100 million of CET1 capital in the 2024 financial year. We have since generated an additional c.£50 million of CET1 capital in the first half of the 2025 financial year, prior to the provision in relation to motor finance commissions. Given the continued significant uncertainty regarding the outcome of the FCA's review of motor finance commission arrangements and the Supreme Court appeals, the group will not pay an interim dividend in respect of the first half of the 2025 financial year.

We have been lending more selectively to optimise RWAs. Since March 2024, we estimate that a significant volume of additional loans, meeting our credit and pricing requirements, could have been underwritten. This approach is reflected in the year-on-year decline of 1% in our loan book as at 31 January 2025. Relative to our projections at the time, we have mitigated RWA growth by c.£710 million, equivalent to c.£90 million of CET1 capital preservation.

While we are disappointed not to have been able to pursue these opportunities, we remain confident in our ability to continue to support our customers and selectively grow the loan book in the second half of the financial year, subject to demand.

We have implemented cost management initiatives to partially offset the financial pressure from capital actions. These initiatives, focusing on Technology, Suppliers and Property, and People, are now expected to deliver total annualised savings of c.£25 million by the end of the current financial year. We remain committed to executing further cost savings as we recognise there is more we can achieve in enhancing our future operational efficiency.

We successfully completed the sale of CBAM on 28 February 2025. This transaction is expected to increase the group's CET1 capital by c.£120 million or c.120 basis points on a pro-forma basis as at 31 January 2025.

The estimated CET1 capital ratio benefit excludes any immediate reduction in operational risk RWAs associated with the CBAM business. The group expects a further capital benefit over the next three years of up to c.25 basis points to our CET1 capital ratio on a pro-forma basis as at 31 January 2025, due to a reduction in operational risk RWAs.

Overall, the implemented management actions have significantly strengthened the group's capital, resulting in a pro-forma CET1 capital ratio of 13.4% at 31 January 2025, significantly above our applicable regulatory requirement of 9.7%.

In the near-term, we expect to maintain our CET1 capital ratio around the top end of our medium-term target range of 12% to 13%. We will resume selective loan book growth, subject to demand. At the same time, we will continue to evaluate additional potential RWA optimisation opportunities to maintain resilience and flexibility, including a potential risk transfer of assets in Motor Finance and other portfolios, a continuous review of our businesses and portfolios and other tactical actions.

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 and the Supreme Court appeals.

Mike Morgan
Chief Executive

Overview of Developments in relation to Motor Finance Commissions

On 11 January 2024, the Financial Conduct Authority ("FCA") announced a review into historical motor finance discretionary commission arrangements ("DCAs"). This review was prompted by high numbers of complaints from customers across the market and followed the Financial Ombudsman Service's ("FOS") publication, also on 11 January 2024, of its first two decisions upholding customer complaints relating to 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, initially determined in CBL's favour, was heard in early July 2024 alongside two other claims against another lender. The group disagrees with the Court of Appeal's findings and, on 11 December 2024, CBL obtained permission to appeal to the Supreme Court. The other lender has also obtained permission to appeal and all cases will be heard at a hearing scheduled for 1 to 3 April 2025 ("the Supreme Court appeals"). As has been reported, a number of interested parties applied to intervene in the Supreme Court appeals. The Supreme Court has granted permission to intervene in the appeals to the FCA and the National Franchised Dealers Association ("NFDA").

On 11 March 2025, the FCA announced that it is no longer planning a further announcement in May 2025 on next steps in its review of historical motor finance commissions, as previously announced, and instead the FCA will confirm within six weeks of the Supreme Court's decision if it will be proposing a redress scheme and, if so, how it will take this forward. The FCA also stated that, depending on the Supreme Court's decision, the FCA may also consult separately on changes to its rules.

For an overview of commission models operated by Close Brothers Motor Finance over the years, please refer to page 10 of the group's Annual Report 2024 available on the Investor Relations website.

Provisioning Assessment in relation to Motor Finance Commissions

In light of recent developments in relation to motor finance commissions, the group has reviewed its accounting assessment of these matters. As a result, the group recognised a provision in relation to motor finance commissions of £165 million in the first half. This includes estimates for certain potential operational and legal costs, as well as estimates for potential remediation for affected customers. The provision is based on probability weighted scenarios using various assumptions. These include, for example, commission models, rates and time periods in scope of any regulatory redress scheme, as well as response and uphold rates.

The 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 as to the range of outcomes from the Supreme Court appeals and the FCA's ongoing review of motor finance commissions and, therefore, the ultimate cost to the group could be materially higher or lower than the provision taken.

Additional details are set out in Note 15 on page 66.

As a result of the provision taken, the group's CET1 capital ratio reduced by c.150 bps from 13.7% to 12.2% at 31 January 2025.

Update on Temporary Pause in Motor Finance and Other Changes Implemented

As previously announced, we temporarily paused UK motor finance lending on 25 October 2024. Since 2 November 2024, we have gradually resumed new business origination, with all of our lending channels live from January 2025. We expect underwriting volumes to return to levels seen prior to the October pause by Q4 of the 2025 financial year. All new business is written with updated documentation and processes to ensure disclosure of, and customer consent to, our relationship with brokers and commission amounts on finance agreements before customers enter into credit agreements. We have also implemented measures to verify credit brokers' compliance with these new requirements. Used car finance demand remains strong and in line with pre-Hopcraft levels. We estimate the impact from the pause in UK motor finance lending and other related changes to have been a c.£100 million reduction in new business volumes, which would translate to an adverse loan book impact of c.£80 million and c.£4 million reduction in adjusted operating profit (at 31 July 2025).

While the potential future applicability of the judgment to other intermediated lending businesses remains unclear, we have reviewed documentation and processes and continue to collaborate with brokers and other intermediaries to update disclosures and procedures where appropriate.

The group operates various distribution models across our business. In Retail, most of our Motor and Premium Finance business is through intermediaries. In Commercial and Property Finance, we operate predominantly through our own direct sales teams.

Update on Claims and Complaints

The group is subject to a number of claims through the courts regarding historical motor finance commission arrangements. As noted above, the Supreme Court granted CBL permission to appeal Hopcraft in December 2024, with the hearing scheduled for three days from 1 to 3 April 2025.

As of 31 January 2025, where individual cases were adjudicated in County Court, the courts found that there was no demonstrable customer harm and hence no compensation to pay in the majority of decided cases for Close Brothers. Nevertheless, there have been only a limited number of adjudicated cases at this time and the majority of cases have been stayed pending a determination of the Supreme Court appeals.

There are also a number of complaints that have been referred to the FOS for a determination. To date, no final FOS decisions have been made upholding complaints against Close Brothers relating to motor finance commission arrangements. On 9 May 2024, the FOS announced that it would be unlikely to be able to issue final decisions on motor finance commission cases for some time due to the potential impact of an appeal regarding a judicial review proceeding started by another lender in relation to one of its January 2024 decisions and also the hearing of the Hopcraft appeal. The FCA has also extended the time firms have to respond to complaints about motor finance involving both DCAs and non-DCAs until after 4 December 2025.

Since the announcement by the FCA of its review of historical motor finance commission arrangements in January 2024, we have seen a further increase in enquiries and complaints. We have also taken steps to enhance our operational capabilities to respond to increased complaints volumes and potential changes such as the implementation of a consumer redress scheme, if required. In the first half of 2025, we have incurred £8.4 million of costs associated with complaints handling and other operational and legal costs in relation to motor finance commissions. This included increased resourcing to manage complaints and legal expenses. In the 2025 financial year, we estimate these costs will be c.£22 million, ahead of the previously provided guidance of £10-15 million as a result of additional costs associated with the Supreme Court appeals. We continue to monitor the impact on our current handling of these complaints to ensure we have the appropriate resources to respond effectively.

Temporary Impacts of Motor Finance Commissions on the Group's Financial Performance

We estimate that the group's total operating expenses for this financial year will be impacted by approximately £200 million in direct and indirect costs associated with the motor finance commissions uncertainty. This includes elevated Group (central functions) expenses related to professional and advisory fees of c.£10 million, complaints handling and other operational and legal costs amounting to c.£22 million recognised as an adjusting item, as well as a £165 million provision taken in the first half, which has also been recognised as an adjusting item. Some of these costs are temporary and are expected to diminish once the uncertainties in relation to motor finance commissions are resolved.

Financial Overview

Summary Group Income Statement[1]

	First half 2025 £ million	First half 2024 £ million	Change %
Operating income	**390.0**	394.5	(1)
Adjusted operating expenses	**(267.0)**	(264.7)	1
Impairment losses on financial assets	**(48.1)**	(41.7)	15
Adjusted operating profit	**74.9**	88.1	(15)
Banking	**104.1**	111.7	(7)
Banking excluding Novitas	***101.5***	*111.5*	*(9)*
Commercial	**45.2**	50.9	(11)
Of which: Novitas	***2.6***	*0.2*	*n/a*
Retail	**16.8**	19.0	(12)
Property	**42.1**	41.8	1
Winterflood	**(0.8)**	(2.6)	(69)
Group (central functions)	**(28.4)**	(21.0)	35
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	**(8.4)**	-	n/a
Impairment of intangible assets	**(4.0)**	-	n/a
Restructuring costs	**(0.4)**	-	n/a
Amortisation of intangible assets on acquisition	**(0.1)**	-	n/a
Operating (loss)/profit before tax[2]	**(103.0)**	88.1	(217)
Tax	**(9.1)**	(23.2)	(61)
(Loss)/profit after tax from continuing operations	**(112.1)**	64.9	(273)
Profit from discontinued operations, net of tax[3]	**0.3**	3.9	(93)
(Loss)/profit after tax	**(111.8)**	68.8	(262)
Group summary income statement to statutory income statement reconciliation			
Intercompany transactions relating to discontinued operations			
Operating income	***0.6***	*0.5*	
Adjusted operating expenses	***(1.4)***	*(1.6)*	
Adjusted operating loss	***(0.8)***	*(1.1)*	
Group Income Statement reconciliation			
Operating (loss)/profit before tax	**(103.0)**	88.1	
Plus: intercompany transactions related to discontinued operations	***(0.8)***	*(1.1)*	
Statutory operating (loss)/profit before tax	**(103.8)**	87.0	
Profit from discontinued operations, net of tax	**0.3**	3.9	
Less: intercompany transactions related to discontinued operations	***0.8***	*1.1*	
Statutory profit from discontinued operations	**1.1**	5.0	
Adjusted basic earnings per share (continuing operations only)[4]	**30.9p**	43.4p	
Basic earnings per share (continuing operations only)[4]	**(82.8p)**	42.6p	
Basic earnings per share (continuing and discontinued operations)[3,4]	**(82.1p)**	46.0p	
Ordinary dividend per share	**-**	-	
Return on opening equity[5]	**6.1%**	8.5%	
Return on average tangible equity[5]	**7.4%**	9.9%	

1. Adjusted measures are presented on a basis consistent with prior periods and exclude discontinued operations and amortisation of intangible assets on acquisition, to present the performance of the group's acquired businesses consistent with its other businesses; and any exceptional and other adjusting items which do not reflect underlying trading performance. Further detail on the reconciliation between operating and adjusted measures can be found in Note 2 "Segmental Analysis". Please refer to the basis of presentation on page 27 for further information.
2. Statutory operating loss in the first half 2025 of £(103.8) million excludes £0.8 million of intercompany transactions relating to discontinued operations.
3. Discontinued operations relate to Close Brothers Asset Management, which has 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 at 31 January 2025. Statutory profit from discontinued operations in the first half 2025 of £1.1 million excludes £(0.8) million of intercompany transactions.
4. Refer to Note 4 "Earnings per Share" for the calculation of basic and adjusted earnings per share.
5. Return on opening equity and return on tangible equity have been restated for first half 2024 to exclude discontinued operations

Financial Performance

Statutory Operating Profit

The group reported a statutory operating loss before tax of £103.8 million (H1 2024: statutory operating profit of £87.0 million), primarily driven by the £165 million provision in relation to motor finance commissions. The decrease also reflected the impact of complaints handling and other operational and legal costs incurred in relation to motor finance commissions, lower profitability in the Banking division and an increase in Group (central functions) net expenses.

Adjusted Operating Profit

Adjusted operating profit decreased 15% to £74.9 million (H1 2024: £88.1 million), driven by higher impairment charges, as well as a marginal decline in income and a slight increase in costs.

Banking adjusted operating profit reduced to £104.1 million (H1 2024: £111.7 million), as an increase in impairment charges and a marginal decline in income more than offset lower costs. Excluding Novitas, Banking adjusted operating profit decreased to £101.5 million (H1 2024: £111.5 million). Winterflood delivered an operating loss of £0.8 million (H1 2024: operating loss of £2.6 million) as the business continues to navigate a challenging market environment. Group (central functions) net expenses, which include the central functions such as finance, legal and compliance, risk and human resources, increased to £28.4 million (H1 2024: £21.0 million). This was driven primarily by an increase in professional fees and expenses associated with the impact on the group of the FCA's ongoing review and the Supreme Court appeals and lower interest income received on cash balances.

As outlined at the Full Year 2024 results, we continue to expect Group (central functions) net expenses to be between £55 million and £60 million in the 2025 financial year, of which operating expenses associated with the impact on the group of motor finance commissions are estimated to be c.£10 million.

Return on opening equity reduced to 6.1% (H1 2024: 8.5%) and return on average tangible equity decreased to 7.4% (H1 2024: 9.9%)[5].

Operating Income

Operating income decreased marginally to £390.0 million (H1 2024: £394.5 million), with a marginal decline in Banking and a reduction in interest income in Group (central functions) more than offsetting higher income in Winterflood.

Income in the Banking division decreased 1%, primarily driven by impact of the temporary pause in UK motor lending on business volumes, as changes were implemented by the business to ensure compliance with the current legal requirements. Income in Winterflood increased 1% as the business delivered a resilient performance in challenging market conditions and saw strong growth in Winterflood Business Services. Income decreased in the Group (central functions) to £(7.3) million (H1 2024: £(5.0) million). This was driven by lower interest income received on cash balances.

Operating Expenses

Adjusted operating expenses rose marginally to £267.0 million (H1 2024: £264.7 million), as lower costs reflecting recent cost initiatives in both Banking and Winterflood were more than offset by higher Group (central functions) expenses.

In the Banking division, costs reduced 1% as we realised c.£6 million of savings on BAU staff costs, as well as reduced investment spend compared to the elevated level incurred in the prior year. This was partly offset by wage inflation and costs incurred on technology and expanding capabilities across the business, including in Motor Finance Ireland. Winterflood's costs decreased 4%, reflecting disciplined cost management, lower operational expenses following a cost review and the absence of dual-running property costs incurred in the prior year. Expenses in the Group (central functions) rose to £21.1 million (H1 2024: £16.0 million), primarily driven by an increase in professional fees and expenses associated with the impact on the group of the FCA's ongoing review and the Supreme Court appeals.

Overall, the group's expense/income ratio was broadly stable at 68% (H1 2024: 67%), whilst the compensation ratio remained at 36% (H1 2024: 36%).

Impairment Charges and IFRS 9 Provisioning

Impairment charges increased to £48.1 million (H1 2024: £41.7 million), corresponding to a bad debt ratio of 1.0% (H1 2024: 0.9%). Excluding Novitas, impairment charges rose to £47.2 million (H1 2024: £39.6 million), equivalent to a bad debt ratio of 1.0% (H1 2024: 0.8%). The rise in impairment charges was mainly driven by the ongoing review of provisions and coverage across our loan portfolios, including single name provisions in Property, and impacts of macroeconomic forecast updates in our Motor Finance business. This compares to a relatively low charge in the comparative period (H1 2024) which included specific model refinements. Credit quality remains resilient and bad debt ratio remains comfortably below our long-term average of 1.2%. Overall, provision coverage increased to 4.7% (31 July 2024: 4.3%), with provision coverage increasing to 2.4% (31 July 2024: 2.3%) excluding Novitas.

Since the 2024 financial year end, we have updated the macroeconomic scenarios to reflect the latest available information regarding the macroeconomic environment and improved overall outlook, although the weightings assigned to them remain unchanged. At 31 January 2025, there was a 30% weighting to the strong 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 2025 financial year to remain below our long-term average of 1.2%.

Adjusting Items

We recognised £177.9 million of adjusting items in the first half of 2025 (H1 2024: £nil), consisting of a £165.0 million provision relating to motor finance commissions, £8.4 million reflecting complaints handling and other operational and legal costs incurred in relation to motor finance commissions, £4.0 million of impairment of intangible assets, £0.4 million of restructuring costs and £0.1 million of amortisation of intangible assets on acquisition.

As outlined above, in light of recent developments in relation to motor finance commissions, the group has reviewed its accounting assessment of these matters. As a result, we have recognised a provision of £165.0 million in relation to motor finance commissions, which includes estimates for certain potential operational and legal costs, as well as estimates for potential remediation for affected customers. This provision is based on probability weighted scenarios using various assumptions, including, for example, commission models, rates and time periods in scope of any regulatory redress scheme, as well as response and uphold rates.

We incurred £8.4 million of complaints handling expenses and other operational and legal costs in relation to motor finance commissions, including increased resourcing to manage complaints and legal expenses. We estimate these costs will be c.£22 million for the full 2025 financial year, ahead of the previously provided guidance of £10-15 million as a result of additional costs associated with the Supreme Court appeals.

We also recognised £4.0 million of impairment of intangible assets relating to the carrying value of goodwill and software in the Vehicle Hire and Brewery Rentals businesses.

In addition, we incurred £0.4 million of restructuring costs, primarily relating 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 £2-3 million of restructuring costs in the 2025 financial year, lower than the previously provided guidance of £5-10 million as we continue to implement cost management actions to improve future efficiency, whilst postponing some restructuring activities in the immediate term as we focus on protecting the organisation.

Tax Expense

The tax expense was £9.1 million (H1 2024: £23.2 million). The effective tax rate for the period is (8.8%) (six months ended 31 January 2024: 26.3%), representing the best estimate of the annual effective tax rate expected for the full year and including the £165.0 million provision in relation to motor finance commissions recognised in the period (£159.6 million net of tax). Excluding the provision, the effective tax rate would have been approximately 24%.

The standard UK corporation tax rate for the financial year is 25.0% (six months ended 31 January 2024: 25.0%; year ended 31 July 2024: 25.0%). The effective tax rate, excluding the provision in relation to motor finance commissions, is below the UK corporation tax rate primarily due to tax relief on coupons on other equity instruments.

Profit from Discontinued Operations

Following the announcement on 19 September 2024 and the receipt of the required regulatory approvals, the group completed the sale of CBAM to funds managed by Oaktree Capital Management, L.P., on 28 February 2025. Additional details are set out on page 26. The group anticipates an estimated gain on disposal of approximately £59 million in the 2025 financial year.

In the first half of the 2025 financial year, profit from discontinued operations net of tax was £0.3 million (H1 2024: £3.9 million).

Earnings Per Share

Adjusted basic earnings per share ("AEPS") for continuing operations decreased to 30.9p (H1 2024: 43.4p) and basic earnings per share ("EPS") for continuing operations decreased to (82.8p) (H1 2024: 42.6p).

Basic earnings per share ("EPS") for continuing and discontinued operations reduced to (82.1p) (H1 2024: 46.0p).

Both the adjusted and basic EPS calculation 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%, on 29 November 2024. The associated coupon is due on 29 May and 29 November of each year, with any AT1 coupons paid deducted from retained earnings, reducing the profit attributable to ordinary shareholders.

Dividend

Given the continued significant uncertainty regarding the outcome of the FCA's review of motor finance commission arrangements and the Supreme Court appeals and any potential financial impact as a result, the group will not pay an interim dividend in respect of the first half of 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 and the ongoing Supreme Court appeals.

Summary Group Balance Sheet

	31 January 2025 £ million	31 July 2024 £ million
Loans and advances to customers and operating lease assets[1]	**9,833.0**	10,098.7
Treasury assets[2]	**2,427.9**	2,300.9
Market-making assets[3]	**1,163.9**	691.8
Assets classified as held for sale	**160.0**	-
Other assets	**853.4**	989.4
Total assets	**14,438.2**	14,080.8
Deposits by customers	**8,727.2**	8,693.6
Borrowings[4]	**2,258.1**	2,339.2
Market-making liabilities[3]	**1,106.2**	631.6
Liabilities classified as held for sale	**60.1**	-
Other liabilities	**575.9**	573.9
Total liabilities	**12,727.5**	12,238.3
Equity[5]	**1,710.7**	1,842.5
Total liabilities and equity	**14,438.2**	14,080.8

1. Includes operating lease assets of £263.6 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. Borrowings comprise debt securities in issue, loans and overdrafts from banks and subordinated loan capital.
5. 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 make up the majority of assets. Other items on the balance sheet include treasury assets held for liquidity purposes, and settlement balances in Winterflood. 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 increased 3% to £14.4 billion (31 July 2024: £14.1 billion), mainly reflecting higher market-making and Treasury assets, partly offset by the loan book reduction. Total liabilities were 4% higher at £12.7 billion (31 July 2024: £12.2 billion), driven primarily by higher market-making liabilities. Both market-making assets and liabilities, which related to trading activity at Winterflood, were higher due to higher counterparty positions at the end of the period. Assets and liabilities classified as held for sale have been recognised in respect of the discontinued operations, which relate to CBAM.

Total equity reduced 7% to £1.7 billion (31 July 2024: £1.8 billion), primarily reflecting the impact of the £165 million provision in relation to motor finance commissions on the retained earnings. The group's return on assets decreased to 0.6% (H1 2024: 0.9% excluding discontinued operations).

Group Capital

	31 January 2025 £ million	31 July 2024 £ million
Common Equity Tier 1 capital	**1,257.3**	1,374.8
Tier 1 capital	**1,457.3**	1,574.8
Total capital	**1,657.3**	1,774.8
Risk weighted assets	**10,340.8**	10,701.2
Common Equity Tier 1 capital ratio (transitional)	**12.2%**	12.8%
CET1 capital ratio (transitional) pro-forma after CBAM disposal[1]	**13.4%**	n/a
Tier 1 capital ratio (transitional)	**14.1%**	14.7%
Total capital ratio (transitional)	**16.0%**	16.6%
Leverage ratio[2]	**11.7%**	12.7%

1. Pro-forma CET1 capital ratio as at 31 January 2025, reflecting the estimated benefit of c.120 basis points in relation to sale of CBAM. Please refer to page 26 for further information.
2. 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.

Movements in Capital and Other Regulatory Metrics

The CET1 capital ratio reduced from 12.8% to 12.2%, driven primarily by the £159.6 million provision (net of tax) in relation to motor finance commissions (-c.155bps) offset by profits in the period excluding the provision (c.50bps). There was also an AT1 coupon payment (-c.10bps) and a decrease in IFRS 9 transitional arrangements (-c.5bps). This was partly offset by a reduction in RWAs (c.45bps) and a decrease in intangible assets deducted from capital (c.10bps).

CET1 capital decreased 9% to £1,257.3 million (31 July 2024: £1,374.8 million), driven by the statutory loss in the first half (£111.8 million), which was primarily driven by the £159.6 million provision (net of tax) in relation to motor finance commissions offset by profits in the period of £47.8 million. There was also an AT1 coupon payment of £11.1 million and a decrease in the transitional IFRS 9 add-back to capital of £5.8 million. This was partly offset by a reduction in intangible assets deducted from capital of £11.5 million.

Tier 1 capital and Total capital both decreased 7% to £1,457.3 million and £1,657.3 million respectively (31 July 2024: £1,574.8 million and £1,774.8 million respectively), largely reflecting the provision taken in relation to motor finance commissions.

RWAs decreased 3% to £10.3 billion (31 July 2024: £10.7 billion), primarily driven by a reduction in loan book RWAs (£241.6 million), and a reduction in securitisation RWAs following a change to implement Securitisation Standardised Approach for Motor Finance Ireland (£55.1 million).

As a result, CET1, tier 1 and total capital ratios were 12.2% (31 July 2024: 12.8%), 14.1% (31 July 2024: 14.7%) and 16.0% (31 July 2024: 16.6%), respectively. On a pro-forma basis, reflecting the estimated benefit from the CBAM disposal, at 31 January 2025, the CET1, tier 1 and total capital ratios would have been 13.4%, 15.3% and 17.2%, respectively.

The applicable CET1, tier 1 and total capital ratio requirements, including Capital Requirements Directive ("CRD") buffers but excluding any applicable Prudential Regulation Authority ("PRA") buffer, were 9.7%, 11.4% and 13.7%, respectively, at 31 January 2025. Accordingly, we continue to have headroom significantly above the applicable requirements of c.250bps in the CET1 capital ratio, c.270bps in the tier 1 capital ratio and c.230bps in the total capital ratio.

The leverage ratio, which is a transparent measure of capital strength not affected by risk weightings, decreased to 11.7% (31 July 2024: 12.7%) largely reflecting the provision taken 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 12.1%, 14.0% and 16.0%, respectively and the leverage ratio would be 11.7%.

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 the majority of rules applicable to the group remaining unchanged, including the proposed removal of the small and medium-sized enterprises ("SME") supporting factor, new conversion factor for cancellable facilities and new market risk rules. Following a PRA announcement in January 2025, the implementation of the final regulations has been further postponed to 1 January 2027. We continue to expect implementation to result in an increase of up to c.10% in the group's RWAs calculated under the standardised approach. However, the PRA has proposed to apply an SME lending adjustment as part of Pillar 2a, to ensure that the removal of the SME support factor does not result in an increase in overall capital requirements for SME lending. Whilst this adjustment is subject to PRA confirmation and a resulting restatement of the group's total capital requirements, we would reasonably expect the UK implementation of Basel 3.1 to have a less significant impact on the group's capital headroom position than initially anticipated.

As outlined previously, following the submission of our initial application (in December 2020) to transition to the Internal Ratings Based ("IRB") approach, the application successfully moved to Phase 2 of the process in March 2022 and engagement with the regulator continues. Our Motor Finance, Property Finance and Energy portfolios, where the use of models is most mature, were submitted with our initial application, with work on the subsequent portfolios in progress.

Capital Outlook

The sale of CBAM completed on 28 February 2025, and is estimated to generate a profit on disposal of approximately £59 million and increase the group's CET1 ratio by c.120 bps on a pro-forma basis as at 31 January 2025 from 12.2% to 13.4%.

In the near-term, we expect to maintain our CET1 capital ratio around the top end of our medium-term target range of 12% to 13%. We will resume selective loan book growth, subject to demand. At the same time, we will continue to evaluate additional potential RWA optimisation opportunities to maintain resilience and flexibility, including a potential risk transfer of assets in Motor Finance and other portfolios, should it be needed, a continuous review of our businesses and portfolios and other tactical actions.

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 and the ongoing Supreme Court appeals.

Group Funding[1]

	31 January 2025 £ million	31 July 2024 £ million
Customer deposits	**8,727.2**	8,693.6
Secured funding	**1,113.3**	1,205.1
Unsecured funding[2]	**1,188.8**	1,219.1
Equity	**1,710.7**	1,842.5
Total available funding[3]	**12,740.0**	12,960.3

Total funding as a percentage of loan book[4]	**130%**	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 £51.9 million (31 July 2024: £55.1m – prior year comparative has been restated following a misstatement. The figure reported in the FY 2024 ARA was £55.7m) of non-facility overdrafts included in borrowings and includes £95.8 million (31 July 2024: £140.0 million) of undrawn facilities.
3. Includes £250 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 £263.6 million (31 July 2024: £267.9 million) of operating lease assets in the loan book figure.
5. Average maturity of total available funding, excluding equity and funding held for liquidity purposes.

Our Treasury function is focused on managing funding and liquidity to support the Banking businesses, as well as 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 conservative approach to funding is based on the principle of "borrow long, lend short", with a spread of maturities over the medium and longer term, ahead of a shorter average loan book maturity. 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).

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.

Total funding reduced in the first half to £12.7 billion (31 July 2024: £13.0 billion), which accounted for 130% (31 July 2024: 128%) of the loan book at the balance sheet date, as scheduled repayments on secured funding and a reduction in unsecured funding was offset in part by higher customer deposits as we actively continue to grow our retail customer deposit base. The average cost of funding in Banking was maintained at 5.5% (2024: 5.5%), as interest rates remained broadly stable at a higher level. We are well positioned to continue benefiting from our diverse funding base and the strength of our Savings franchise.

While customer deposits were stable at £8.7 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 12% to £6.4 billion (31 July 2024: £5.7 billion), with non-retail deposits reducing 22% to £2.3 billion (31 July 2024: £3.0 billion). In line with our prudent and conservative approach to funding, our funding is predominantly term, with only 13% of total deposits available on demand and 60% having at least three months to maturity. At 31 January 2025, approximately 86% of retail deposits were protected by the Financial Services Compensation Scheme (including third party platform).

Secured funding decreased 8% to £1.1 billion (31 July 2024: £1.2 billion) as a result of scheduled repayments for our Motor Finance securitisations. Our remaining drawings under the Term Funding Scheme for Small and Medium-sized Enterprises ("TFSME") amount to £110 million, which will mature in October 2025 and which we expect to replace in line with our diverse funding profile, dependent on market conditions and demand.

Unsecured funding, which includes senior unsecured and subordinated bonds and undrawn committed revolving facilities, remained broadly stable at £1.2 billion (31 July 2024: £1.2 billion).

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 January 2025) less than two years after launch. We remain focused on growing our retail funding base from a variety of segments, further optimising our cost of funding and maturity profile.

Our credit ratings continue to reflect the group's inherent financial strength, including its funding and liquidity profile, diversified business model and consistent risk appetite, notwithstanding the current uncertainty. Moody's Investors Services ("Moody's") ratings for CBG and CBL are A3/P2 and A1/P1 respectively (at 15 November 2024) with ratings placed on "Review for downgrade" in light of the potential risks in relation to motor finance commissions. Moody's ratings for Close Brothers Group's senior unsecured and subordinated debt are A3 (at 15 November 2024). Fitch Ratings ("Fitch") Issuer Default Ratings ("IDRs") for CBG and CBL are BBB+/F2 with a "rating watch negative" (at 19 February 2025).

Group Liquidity

	31 January 2025 £ million	31 July 2024 £ million
Cash and balances at central banks	**1,852.3**	1,584.0
Sovereign and central bank debt[1]	**304.4**	383.7
Supranational, sub-sovereigns and agency ("SSA") bonds	**143.0**	145.5
Covered bonds	**128.2**	187.7
Treasury assets	**2,427.9**	2,300.9

1. There was £34.5 million encumbered sovereign and central bank debt and covered bonds at 31 January 2025 (31 July 2024: £nil).

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 a higher level of liquidity, with the majority of our large, high quality liquid asset portfolio held in cash and government bonds. During the first half, treasury assets increased 6% to £2.4 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 exceed the liquidity coverage ratio ("LCR") regulatory requirements, with a 12-month average LCR to 31 January 2025 of 953% (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 January 2025 was 140.1% (31 July 2024: 134.4%) driven by increased retail deposits.

Business Review

Banking

Key Financials

	First half 2025 £ million	First half 2024 £ million	Change %
Operating income	**362.7**	365.3	(1)
Adjusted operating expenses	**(210.5)**	(211.8)	(1)
Impairment losses on financial assets	**(48.1)**	(41.8)	15
Adjusted operating profit	**104.1**	111.7	(7)
Adjusted operating profit, pre provisions for impairment losses	**152.2**	153.5	(1)
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	**(8.4)**	-	n/a
Impairment of intangible assets	**(4.0)**	-	n/a
Restructuring costs	**(0.4)**	-	n/a
Amortisation of intangible assets on acquisition	**(0.1)**	-	n/a
Statutory operating (loss)/profit	**(73.8)**	**111.7**	(166)
Net interest margin	**7.3%**	7.5%	
Expense/income ratio	**58%**	58%	
Bad debt ratio	**1.0%**	0.9%	
Return on net loan book	**2.1%**	2.3%	

Return on opening equity	**9.1%**	12.3%	
Closing loan book and operating lease assets	**9,833.0**	9,893.0	(1)

Key Financials (Excluding Novitas)

	First half 2025 £ million	First half 2024 £ million	Change %
Operating income	**356.1**	360.3	(1)
Adjusted operating expenses	**(207.4)**	(209.2)	(1)
Impairment losses on financial assets	**(47.2)**	(39.6)	19
Adjusted operating profit	**101.5**	111.5	(9)
Adjusted operating profit, pre provisions for impairment losses	**148.7**	151.1	(2)
Net interest margin	**7.2%**	7.5%	
Expense/income ratio	**58%**	58%	
Bad debt ratio	**1.0%**	0.8%	
Closing loan book and operating lease assets	**9,764.1**	9,830.3	(1)

Robust Profit Performance Reflecting our Focus on Costs and Resilient Credit Quality

The Banking division has faced an uncertain market backdrop in the first half, with the resilience of SMEs further tested by upcoming changes from the UK Budget, and consumer affordability continuing to be challenged. Whilst the regulatory environment has also introduced significant uncertainty, the resilience of our businesses and our people have driven a robust performance overall and we are confident in the opportunities for our businesses going forward.

Banking adjusted operating profit reduced to £104.1 million (H1 2024: £111.7 million), as an increase in impairment charges and a marginal decline in income more than offset lower costs.

On a statutory basis, we delivered an operating loss of £(73.8) million (H1 2024: operating profit of £111.7 million), mainly reflecting the provision of £165.0 million in relation to motor finance commissions, which includes estimates for certain potential operational and legal costs, as well as estimates for potential remediation for affected customers. We also recognised £12.9 million of other adjusting items, which included £8.4 million of complaints handling expenses and other operational and legal costs incurred in relation to motor finance commissions, reflecting increased resourcing to manage complaints and legal expenses, £4.0 million of impairment of intangible assets and £0.1 million of amortisation of intangible assets on acquisition. In addition, we incurred £0.4 million of restructuring costs, primarily relating to redundancy and associated costs, as we continued to make progress on streamlining our workforce.

The loan book reduced 3% in the first half to £9.8 billion (31 July 2024: £10.1 billion), driven by seasonality and the selective lending previously highlighted, as we sought to optimise risk weighted assets and further strengthened our capital position. This led to a lower loan book across all Banking businesses. Excluding the businesses in run-off, Novitas and the legacy Republic of Ireland Motor Finance business, the loan book was stable year-on-year but declined 2% in the first half to £9.7 billion (31 January 2024: £9.7 billion, 31 July 2024: £9.9 billion).

Operating income decreased 1% to £362.7 million (H1 2024: £365.3 million), mainly driven by the impact of the temporary pause in UK motor lending, as well as the run-off of the legacy Republic of Ireland Motor Finance business. The temporary pause to lending in UK Motor Finance is expected to have a c.£5 million impact on income and a c.£4m impact on adjusted operating profit in the 2025 financial year.

The net interest margin remained strong at 7.3% (H1 2024: 7.5%), as we maintained our focus on pricing discipline. On an underlying basis, excluding a year-on-year increase in Novitas income, as well as favourable movements in derivatives, the net interest margin reduced to 7.2% (H1 2024: 7.6%), driven by margin pressures on new business as a result of increased funding costs for SMEs in the higher rate environment.

We are well positioned to maintain a strong net interest margin but expect to see some pressure in the second half of the year from temporary factors and competitive new business margins. As a result, we expect the full-year net interest margin to be around 7%, slightly below the first half exit rate of 7.1%

Adjusted operating expenses reduced 1% to £210.5 million (H1 2024: £211.8 million), as we realised c.£6 million of savings on BAU staff costs, as well as reduced investment spend compared to the elevated level incurred in the prior year. This was partly offset by wage inflation and costs incurred on technology and expanding capabilities across the business, including in Motor Finance Ireland. The expense/income ratio remained stable at 58% (H1 2024: 58%), while the compensation ratio marginally declined to 31% (H1 2024: 32%).

As outlined in March 2024, we have mobilised cost management initiatives and these are now expected to deliver an additional c.£5 million in annualised savings by the end of the current financial year. This increases the estimated total annualised savings to c.£25 million by the end of the current financial year (excluding costs to achieve), up from £20 million previously. Of the c.£25 million in annualised savings, we expect c.£17 million to be recognised in the 2025 Full Year income statement.

These cost management initiatives are well advanced, with significant progress made over the first half of this year. Our technology transformation programme, initiated in 2023, is focused on simplifying and modernising our technology estate, consolidating and increasing our use of strategic partners, whilst creating a more digitally enabled and agile IT environment that is secure, resilient and sustainable. The programme has now entered a second phase and to date, we have reduced our technology headcount by c.30% since the 2023 financial year, removed approximately 120 IT applications and decommissioned over a quarter of servers from our technology estate, and our migration to the Cloud is underway, reducing costs and increasing flexibility.

From a Suppliers and Property perspective, we have exited two of our London premises, with the removal of c.800 desks, and consolidation is underway elsewhere across the UK. By the end of the 2025 financial year, we will have reduced the property footprint of the Banking division by approximately one third. We are achieving improved commercial outcomes with our strategic partners, rationalising our supplier base and continuing to prudently use offshore services.

On the People side, we have continued to adjust our workforce as we drive increased efficiency and effectiveness. 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. In the first half, we incurred £0.4 million of restructuring costs, which continues to be recognised as an adjusting item, primarily relating to redundancy and associated costs. We expect to incur £2-3 million of restructuring costs in the 2025 financial year, lower than the previously provided guidance of £5-10 million as we continue to implement cost management actions to improve future efficiency, whilst postponing some restructuring activities in the immediate term as we focus on protecting the organisation.

Banking adjusted operating expenses in the 2025 financial year are expected to increase by c.1% on the prior year. Higher staff costs, wage inflation, and spend on technology and expansion of capabilities across the business are expected to be largely offset by cost savings achieved by our initiatives and reduced investment spend.

Looking forward, we are committed to executing further cost savings and have initiated a review to drive a step change in operational efficiency and cost reduction. Options under consideration include further consolidation and rationalisation of centrally provided services, additional technology simplification and rationalisation, further selected outsourcing and offshoring through strategic partners and targeted investment in new technologies to augment our business model, including automation and artificial intelligence.

Impairment charges increased to £48.1 million (H1 2024: £41.8 million), corresponding to a bad debt ratio of 1.0% (H1 2024: 0.9%). Excluding Novitas, impairment charges rose to £47.2 million (H1 2024: £39.6 million), equivalent to a bad debt ratio of 1.0% (H1 2024: 0.8%). The rise in impairment charges was mainly driven by the ongoing review of provisions and coverage across our loan portfolios, including single name provisions in Property, and impacts of macroeconomic forecast updates in our Motor Finance business. This compares to a relatively low charge in the comparative period (H1 2024) which included specific model refinements. Credit quality remains resilient and bad debt ratio remains comfortably below our long-term average of 1.2%.

Overall, provision coverage increased to 4.7% (31 July 2024: 4.3%), driven primarily by the impacts of interest accrual on Stage 3 loans in Novitas, as well as higher coverage in the Retail and Property businesses. Excluding Novitas, the coverage ratio increased slightly to 2.4% (31 July 2024: 2.3%).

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 2025 financial year to remain below our long-term average of 1.2%.

Update on Progress Relating to Novitas

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 have accelerated our efforts to resolve the issues surrounding this business. We continue to pursue formal legal action issued against one of the After the Event ("ATE") insurers and in September 2024 issued a claim against a second insurer.

In the first half, we recognised impairment charges of £0.9 million (H1 2024: £2.2 million) in relation to Novitas, primarily as a result of legal costs associated with the insurer disputes. While we will continue to review provisioning levels in light of future developments, including the experienced credit performance of the book and the outcome of the group's initiated legal action, we believe the provisions adequately reflect the remaining risk of credit losses for the Novitas loan book (£68.9 million net loan book at 31 January 2025), with the provisions representing 77.5% coverage of the gross loan book.

In addition, in line with IFRS 9 requirements, a proportion of the expected credit loss is expected to unwind, over the estimated time to recovery period, to interest income. The group remains focused on maximising the recovery of remaining loan balances, either through successful outcome of cases or recourse to the customers' ATE insurers, whilst complying with its regulatory obligations and always focusing on ensuring good customer outcomes.

Loan Book Analysis

	31 January 2025 £ million	31 July 2024 £ million	Change %
Commercial	**5,027.1**	5,101.6	(1)
Commercial – Excluding Novitas	**4,958.2**	5,039.2	(2)
Asset Finance	**3,607.6**	3,655.4	(1)
Invoice and Speciality Finance	**1,419.5**	1,446.2	(2)
Invoice and Speciality Finance – Excluding Novitas	**1,350.6**	1,383.8	(2)
Retail	**2,871.7**	3,041.9	(6)
Motor Finance[1]	**1,914.1**	2,016.0	(5)
Premium Finance	**957.6**	1,025.9	(7)
Property	**1,934.2**	1,955.2	(1)
Closing loan book and operating lease assets[2]	**9,833.0**	10,098.7	(3)
Closing loan book and operating lease assets – Excluding Novitas	**9,764.1**	10,036.3	(3)

1. The Motor Finance loan book includes £58.0 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.
2. Includes operating lease assets of £263.6 million (31 July 2024: £267.9 million).

Loan Book Decline as we Lend Selectively, although Optimistic about Opportunities

Customer demand has remained robust and we have underwritten c.£3.5 billion of new business in the first half. The loan book declined 3% in the first half to £9.8 billion (31 July 2024: £10.1 billion), driven by seasonality and selective lending. Excluding the businesses in run-off, Novitas and the legacy Republic of Ireland Motor Finance business, the loan book was stable year-on-year although declined 2% in the first half to £9.7 billion (31 January 2024: £9.7 billion, 31 July 2024: £9.9 billion).

The Commercial loan book reduced 1% to £5.0 billion (31 July 2024: £5.1 billion). In Asset Finance, we delivered strong growth in our Transport and Materials Handling portfolios, although overall the loan book declined 1% reflecting our focus on selective lending to optimise risk weighted assets, alongside lower new business in some of our other portfolios. Invoice and Speciality Finance reduced 2%, driven by the usual seasonal decline seen in the first half of the year, although utilisation levels are elevated on the prior year period, reflecting continued customer activity. Excluding Novitas, the Commercial book declined 2% to £5.0 billion (31 July 2024: £5.0 billion).

The Retail loan book declined 6% to £2.9 billion (31 July 2024: £3.0 billion). Motor Finance reduced 5%, largely reflecting the temporary pause in new lending following the Court of Appeal's judgment in Hopcraft and the measures taken to selectively lend. We also saw some impact from the run-off of the legacy Republic of Ireland motor loan book, which was offset in part by good growth in Motor Finance Ireland following the acquisition of Bluestone Motor Finance last year. The Motor Finance Ireland loan book stood at £56.0 million at 31 January 2025 (31 July 2024: £38.8 million). Premium Finance declined 7%, reflecting the usual seasonal decline seen in the first half and the competitive market environment.

The legacy Republic of Ireland Motor Finance business, which is in run-off, accounted for 3% of the Motor Finance loan book (31 July 2024: 5%) and less than 1% of the Banking loan book (31 July 2024: 1%).

The Property loan book remained relatively flat in the first half of the year but increased 5% year-on-year. Our undrawn pipeline has reduced to c.£720 million (31 July 2024: c.£850 million), reflecting a reduction in customer demand and a more challenging economic environment.

We will resume selective loan book growth, subject to demand, with modest growth expected in the second half of the 2025 financial year. The loan book at 31 July 2025 is expected to remain broadly flat year-on-year.

Banking: Commercial

	First half 2025 £ million	First half 2024 £ million	Change %
Operating income	**165.2**	168.5	(2)
Adjusted operating expenses	**(103.9)**	(103.0)	1
Impairment losses on financial assets	**(16.1)**	(14.6)	10
Adjusted operating profit	**45.2**	50.9	(11)
Adjusted operating profit, pre provisions for impairment losses	**61.3**	65.5	(6)
Adjusting items:			
Restructuring costs	**(0.1)**	-	n/a
Impairment of intangible assets	**(4.0)**	-	n/a
Amortisation of intangible assets on acquisition	**-**	-	
Statutory operating profit	**41.1**	50.9	(19)
Net interest margin	**6.5%**	6.8%	
Expense/income ratio	**63%**	61%	
Bad debt ratio	**0.6%**	0.6%	
Closing loan book and operating lease assets[1]	**5,027.1**	5,028.5	(0)

Commercial Key Metrics Excluding Novitas

	First half 2025 £ million	First half 2024 £ million	Change %
Operating income	**158.6**	163.5	(3)
Adjusted operating expenses	**(100.8)**	(100.4)	0
Impairment losses on financial assets	**(15.2)**	(12.4)	23
Adjusted operating profit	**42.6**	50.7	(16)
Adjusted operating profit, pre provisions for impairment losses	**57.8**	63.1	(8)
Net interest margin	**6.3%**	6.7%	
Expense/income ratio	**64%**	61%	
Bad debt ratio	**0.6%**	0.5%	
Closing loan book and operating lease assets[1]	**4,958.2**	4,965.8	(0)

1. Operating lease assets of £263.6 million (31 January 2024: £282.0 million).

Good Demand in Commercial, as we Continued to Support our SME Customers

The Commercial businesses provide specialist, predominantly secured lending principally to the SME market and include Asset Finance and Invoice and Speciality Finance. We finance a diverse range of sectors, with Asset Finance offering commercial asset financing, hire purchase and leasing solutions across a broad range of assets including commercial vehicles, machine tools, contractors' plant, printing equipment, company car fleets, energy project finance, and aircraft and marine vessels. Asset Finance also includes our Vehicle Hire and Brewery Rentals businesses. The Invoice and Speciality Finance business provides debt factoring, invoice discounting and asset-based lending, and also includes Novitas. As previously announced, Novitas ceased lending to new customers in July 2021.

Whilst we saw some positive sentiment in the early part of the first half, this has been a challenging period overall for SME businesses, with their resilience tested by ongoing market uncertainty and tax changes to be introduced following the UK Budget. In Asset Finance, the marketplace has remained competitive, with borrower appetite varied across sectors and overall sentiment impacted by an uncertain outlook and higher borrowing costs, driving some softening in demand and 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. Overall, our Commercial businesses continued to benefit from the diversity of our offering. Our growth initiatives continued to prove successful, as the Materials Handling team delivered healthy new business volumes and our lending limit was increased under the UK government's Growth Guarantee Scheme. Our restructured Broker and Professional Solutions business is receiving positive feedback from brokers in response to its newly launched proposition and recently won an industry award.

Adjusted operating profit for Commercial decreased to £45.2 million (H1 2024: £50.9 million), mainly driven by a marginal reduction in income and higher impairment charges. Before provisions for impairment losses, adjusted operating profit reduced 6% to £61.3 million (H1 2024: £65.5 million), reflecting a decline in income and higher costs.

We saw an increase in adjusted operating profit in Novitas (H1 2025: £2.6 million, H1 2024: £0.2 million), which is currently in run-off. This was primarily driven by higher income, reflecting lower funding costs and higher interest accruals driven by the partial unwind of the expected credit loss, coupled with lower impairment charges.

Excluding Novitas, adjusted operating profit decreased 16% to £42.6 million (H1 2024: £50.7 million).

On a statutory basis, operating profit decreased to £41.1 million (H1 2024: £50.9 million). This reflects the recognition of £4.0 million of impairment of intangible assets relating to the carrying value of goodwill and software in the Vehicle Hire and Brewery Rentals businesses, as well as £0.1 million of restructuring costs.

Operating income reduced 2% to £165.2 million (H1 2024: £168.5 million) driven by lower utilisation levels in the Vehicle Hire and Brewery Rentals businesses, losses on de-fleeting activities in Vehicle Hire and reduced service fee income, partially offset by an increase in Novitas income. The net interest margin declined to 6.5% (H1 2024: 6.8%), reflecting the impact of lower utilisation in Vehicle Hire and Brewery Rentals, reduced service fee income and continued pressure on new business margins. Excluding Novitas, the net interest margin decreased to 6.3% (H1 2024: 6.7%).

Adjusted operating expenses increased marginally to £103.9 million (H1 2024: £103.0 million), mainly driven by higher costs in relation to Novitas, as the prior period benefitted from a one-off credit of £1.5 million, partially offset by lower investment spend. As a result, the Commercial expense/income ratio increased to 63% (H1 2024: 61%).

We continue to benefit from the investment made in our Asset Finance transformation programme, which was completed last financial year. This has introduced a single technology platform across the business and has standardised processes, leading to a better customer and colleague experience, whilst providing a platform for scalable growth.

Impairment charges increased to £16.1 million (H1 2024: £14.6 million) driven by provisions against certain individual exposures, partly offset by a reduction in Stage 3 loans in Invoice Finance. Provision coverage increased to 6.1% (31 July 2024: 5.7%), driven primarily by the impacts of interest accrual on Stage 3 loans in Novitas.

Excluding Novitas, there was an increase in impairment charges to £15.2 million (H1 2024: £12.4 million). This corresponded to a bad debt ratio of 0.6% (H1 2024: 0.5%) and a broadly stable coverage ratio (excluding Novitas) of 1.5% (31 July 2024: 1.4%).

Banking: Retail

	First half 2025 £ million	First half 2024 £ million	Change %
Operating income	**128.8**	131.8	(2)
Adjusted operating expenses	**(88.8)**	(90.8)	(2)
Impairment losses on financial assets	**(23.2)**	(22.0)	5
Adjusted operating profit	**16.8**	19.0	(12)
Adjusted operating profit, pre provisions for impairment losses	**40.0**	41.0	(2)
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	**(8.4)**	-	n/a
Restructuring costs	**(0.2)**	-	n/a
Amortisation of intangible assets on acquisition	**(0.1)**	-	n/a
Statutory operating profit/(loss)	**(156.9)**	19.0	n/a
Net interest margin	**8.7%**	8.7%	
Expense/income ratio	**69%**	69%	
Bad debt ratio	**1.6%**	1.5%	
Closing loan book[1]	**2,871.7**	3,025.9	(5)

1. The Motor Finance loan book includes £58.0 million (31 January 2024: £144.5 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.

Remain Focused on Prioritising our Margins and Underwriting Discipline in a Challenging Environment

The Retail businesses provide intermediated finance, through motor dealers, motor finance brokers and insurance brokers. Finance is provided to both individuals and to a broad spectrum of UK businesses.

The market backdrop continued to present challenges in the first half, with significant uncertainty in relation to the FCA's motor finance work and the Court of Appeal's judgment in Hopcraft. 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 business lending channels live from January 2025. We are seeing good growth in Motor Finance Ireland following the acquisition of Bluestone Motor Finance (Ireland) DAC in October 2023. Furthermore, as part of our ongoing investments, we continue to strengthen our existing relationships with Motor Finance partners through the integration of our Decision in Principle ("DiP") technology. The tool supports customers to establish their borrowing capacity before applying for a loan. This technology has opened up additional routes to market and will play a key role in ensuring that we continue to have a strong proposition wherever the consumer chooses finance.

The Premium Finance business operates in a mature market where we have seen some softening in demand. We have started the rollout of a Digital Commission Disclosure Consent ("CDC") solution across our partner base. We continue to monitor our delivery of good outcomes in respect of Consumer Duty and are engaging with the FCA as required as part of the premium finance Market Study.

Adjusted operating profit for Retail reduced to £16.8 million (H1 2024: £19.0 million). Before provisions for impairment losses, adjusted operating profit decreased 2% to £40.0 million (H1 2024: £41.0 million).

In light of recent developments in relation to motor finance commissions, the group has reviewed its accounting assessment of these matters, as previously stated. As a result, the group has recognised a provision in relation to motor finance commissions of £165.0 million. On a statutory basis, Retail delivered an operating loss of £156.9 million (H1 2024: £19.0 million operating profit) mainly reflecting the provision of £165.0 million in relation to motor finance commissions, which includes estimates for certain potential operational and legal costs, as well as estimates for potential remediation for affected customers, and £8.4 million of complaints handling and other operational and legal costs incurred in relation to motor finance commissions.

Operating income decreased 2% to £128.8 million (H1 2024: £131.8 million), mainly driven by the temporary pause in UK motor lending following the Court of Appeal's judgment in Hopcraft and loan book moderation measures. This was partially offset by good growth in Close Brothers Motor Finance in Ireland. The net interest margin remained stable at 8.7% (H1 2024: 8.7%) as lower fee income and lower margin loan book mix was offset by favourable costs of funds in Premium Finance.

Adjusted operating expenses reduced 2% to £88.8 million (H1 2024: £90.8 million), driven by cost management initiatives previously outlined and higher investment spend in the prior year period. The expense/income ratio remained stable at 69% (H1 2024: 69%) with neutral operating leverage.

Impairment charges increased to £23.2 million (H1 2024: £22.0 million), driven primarily by the impacts of macroeconomic forecast updates in our Motor Finance business. The bad debt ratio increased to 1.6% (H1 2024: 1.5%), with the provision coverage ratio increasing to 3.3% (31 July 2024: 3.0%), driven by higher coverage on Stage 3 loans.

Banking: Property

	First half 2025 £ million	First half 2024 £ million	Change %
Operating income	**68.7**	65.0	6
Adjusted operating expenses	**(17.8)**	(18.0)	(1)
Impairment losses on financial assets	**(8.8)**	(5.2)	69
Adjusted operating profit	**42.1**	41.8	1
Adjusted operating profit, pre provisions for impairment losses	**50.9**	47.0	8
Adjusting items:			
Restructuring costs	**(0.1)**	-	n/a
Statutory operating profit	**42.0**	41.8	0
Net interest margin	**7.1%**	7.3%	
Expense/income ratio	**26%**	28%	
Bad debt ratio	**0.9%**	0.6%	
Closing loan book	**1,934.2**	1,838.6	5

Healthy Drawdowns Despite a Difficult Market Backdrop

Property comprises Property Finance and Commercial Acceptances. The Property Finance business is focused on specialist residential development finance to established SME housebuilders and professional developers in the UK for ground up and refurbishment projects. Property Finance also provides limited funding for commercial assets. Commercial Acceptances provides bridging and short-term loans for auction properties, small refurbishment and residential development projects.

The first half of the year has presented a difficult market backdrop for SME developers, with interest rates remaining at elevated levels, customer affordability being challenged and limited housing delivery. Nevertheless, we delivered a solid financial performance, supported by our relationship-led proposition and excellent customer service. We are also seeing encouraging green shoots, with government rhetoric positive on housebuilding, customer demand remaining strong and a liquid mortgage market. We are making the most of a number of growth opportunities, through expanding our presence in the regions outside of London and the South East and bringing in expertise to expand our product range as we move into other residential asset classes such as Build-to-Rent and student accommodation.

Adjusted operating profit rose 1% to £42.1 million (H1 2024: £41.8 million), as income growth and a reduction in operating expenses more than offset an increase in impairments. Before provisions for impairment losses, operating profit increased 8% to £50.9 million (H1 2024: £47.0 million).

On a statutory basis, operating profit was stable at £42.0 million (H1 2024: £41.8 million).

Operating income rose 6% to £68.7 million (H1 2024: £65.0 million), driven by year-on-year loan book growth, although the net interest margin decreased to 7.1% (H1 2024: 7.3%), mainly reflecting lower interest margins due to loan book mix.

Adjusted operating expenses reduced 1% to £17.8 million (H1 2024: £18.0 million), reflecting lower staff costs. As a result, the expense/income ratio decreased to 26% (H1 2024: 28%).

Impairment charges increased to £8.8 million (H1 2024: £5.2 million), corresponding to a bad debt ratio of 0.9% (H1 2024: 0.6%). This was driven primarily by an ongoing review of individually assessed provisions. The provision coverage ratio increased to 3.4% (31 July 2024: 3.0%), driven by elevated Stage 3 provisions.

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 over 50% 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.

Winterflood

Key Financials

	First half 2025 £ million	First half 2024 £ million	Change %
Operating income	**34.6**	34.2	1
Operating expenses	**(35.4)**	(36.9)	(4)
Impairment gains on financial assets	**-**	0.1	n/a
Operating (loss)	**(0.8)**	(2.6)	(69)
Average bargains per day (‘000)	**55**	52	
Operating margin	**(2%)**	(8%)	
Return on opening equity	**(1.5%)**	(4.1%)	
Loss days	**1**	3	
Winterflood Business Services assets under administration (£ billion)	**17.5**	13.8	

Challenging Market Conditions Continued to Impact Trading Income

Winterflood is a leading UK liquidity provider, delivering high-quality execution services to platforms, stockbrokers, wealth managers and institutional investors, as well as providing corporate advisory services to investment trusts and outsourced dealing and custody services via Winterflood Business Services (“WBS”).

Over the first half, Winterflood continued to navigate a volatile macroeconomic environment, with investor sentiment shaped by persistent inflation, evolving interest rate expectations and geopolitical uncertainty. While inflation has begun to moderate, market confidence has yet to fully stabilise, with UK-focused equities continuing to experience net outflows. These factors have impacted Winterflood’s trading income and as a result, it delivered an operating loss of £0.8 million (H1 2024: operating loss of £2.6 million).

Operating income increased 1% to £34.6 million (H1 2024: £34.2 million), with growth in WBS more than offsetting a decline in trading income.

Trading income decreased 6% to £24.0 million (H1 2024: £25.6 million) reflecting challenging market conditions. Despite this, we incurred only one loss day (H1 2024: three loss days) as we remained focused on risk management and benefited from the expertise of our traders. Whilst equity market performance was mixed, with the FTSE 100 and FTSE 250 delivering moderate gains, the AIM-listed stocks lagged due to subdued investor confidence. Average daily bargains in the period were 55k, up 6% year-on-year (H1 2024: 52k).

Income from the Investments Trusts corporate business declined to £1.1 million (H1 2024: £1.7 million), reflecting a challenging fundraising environment with low issuance.

WBS continued to see good momentum, with income rising 22% to £9.5 million (H1 2024: £7.8 million). Assets under administration (“AuA”) increased 27% to £17.5 billion (H1 2024: £13.8 billion), supported by net inflows and positive market movements in the period. WBS remains focused on developing its client relationships and investing in its award-winning proprietary technology to provide highly scalable and bespoke solutions for clients. WBS is well positioned for further growth, both organically and supported by a healthy pipeline of clients, and expects to grow AuA to over £20 billion by 2026.

Operating expenses reduced 4% to £35.4 million (H1 2024: £36.9 million), reflecting lower operational expenses following a cost review undertaken last financial year and the absence of dual-running property costs incurred in the prior year.

We continue to make strong progress in Winterflood Retail Access Platform ("WRAP") using in-house technology and expertise. This is an end-to-end retail distribution platform that enables retail investors to participate in capital markets transactions such as initial public offerings and secondary fundraisings through retail intermediaries, across both equity and fixed income instruments. Since inception, WRAP has raised over £100 million from retail investors and has been mandated on 34 transactions, working with 15 different banks and brokers.

While macroeconomic and geopolitical uncertainties persist, the robust pipeline of clients for WBS supports Winterflood's broader growth strategy. With inflation and interest rates moderating, we anticipate a gradual improvement in investor confidence and trading activity. We are confident that Winterflood remains well positioned to benefit when market conditions return.

Discontinued Operations (Asset Management)

Key Financials[1]

	First half 2025 £ million	First half 2024 £ million	Change %
Investment management	**66.5**	61.3	8
Advice and other services	**14.8**	14.0	6
Other income[2]	**1.1**	1.0	10
Operating income	**82.4**	76.3	8
Adjusted operating expenses[1]	**(77.6)**	(70.0)	11
Impairment losses on financial assets	**(0.1)**	-	n/a
Operating profit from discontinued operations	**4.7**	6.3	(25)
Adjusting items:			
Amortisation of intangible assets on acquisition	**(0.6)**	(0.6)	-
Disposal and transaction costs	**(2.4)**	-	n/a
Profit from discontinued operations before tax[3]	**1.7**	5.7	(70)
Tax	**(1.4)**	(1.8)	(22)
Profit from discontinued operations, net of tax[4]	**0.3**	3.9	(92)
Less: intercompany transactions related to discontinued operations	***0.8***	*1.1*	*(27)*
Statutory profit from discontinued operations	**1.1**	5.0	(78)
Revenue margin (bps)	**77**	84	
Operating margin	**6%**	8%	
Return on opening equity	**5.2%**	7.6%	

1. Adjusted measures are presented on a basis consistent with prior periods and exclude amortisation of intangible assets on acquisition, to present the performance of the group's acquired businesses consistent with its other businesses; and any exceptional and other adjusting items which do not reflect underlying trading performance. Further detail on the reconciliation between operating and adjusted measures can be found in Note 2 "Segmental analysis".
2. Other income includes net interest income and expense, income on principal investments and other income.
3. Profit from discontinued operations before tax per segmental analysis note 2 in the first half 2025 of £2.5 million excludes £0.8 million of intercompany transactions.
4. Discontinued operations relate to Close Brothers Asset Management, which has 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 at 31 January 2025. Statutory profit from discontinued operations in the first half 2025 of £1.1 million excludes £(0.8) million of intercompany transactions.

Sale Agreement with Oaktree

On 19 September 2024, we announced the sale of CBAM to funds managed by Oaktree Capital Management, L.P. ("Oaktree") for an equity value of up to £200 million. Following receipt of the required regulatory approvals, the transaction completed on 28 February 2025.

The equity value of up to £200 million included £172 million of cash paid at completion of the transaction (comprising an upfront cash consideration of approximately £146 million paid by Oaktree to Close Brothers and a dividend of approximately £26 million paid by CBAM to Close Brothers); and up to £28 million of contingent deferred consideration in the form of preference shares.

Financial Impact on the Group

The group anticipates an estimated gain on disposal of approximately £59 million. This estimate is based on the difference between the upfront cash consideration of £146 million plus the fair value of c.£21 million for the £28 million of contingent deferred consideration in the form of preference shares, and CBAM's net asset value of £100 million as at the completion date (net of a dividend of approximately £26 million paid by CBAM to Close Brothers), as well as transaction costs of c.£8 million. Any subsequent changes in the fair value of the contingent deferred consideration after the completion date will be recognised in the group's income statements going forward.

The estimated CET1 benefit of c.120 basis points is based on financials as at 31 January 2025 on a pro-forma basis. This calculation is based on a tangible net asset value of £43 million and assumes an immediate reduction in credit risk RWAs associated with the CBAM business, as well as the estimated capital benefit expected to be recognised in respect of the estimated gain on sale described above. The estimated CET1 benefit from the sale excludes any immediate reduction in operational risk RWAs associated with the CBAM business. The group expects a further capital benefit over the next three years of up to c.25 basis points to its CET1 capital ratio as at 31 January 2025 on a pro-forma basis, due to a reduction in these operational risk RWAs.

Performance in the Six Months to 31 January 2025

Total operating income rose 8% to £82.4 million (H1 2024: £76.3 million), reflecting positive market movements, with growth in AuM delivered by the bespoke investment management business resulting in higher investment management and financial planning income. This was partially offset by lower net inflows. The revenue margin reduced to 77 bps (H1 2024: 84 bps) primarily due to a change in the mix of business into lower margin passive and fixed income products and a move to larger client size with a typically lower fee margin.

Adjusted operating expenses increased 11% to £77.6 million (H1 2024: £70.0 million), reflecting inflation-related salary increases and non-staff costs. The expense/income ratio grew to 94% (H1 2024: 92%), with the compensation ratio also increasing to 64% (H1 2024: 63%).

Operating profit from discontinued operations decreased 25% to £4.7 million (H1 2024: £6.3 million) as growth in income was more than offset by higher costs. The operating margin reduced to 6% (H1 2024: 8%), corresponding to 13% (H1 2024: 15%) when excluding the costs related to the hiring of investment managers and the associated AuM in the bespoke investment management business.

Profit from discontinued operations before tax was £1.7 million (H1 2024: £5.7 million) mainly reflecting £2.4m of disposal costs.

Over the period, net inflows decreased to £160 million (H1 2024: £732 million) and delivered a net inflow rate of 2% (H1 2024: 9%). This was mainly due to higher inflows seen in H1 2024 related to the initial migration period of assets from bespoke investment managers and higher outflows seen in H1 2025 reflecting the uncertain backdrop and the CBAM sale process.

Total managed assets increased 6% to £20.6 billion (31 July 2024: £19.3 billion), driven by positive market performance. Total client assets, which includes advised and managed assets, also increased by 6% to £21.7 billion (31 July 2024: £20.4 billion).

Movement in Client Assets

	Six months to 31 January 2025 £ million	12 months to 31 July 2024 £ million	Six months to 31 January 2024 £ million
Opening managed assets	**19,331**	16,419	16,419
Inflows	**1,356**	3,231	1,621
Outflows	**(1,196)**	(1,928)	(889)
Net inflows	**160**	1,303	732
Market movements	**1,083**	1,609	524
Total managed assets	**20,574**	19,331	17,675
Advised only assets	**1,154**	1,091	872
Total client assets[1]	**21,728**	20,422	18,547
Annualised net flows as % of opening managed assets	**2%**	8%	9%

1. Total client assets include £5.6 billion of assets (31 July 2024: £5.3 billion) that are both advised and managed.

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 the provision in relation to motor finance commissions, costs associated with complaints handling and other operational and legal costs incurred in relation to motor finance commissions, restructuring costs, amortisation of intangible assets on acquisition and profit from discontinued operations of £0.3 million, to present the performance of the group's acquired businesses consistent with its other businesses; and any exceptional and other adjusting items which do not reflect underlying trading performance. Discontinued operations relate to CBAM, which has been classified as a discontinued operation in the group's income statement for the 2024 and 2025 financial years. The related assets and liabilities are classified as held for sale on the group's balance sheet at 31 January 2025. The adjusting items are presented within administrative expenses on a statutory basis. Please refer to Note 2 "Segmental Analysis" for further details on items excluded from the adjusted performance metrics.

Principal Risks and Uncertainties

The group faces a number of risks in the normal course of 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.

At the core of the group's risk management framework are the group's principal risks which are the risks that have been identified as those most material in the delivery of the group's strategic objectives. A detailed description of each, including an overview of our risk management and mitigation approach, is disclosed on pages 74 to 116 of the 2024 Annual Report. The Annual Report can be accessed via the Investor Relations home page on the group's website at www.closebrothers.com.

The principal risks are listed below and are subject to ongoing review to ensure that the framework remains aligned to the prevailing risk environment. In the current macroeconomic and operating environment, we remain vigilant to developments in our principal risk profile and proactively monitor a suite of emerging risks which reflect broader market uncertainties.

A summary of the group's principal risks is detailed below:

Business and strategic risk – 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; front-line sales performance; changes in technology, regulation and customer behaviour; cost movements; and competition from traditional and new players. All of these can vary in both nature and extent across its divisions.

Changes in these factors may affect the Banking division's ability to advance loans or products as it seeks to maintain its desired risk and reward criteria, impact levels of trading activity at Winterflood, or result in additional investment requirements and higher costs across the group.

Capital risk – The group is required to hold sufficient regulatory capital (including equity and other loss-absorbing debt instruments) to enable it to operate effectively. This includes meeting minimum regulatory requirements, operating within risk appetites set by the board and supporting its strategic goals. As explained above, the group has recognised a provision in relation to motor finance commissions of £165 million which has an impact on its capital position. There remains significant uncertainty as to the range of outcomes from the Supreme Court appeals and FCA's ongoing review of motor commissions and, therefore, the ultimate cost to the group could be materially higher or lower than the provision taken. In March 2024 the group announced a range of management actions aimed at strengthening the group's available CET1 capital by approximately £400 million by the end of the 2025 financial year. As a result of these actions, approximately £360 million of CET1 capital has been generated or preserved as of 31 January 2025 (relative to the capital trajectory projected at the time). These actions include the decision to not pay any dividend payments, RWA optimisation including loan book growth moderation, cost management initiatives and the sale of Close Brothers Asset Management which was completed on 28 February 2025. We continue to evaluate a range of additional potential management actions to further optimise RWAs, including potential risk transfer of assets in Motor Finance and other portfolios, should it be needed, together with a continuous review of our businesses and portfolios and other tactical actions. Any decision to reinstate dividends will be reviewed by the board once there is further clarity on the FCA review of motor commissions and the ongoing Supreme Court appeals, with such decision seeking to ensure that sufficient capital is retained in the group.

Conduct risk – The group is exposed to conduct risk in its provision of products and services to customers both directly and via its intermediaries, and through other business activities that enable delivery. The regulatory change agenda continues at pace and is expected in the near term to continue to enhance consumer protection. 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. Failure to evidence delivery of good customer outcomes may lead to reputational harm, legal or regulatory sanctions and/or customer redress. Where actual customer harm has been identified, the company is taking steps to address this, including through its response to the FCA's Borrowers in Financial Difficulty review for which remedial action is materially progressed.

Credit risk – As a lender to businesses and individuals, the bank is primarily exposed to credit losses if customers are unable to repay loans and outstanding interest and fees. The group also has exposure to counterparties including those with which it places deposits or trades, and a small number of derivative contracts to hedge interest rate and foreign exchange exposures.

Whilst credit performance remains resilient, we continue to monitor closely the evolving economic conditions and the impacts on our customers. We remain confident in the quality of our loan book, which is predominantly secured, prudently underwritten, diverse, and supported by the deep expertise of our people.

Funding and liquidity risk – The Banking division's access to funding remains key to support our lending activities and the liquidity requirements of the group. Funding and liquidity are measured and monitored on a daily basis with issues escalated as appropriate. During this period the bank has closely monitored how the uncertainties and developments relating to motor commissions have impacted its funding and liquidity position. The bank's 'borrow long, lend short' funding approach provides significant resilience against short- to medium-term liquidity shocks and accordingly there have been minimal impacts to the bank's liquidity position. In addition to its prudent funding model, the bank holds significant amounts of liquid assets to ensure it is well positioned to manage through any liquidity pressure should it arise in the future.

Legal and regulatory risk – 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.

A primary development within the period includes the Court of Appeal ruling in Johnson, Wrench and Hopcraft in which the Court of Appeal set a higher bar for the disclosure of and consent to commissions than required by current FCA rules, or regulatory requirements in force at the time of the case in question. It requires the disclosure of and the customer's consent to, not only the existence and nature of the commission, but also the amount of the commission. We disagree with the Court of Appeal's judgment and are appealing it to the Supreme Court.

A further development emerging within the period is the FCA's ongoing Premium Finance Market Study. Following the FCA publishing its draft terms of reference as MS24/2.1 in October 2024, the business continues to engage with the FCA through this process. The business awaits the outcomes of the Market Study to understand any subsequent impacts which may arise.

Non-traded market risk – Changes in market prices such as interest rates, credit spreads and foreign exchange rates have the potential to impact the value of assets or liabilities outside the trading book. Our current outlook on non-traded market risk remains broadly unchanged since the last reporting period.

Operational risk – The group is exposed to various operational risks through its day-to-day operations, all of which have the potential to result in financial loss or adverse impact. Losses typically crystallise as a result of inadequate or failed internal processes, people, models and systems, or as a result of external factors, including but not limited to Cyber and Information Security. Impacts to the business, customers, third parties and the markets in which the group operates are considered within a maturing framework for resilient delivery of important business services.

Operational risk is a core component of the Enterprise Risk Management Framework and its management is embedded in day-to-day business activities. Requirements and responsibilities are set out in the Operational Risk Policy and supporting standards and procedures 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.

Businesses are responsible for the day-to-day management of operational risk, with oversight from the risk and compliance function, and independent 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.

The outlook for operational risk continues to be under upward pressure. Scenario analysis is used to assess how severe but plausible operational risks will affect the group, providing a forward-looking basis for evaluating and managing operational risk exposures. In parallel, close monitoring continues on external factors and impacts which could arise from geo-political events and the legal and regulatory environment.

Reputational risk – 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.

Media coverage of the FCA review of motor commissions, the Court of Appeal judgement in Hopcraft, and the group's appeal of the judgement to the Supreme Court has increased inherent reputational risk. The outlook for reputational risk will remain heightened as the timeline for FCA review of motor commissions continues to be extended, with FCA announcing it plans to confirm its next steps in its review within six weeks of the Supreme Court's decision and not in May 2025 as previously stated.

Traded Market risk – 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 equity and fixed income markets and FX forwards. Geopolitical uncertainty is likely to be the key driver of the volatility in Winterflood's market risk exposures over the coming 12 months.

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. 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. Climate risk is embedded within the group's risk management framework, ensuring effective oversight. Climate disclosures are disclosed on pages 33 to 54 of the 2024 Annual Report.

Emerging and evolving risks

In addition to day-to-day management of its principal risks, the group utilises an established framework to monitor its portfolio for emerging risks, consider broader market uncertainties, and support its organisational readiness to respond. Group-level emerging risks are monitored by the Group Risk and Compliance Committee on an ongoing basis, with key themes and patterns of deterioration monitored via several sub-risks.

Current group level emerging risks include economic and geopolitical uncertainty (including US political risk), medium to long-term transitional climate risks, legal and regulatory change, supply chain risks, change execution risk, strategic disruption.

Directors' Responsibility Statement

Each of the Directors confirms that, to the best of their knowledge:

- the condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards ("IAS");

- the half year results include a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months of the financial year and their impact on the interim financial statements, and a description of principal risks and uncertainties for the remaining six months of the financial year); and

- the half year results include a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related parties transactions that have taken place during the first six months of the current financial year and that have materially affected the financial position or performance of the company, and any changes in the related parties transactions described in the last Annual Report that could do so).

The Directors of Close Brothers Group plc as at the date of this report are as listed on pages 124 to 126 of the company's 2024 Annual Report, subject to the following change: Adrian Sainsbury ceased to be a Director of the company on 6 January 2025. A list of current Directors is maintained on the company's website www.closebrothers.com.

On behalf of the board

Michael N. Biggs

Chairman

Michael B. Morgan

Chief Executive

18 March 2025

Independent review report to Close Brothers Group plc
Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Close Brothers Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the Half Year Results of Close Brothers Group plc for the 6 month period ended 31 January 2025 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the consolidated balance sheet as at 31 January 2025;
- the consolidated income statement and consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Half Year Results of Close Brothers Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Half Year Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Half Year Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the Half Year Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the Half Year Results, including the interim financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the Half Year Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
London
18 March 2025

Consolidated Income Statement
For the six months ended 31 January 2025

	Note	Six months ended 31 January 2025 Unaudited £ million	2024[1] Unaudited £ million	Year ended 31 July 2024[1] Audited £ million
Interest income		**576.8**	559.9	1,137.8
Interest expense		**(283.8)**	(268.2)	(556.6)
Net interest income		**293.0**	291.7	581.2
Fee and commission income		**59.0**	61.5	123.1
Fee and commission expense		**(9.5)**	(10.5)	(21.0)
Gains less losses arising from dealing in securities		**25.3**	25.2	53.2
Other income		**64.8**	67.0	132.2
Depreciation of operating lease assets and other direct costs		**(42.0)**	(39.9)	(81.4)
Non-interest income		**97.6**	103.3	206.1
Operating income		**390.6**	395.0	787.3
Administrative expenses before adjusting items		**(268.4)**	(266.3)	(532.2)
Impairment of intangible assets	9	**(4.0)**	—	—
Amortisation of intangible assets on acquisition	9	**(0.1)**	—	(0.2)
Provision in relation to the BiFD review		**—**	—	(17.2)
Restructuring costs	15	**(0.4)**	—	(3.1)
Provision in relation to motor commissions	15	**(165.0)**	—	—
Complaints handling and other operational and legal costs incurred in relation to motor finance commissions	15	**(8.4)**	—	(6.9)
Total administrative expenses		**(446.3)**	(266.3)	(559.6)
Impairment losses on financial assets	6	**(48.1)**	(41.7)	(98.8)
Total operating expenses		**(494.4)**	(308.0)	(658.4)
Operating (loss)/profit before tax		**(103.8)**	87.0	128.9
Tax	3	**(9.1)**	(23.2)	(38.0)
(Loss)/profit after tax from continuing operations		**(112.9)**	63.8	90.9
Profit from discontinued operations, net of tax	22	**1.1**	5.0	9.5
(Loss)/profit after tax		**(111.8)**	68.8	100.4
Attributable to				
Shareholders		**(122.9)**	68.8	89.3
Other equity owners	13	**11.1**	—	11.1
		(111.8)	68.8	100.4
From continuing operations				
Basic earnings per share	4	**(82.8)p**	42.6p	53.3p
Diluted earnings per share	4	**(82.7)p**	42.6p	53.2p
From continuing and discontinued operations				
Basic earnings per share		**(82.1)p**	46.0p	59.7p
Diluted earnings per share		**(82.0)p**	46.0p	59.5p
Interim dividend per share	5	**—**	—	—
Final dividend per share	5	**—**	—	—

1. Comparative information restated following the classification of Close Brothers Asset Management as discontinued operations. See Notes 2 and 22.

Consolidated Statement of Comprehensive Income
For the six months ended 31 January 2025

		Six months ended 31 January		Year ended 31 July
		2025	2024	2024
		Unaudited	Unaudited	Audited
		£ million	£ million	£ million
Profit after tax		**(111.8)**	68.8	100.4
Items that may be reclassified to income statement				
Currency translation losses		**(0.2)**	(0.2)	(0.5)
Losses on cash flow hedging		**(11.5)**	(14.0)	(29.8)
Losses on financial instruments classified at fair value through other comprehensive income		**(6.5)**	(2.5)	(3.6)
Tax relating to items that may be reclassified		**5.0**	4.6	9.8
		(13.2)	(12.1)	(24.1)
Items that will not be reclassified to income statement				
Defined benefit pension scheme (losses)/gains		**(0.1)**	0.1	—
		(0.1)	0.1	—
Other comprehensive expense, net of tax		**(13.3)**	(12.0)	(24.1)
Total comprehensive income		**(125.1)**	56.8	76.3
Attributable to				
Shareholders		**(136.2)**	56.8	65.2
Other equity owners	13	**11.1**	—	11.1
		(125.1)	56.8	76.3

Consolidated Balance Sheet
At 31 January 2025

	Note	31 January 2025 Unaudited £ million	31 July 2024 Audited £ million
Assets			
Cash and balances at central banks		**1,852.3**	1,584.0
Settlement balances		**1,104.5**	627.5
Loans and advances to banks		**284.5**	293.7
Loans and advances to customers	6	**9,569.4**	9,830.8
Debt securities	7	**590.7**	740.5
Equity shares	8	**22.5**	27.4
Loans to money brokers against stock advanced		**30.2**	22.5
Derivative financial instruments		**100.6**	101.4
Intangible assets	9	**197.6**	266.0
Property, plant and equipment	10	**329.6**	349.6
Current tax assets		**29.6**	36.4
Deferred tax assets		**19.4**	14.3
Prepayments, accrued income and other assets		**147.3**	186.7
Assets classified as held for sale	22	**160.0**	—
Total assets		**14,438.2**	14,080.8
Liabilities			
Settlement balances and short positions	11	**1,077.2**	614.9
Deposits by banks	12	**93.6**	138.4
Deposits by customers	12	**8,727.2**	8,693.6
Loans and overdrafts from banks	12	**196.0**	165.6
Debt securities in issue	12	**1,870.8**	1,986.4
Loans from money brokers against stock advanced		**29.0**	16.7
Derivative financial instruments		**118.7**	129.0
Accruals, deferred income and other liabilities	15	**363.6**	306.5
Subordinated loan capital	12	**191.3**	187.2
Liabilities classified as held for sale	22	**60.1**	—
Total liabilities		**12,727.5**	12,238.3
Equity			
Called up share capital		**38.0**	38.0
Retained earnings		**1,510.6**	1,634.4
Other equity instrument	13	**197.6**	197.6
Other reserves		**(35.5)**	(27.5)
Total shareholders' and other equity owners' equity		**1,710.7**	1,842.5
Total equity		**1,710.7**	1,842.5
Total equity and liabilities		**14,438.2**	14,080.8

Consolidated Statement of Changes in Equity

For the six months ended 31 January 2025

				Other reserves					
	Called up share capital £ million	Retained earnings £ million	Other equity instrument £ million	FVOCI reserve £ million	Share-based payments reserve £ million	Exchange movements reserve £ million	Cash flow hedging reserve £ million	Total attributable to shareholders and other equity owners £ million	Total equity £ million
At 1 August 2023 (audited)	38.0	1,608.5	—	(2.7)	(32.0)	(1.3)	34.4	1,644.9	1,644.9
Profit for the period	—	68.8	—	—	—	—	—	68.8	68.8
Other comprehensive (expense)/income	—	0.1	—	(1.8)	—	(0.2)	(10.1)	(12.0)	(12.0)
Total comprehensive income for the year	—	68.9	—	(1.8)	—	(0.2)	(10.1)	56.8	56.8
Dividends paid (Note 5)	—	(67.1)	—	—	—	—	—	(67.1)	(67.1)
Shares purchased	—	—	—	—	(3.6)	—	—	(3.6)	(3.6)
Shares released	—	—	—	—	3.6	—	—	3.6	3.6
Other movements	—	0.1	197.6	—	(0.5)	—	—	197.2	197.2
Income tax	—	—	—	—	—	—	—	—	—
At 31 January 2024 (unaudited)	38.0	1,610.4	197.6	(4.5)	(32.5)	(1.5)	24.3	1,831.8	1,831.8
Profit for the period	—	31.6	—	—	—	—	—	31.6	31.6
Other comprehensive expense/(income)	—	(0.1)	—	(0.8)	—	0.1	(11.3)	(12.1)	(12.1)
Total comprehensive income for the year	—	31.5	—	(0.8)	—	0.1	(11.3)	19.5	19.5
Dividends paid (Note 5)	—	—	—	—	—	—	—	—	—
Shares purchased	—	—	—	—	0.1	—	—	0.1	0.1
Shares released	—	—	—	—	1.0	—	—	1.0	1.0
Other equity instrument issued (Note 13)	—	—	197.6	—	—	—	—	197.6	197.6
Coupon paid on other equity instrument (Note 13)	—	(11.1)	—	—	—	—	—	(11.1)	(11.1)
Other movements	—	3.6	(197.6)	—	(2.4)	—	—	(196.4)	(196.4)
Income tax	—	—	—	—	—	—	—	—	—
At 31 July 2024 (audited)	38.0	1,634.4	197.6	(5.3)	(33.8)	(1.4)	13.0	1,842.5	1,842.5
Loss for the period	—	(111.8)	—	—	—	—	—	(111.8)	(111.8)
Other comprehensive expense	—	(0.1)	—	(4.7)	—	(0.2)	(8.3)	(13.3)	(13.3)
Total comprehensive income for the year	—	(111.9)	—	(4.7)	—	(0.2)	(8.3)	(125.1)	(125.1)
Dividends paid (Note 5)	—	—	—	—	—	—	—	—	—
Shares purchased	—	—	—	—	—	—	—	—	—
Shares released	—	—	—	—	2.4	—	—	2.4	2.4
Other equity instrument issued (Note 13)	—	—	—	—	—	—	—	—	—
Coupon paid on other equity instrument (Note 13)	—	(11.1)	—	—	—	—	—	(11.1)	(11.1)
Other movements	—	(0.8)	—	—	2.8	—	—	2.0	2.0
Income tax	—	—	—	—	—	—	—	—	—
At 31 January 2025 (unaudited)	**38.0**	**1,510.6**	**197.6**	**(10.0)**	**(28.6)**	**(1.6)**	**4.7**	**1,710.7**	**1,710.7**

Consolidated Cash Flow Statement

For the six months ended 31 January 2025

	Note	Six months ended 31 January 2025 Unaudited £ million	2024 Unaudited £ million	Year ended 31 July 2024 Audited £ million
Net cash inflow/(outflow) from operating activities	17(a)	**346.0**	(394.0)	(382.0)
Net cash (outflow)/inflow from investing activities				
Purchase of:				
Property, plant and equipment		**(1.9)**	(8.4)	(14.2)
Intangible assets – software		**(13.3)**	(15.7)	(30.3)
Subsidiaries, net of cash acquired	17(b)	**(0.5)**	(11.2)	(15.4)
Sale of:				
Equity shares held for investment		**—**	—	0.2
Subsidiaries	17(c)	**—**	0.2	0.9
		(15.7)	(35.1)	(58.8)
Net cash inflow/(outflow) before financing activities		**330.3**	(429.1)	(440.8)
Financing activities				
Purchase of own shares for employee share award schemes		**—**	(3.6)	(3.5)
Equity dividends paid		**—**	(67.1)	(67.1)
Interest paid on subordinated loan capital and debt financing		**(11.7)**	(11.7)	(23.4)
Payment of lease liabilities		**(7.4)**	(7.9)	(16.5)
Issuance of Additional Tier 1 (“AT1”) capital securities		**—**	200.0	200.0
Costs arising on issue of AT1		**—**	(2.4)	(2.4)
AT1 coupon payment		**(11.1)**	—	(11.1)
Net increase/(decrease) in cash		**300.1**	(321.8)	(364.8)
Cash and cash equivalents at beginning of year		**1,844.5**	2,209.3	2,209.3
Cash and cash equivalents at end of year	17(d)	**2,144.6**	1,887.5	1,844.5

The Notes

1. Basis of Preparation and Accounting Policies

The half year results have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and the condensed consolidated interim financial statements ("interim financial statements") have been prepared in accordance with UK-adopted International Accounting Standards. These include International Accounting Standard ("IAS") 34 'Interim Financial Reporting', which specifically addresses the contents of interim financial statements. The interim financial statements incorporate the individual financial statements of Close Brothers Group plc and the entities it controls, using the acquisition method of accounting.

The half year results are unaudited and do not constitute statutory accounts within the meaning of Section 434 of the companies Act 2006. However, the information has been reviewed by the group's auditor, PricewaterhouseCoopers LLP, and their report appears above. The half year results for the six months ended 31 January 2024 presented as comparatives are also unaudited.

The financial information for the year ended 31 July 2024 contained within this half year report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of those statutory accounts, which have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, has been delivered to the Registrar of Companies. PricewaterhouseCoopers LLP has reported on those accounts. The report of the auditor on those statutory accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

The accounting policies used are consistent with those set out on pages 199 to 204 of the Annual Report 2024, except for an additional policy relating to 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 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. However, they have been presented gross in the segmental analysis in Note 2 to reflect management's view of segmental performance.

Going concern

The directors acknowledge that the risk landscape is constantly evolving and as such continually review the group's principal and emerging risks. A key area of focus in the first half of the 2025 financial year has been the Financial Conduct Authority ("FCA") review of historical motor finance commission arrangements and the Supreme Court appeal, and their impact on the group's activities.

In accordance with the relevant accounting standards, since the FCA's announcement of its review in January 2024, the group had continued to assess whether a provision for motor commissions is required. Based on all available information, including recent market developments in relation to motor commissions, the group has recognised a provision of £165 million in its H1 2025 results. This provision is based on probability weighted scenarios using various assumptions and includes estimates for certain potential operational and legal costs, as well as estimates for potential customer redress. Refer to Note 15 for further information regarding the assumptions used and sensitivity of those assumptions.

In light of the prevailing uncertainty as to the range of outcomes from the Supreme Court appeals and the FCA's ongoing review of motor commissions, 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.

As part of the directors' consideration of the appropriateness of adopting the going concern basis, the directors have reviewed the group's operating plan to June 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 FY24 going concern assessment.

The directors have considered a range of forward-looking scenario analyses, similar to those considered in the FY24 assessment (refer to page 117 of the FY24 Annual Report and Accounts). As an update to the FY24 assessment, the 'severe but plausible' redress provision used in the stressed going concern scenario was derived by applying a 100% weighting to the most severe of the probability weighted scenarios used to calculate the existing motor finance commission redress provision described in Note 15.

Given the significant uncertainty as to the range of possible outcomes in respect of motor finance commissions, the directors also considered whether any more severe but plausible scenarios existed that would be reasonably likely to have a materially worse outcome for the Group and concluded that this was not plausible.

The modelling output of all scenarios considered highlights the resilient capital position, and capacity to absorb losses and increases in RWAs beyond the impacts modelled, strengthened by modelled management actions.

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 downside scenario elements. In making their going concern assessment, the directors have also considered the operational agility and resilience of the group. The directors continually expect to maintain a high level of operational and system performance.

Under all 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 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 its funding is longer than the weighted average maturity of its lending portfolio. The board reviewed these factors when concluding upon going concern.

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 high-quality liquid asset requirements. This ensures that the Banking division remains within risk appetite and identifies potential areas of vulnerability. These stresses are formally approved by the Asset and Liability Committee, Group Risk and Compliance Committee 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. As at 31 January 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 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 interim results.

Critical accounting judgements and estimates

The reported results of the group are sensitive to the judgements, estimates and assumptions underlying 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, 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.

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.

Critical accounting judgements

The critical accounting judgements of the group, which relate to expected credit loss provisions calculated under IFRS 9 and Motor Finance commission arrangements, are as follows:

- Establishing the criteria for a significant increase in credit risk;
- Determining the appropriate definition of default;
- Determining whether the criteria for the recognition of a provision under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' have been met in relation to Motor Finance commission arrangements; and
- Determining the impact of the FCA's motor commissions review on the group's goodwill impairment assessment.

Information on the first two accounting judgements can be found below, while further information on the third and fourth judgements can be found in Note 15 and Note 9 respectively.

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.

Key sources of estimation uncertainty

The key sources of estimation uncertainty of the group relate to expected credit loss provisions, goodwill and Motor Finance commission arrangements and are as follows:

- Two key model estimates, being time to recover periods and recovery rates, underpinning the expected credit loss provision of Novitas. These were also key estimates in the prior year;
- 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; and
- Estimate of future cash flow forecasts in the calculation of value in use for the testing of goodwill for impairment in relation to the Winterflood Securities and Motor Finance cash generating units. Additional disclosures can be found in Note 9.
- Certain assumptions applied in the calculation of the provision relating to Motor commissions. These assumptions are the scenarios selected, the weightings applied, the levels of redress and the response and uphold rates. Additional disclosures can be found in Note 15.

Novitas loans

Novitas provided funding to individuals who wished to pursue legal cases. The majority of the Novitas portfolio, and therefore provision, relates to civil litigation cases. 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, following a strategic review, in July 2021 the group decided to cease permanently the approval of lending to new customers across all of the products offered by Novitas and withdraw from the legal services financing market. Since that time, the Novitas loan book has been in run-off, and the business has continued to work with solicitors and insurers, with a focus on supporting existing customers and managing the existing book to ensure good customer outcomes, where it is within Novitas' ability to do so.

In the financial year under review, management has maintained its assumptions for time to recover, and expected recovery rates which continue to appropriately reflect ongoing dialogue with customers' insurers. These reflect management's latest assessment of negotiations with customers' insurers and the current timeline of litigation proceedings.

Based on the current position, the majority of loans in the portfolio continue to be assessed as credit-impaired and are considered Stage 3. Expected credit losses for the portfolio have been calculated by comparing the gross loan balance to expected cash flows discounted at the original effective interest rate, over an appropriate time to recover period. In line with IFRS 9, a proportion of the expected credit loss is expected to unwind, over the estimated time to recover period, to interest income, which reflects the requirement to recognise interest income on Stage 3 loans on a net basis.

Since 31 July 2024, expected credit loss provisions have increased by £15.9 million to £236.6 million (31 July 2024: £220.7 million). This increase is primarily a result of interest accrual on civil litigation accounts, for which a full loss provision is applied.

Given that the majority of the Novitas portfolio is in Stage 3, the key sources of estimation uncertainty for the portfolio's expected credit loss provision are time to recover periods and recovery rates for the civil litigation portfolio. On this basis, management assessed and completed sensitivity analysis when compared to the expected credit loss provision for Novitas of £236.6 million (31 July 2024: £220.7 million).

At 31 January 2025, a 10% absolute deterioration or improvement in recovery rates would increase or decrease the ECL provision by £14.6 million. Separately, a 12-month improvement in the time to recover period would reduce the ECL provision by £14.7 million, while a 12-month delay in the time to recover period would increase the ECL provision by £12.0 million.

Further detail on the impairment provision is included in Note 6.

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 page 43. 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 2024 and reflect the mixed external backdrop observed. Forecasts deployed in IFRS 9 macroeconomic models are updated on a monthly basis. At 31 January 2025, the latest baseline scenario forecasts gross domestic product ("GDP") growth of 1.4% in calendar year 2025 and an average base rate of 4.3% across calendar year 2025. Consumer Price Index ("CPI") inflation is forecast to be 2.7% in calendar year 2025 in the baseline scenario.

At 31 January 2025, the scenario weightings were: 30% strong upside, 32.5% baseline, 20% mild downside, 10.5% moderate downside and 7% protracted downside. As economic forecasts are considered to appropriately recognise developments in the macroeconomic environment, no change has been made to the weightings assigned 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 slight improvement in the UK economic outlook relative to 31 July 2024. Under the baseline scenario, UK headline CPI inflation is expected to increase during 2025 before resuming its decline from its 2022 peak towards the Bank of England 2% target. Aligned to falls in inflation since 2022, the Bank of England base rate is forecast to gradually 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 January 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 January 2025										
UK GDP growth	**1.4 %**	1.5 %	**3.9 %**	2.7 %	**(1.1)%**	0.6 %	**(2.1)%**	(0.9)%	**(2.7)%**	(2.3)%
UK unemployment	**4.4 %**	4.5 %	**3.9 %**	3.7 %	**4.8 %**	4.8 %	**5.5 %**	7.1 %	**6.2 %**	8.3 %
UK HPI growth	**2.2 %**	3.9 %	**16.6 %**	7.0 %	**(5.1)%**	3.1 %	**(9.0)%**	(5.6)%	**(15.2)%**	(9.6)%
BoE base rate	**4.3 %**	3.3 %	**4.5 %**	3.4 %	**3.9 %**	2.4 %	**3.6 %**	1.7 %	**3.1 %**	1.3 %
Consumer Price Index	**2.7 %**	2.3 %	**2.8 %**	2.3 %	**0.1 %**	1.8 %	**(0.6)%**	1.1 %	**(1.5)%**	0.9 %
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 January 2025					
UK GDP growth	**1.7%**	**2.5%**	**1.2%**	**0.8%**	**0.8%**
UK unemployment	**4.6%**	**3.9%**	**4.8%**	**6.7%**	**7.7%**
UK HPI growth	**2.5%**	**3.9%**	**0.8%**	**(0.8)%**	**(3.3)%**
BoE base rate	**3.0%**	**3.1%**	**2.7%**	**2.0%**	**1.4%**
Consumer Price Index	**2.2%**	**2.2%**	**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 January 2025. Further economic 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 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 January 2025 and 31 July 2024.

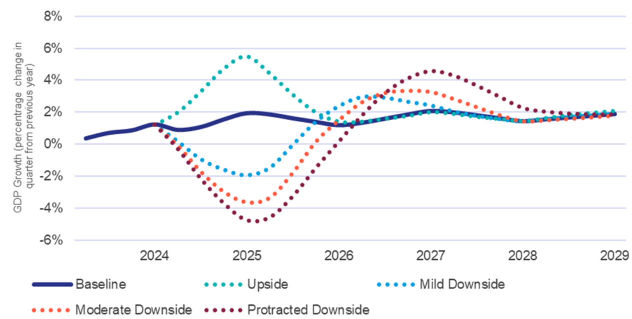
	Five-year period (calendar year 2025 to 2029)									
	Baseline		**Upside (strong)**		**Downside (mild)**		**Downside (moderate)**		**Downside (protracted)**	
	Peak	**Trough**	**Peak**	**Trough**	**Peak**	**Trough**	**Peak**	**Trough**	**Peak**	**Trough**
At 31 January 2025										
UK GDP growth	**8.8 %**	**0.4 %**	**13.0 %**	**1.5 %**	**6.3 %**	**(1.9)%**	**4.3 %**	**(3.9)%**	**3.9 %**	**(5.5)%**
UK unemployment	**4.8 %**	**4.3 %**	**4.4 %**	**3.6 %**	**4.9 %**	**4.6 %**	**7.3 %**	**4.6 %**	**8.5 %**	**4.8 %**
UK HPI growth	**12.9 %**	**0.1 %**	**26.0 %**	**2.0 %**	**3.9 %**	**(5.4)%**	**(1.5)%**	**(14.1)%**	**(2.3)%**	**(23.3)%**
BoE base rate	**4.6 %**	**2.5 %**	**4.7 %**	**2.5 %**	**4.5 %**	**2.0 %**	**4.5 %**	**1.0 %**	**4.4 %**	**0.5 %**
Consumer Price Index	**2.8 %**	**2.0 %**	**2.9 %**	**2.0 %**	**2.1 %**	**0.1 %**	**2.0 %**	**(0.7)%**	**1.9 %**	**(1.5)%**
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%	

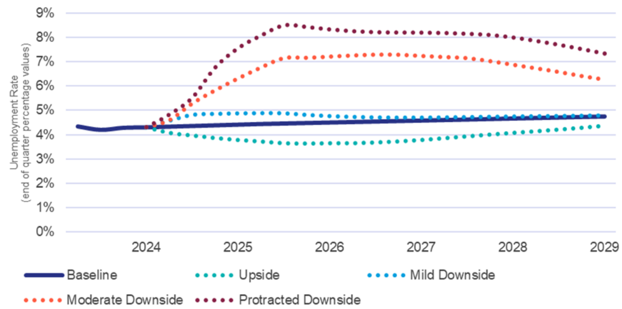
Notes:
UK GDP growth: Maximum and minimum quarterly GDP as a percentage change from start of period (%)
UK unemployment: Maximum and minimum unemployment rate (%)
UK HPI growth: Maximum and minimum average nominal house price as a percentage change from start of period (%)
BoE base rate: Maximum and minimum Bank of England base rate (%)
Consumer Price Index: Maximum and minimum inflation rate over the five-year period (%)

The following charts below represent the quarterly forecast data included in the above tables incorporating actual metrics up to 31 January 2025. The dark blue line shows the baseline scenario, while the other lines represent the various upside and downside scenarios.

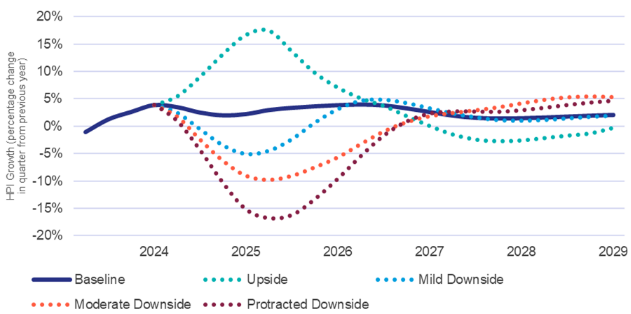
Real Gross Domestic Product (Annual % Change)



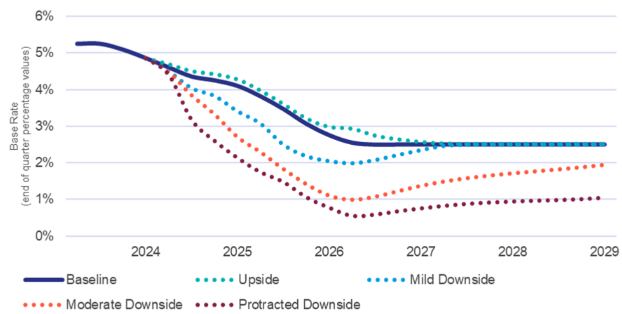
Unemployment Rate (%)

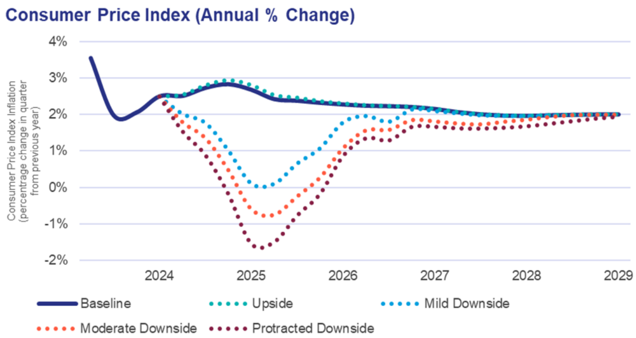


House Price Index – Current Prices (Annual % Change)



Bank of England Base Rate (%)





Scenario sensitivity analysis

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, which is subject to a separate approach, as it is deemed more sensitive to credit factors than macroeconomic factors.
  - 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 the 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 January 2025, application of 100% weighting to the upside strong scenario would decrease the expected credit loss by £22.3 million whilst application of 100% weighting to the downside protracted scenario would increase the expected credit loss by £41.6 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 6. The modelled impact presented is based on gross loans and advances to customers at 31 January 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 January 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 changes to macroeconomic variable forecasts impacted by sustained cost of living pressures and ongoing geopolitical tensions.

Use of Adjustments

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 the implementation of the Government's economic policy following the Autumn Budget, broader policies aimed at addressing cost of living and inflationary pressures, and the ongoing conflict in Ukraine. In response, our use of adjustments has continued to be an area of focus.

In particular, adjustments were held across the previous two financial years 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 applied as a result. Portfolio performance has been closely monitored during the first half of the financial year under review, over which modelled provisions have increased and external forecasts have remained broadly stable. As a result, the value of macroeconomic adjustments in place relative to 31 July 2024 has reduced to £2.1 million (31 July 2024: £2.4 million).

At 31 January 2025, £(5.3) million (31 July 2024: £(1.5) million) of the expected credit loss provision was attributable to adjustments, which reflect a combination of positive and negative adjustments related to individual accounts or portfolios where modelled provisions are not considered appropriate.

The need for adjustments will continue to be monitored as new information emerges which might not be recognised in existing models.

2. 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 five (2024: five) operating segments: Commercial, Retail, Property, Securities and Asset Management (presented as discontinued operations).

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	Securities £ million	Group £ million	Continuing operations £ million	Discontinued operations[1] £ million	Total £ million
Summary income statement for the six months ended 31 January 2025								
Net interest income/(expense)	116.5	117.2	67.1	(1.2)	(7.2)	292.4	0.6	293.0
Non-interest income	48.7	11.6	1.6	35.8	(0.1)	97.6	—	97.6
Operating income/(expense)	**165.2**	**128.8**	**68.7**	**34.6**	**(7.3)**	**390.0**	**0.6**	**390.6**
Administrative expenses	(89.7)	(78.5)	(15.1)	(33.2)	(20.0)	(236.5)	(1.4)	(237.9)
Depreciation and amortisation	(14.2)	(10.3)	(2.7)	(2.2)	(1.1)	(30.5)	—	(30.5)
Impairment losses on financial assets	(16.1)	(23.2)	(8.8)	—	—	(48.1)	—	(48.1)
Total operating expenses before adjusting items	**(120.0)**	**(112.0)**	**(26.6)**	**(35.4)**	**(21.1)**	**(315.1)**	**(1.4)**	**(316.5)**
Adjusted operating profit/(loss)[2]	**45.2**	**16.8**	**42.1**	**(0.8)**	**(28.4)**	**74.9**	**(0.8)**	**74.1**
Impairment of intangible assets	(4.0)	—	—	—	—	(4.0)	—	(4.0)
Amortisation of intangible assets on acquisition	—	(0.1)	—	—	—	(0.1)	—	(0.1)
Provision in relation to the BiFD review	—	—	—	—	—	—	—	—
Restructuring costs	(0.1)	(0.2)	(0.1)	—	—	(0.4)	—	(0.4)
Provision in relation to motor commissions	—	(165.0)	—	—	—	(165.0)	—	(165.0)
Complaints handling and other operational and legal costs incurred in relation to motor finance commissions	—	(8.4)	—	—	—	(8.4)	—	(8.4)
Operating profit/(loss) before tax from continuing operations	**41.1**	**(156.9)**	**42.0**	**(0.8)**	**(28.4)**	**(103.0)**	**(0.8)**	**(103.8)**
Operating profit/(loss) before tax from discontinued operations[3]	**—**	**—**	**—**	**—**	**(2.4)**	**(2.4)**	**4.9**	**2.5**
External operating income/(expense)	266.6	189.2	114.1	34.8	(214.1)	390.6	—	390.6
Inter segment operating (expense)/ income	(101.4)	(60.4)	(45.4)	(0.2)	206.8	(0.6)	0.6	—
Segment operating income/(expense)	165.2	128.8	68.7	34.6	(7.3)	390.0	0.6	390.6

1. Discontinued operations represent the Asset Management division sold on 28 February 2025 - see Note 22. Operating loss before tax of £0.8 million relates to the intercompany transactions between Asset Management and other segments, which have been separated out for segmental reporting and eliminated for statutory reporting.
2. Adjusted operating profit/(loss) is stated before the following adjusting items and tax: impairment and amortisation of intangible assets, provision in relation to the BiFD review, restructuring costs, provision in relation to motor commissions and complaints handling and other operational and legal costs incurred in relation to motor commissions. More information on the adjusting items can be found in Notes 9, 15 and 16.
3. Operating expenses include £2.4 million of directly attributable transaction costs relating to the disposal of CBAM.

The Commercial operating segment above includes Novitas, which ceased lending to new customers in July 2021 following a strategic review. Novitas recorded an operating loss of £2.0 million (six months ended 31 January 2024: gain of £0.2 million; year ended 31 July 2024: loss of £0.1 million), driven by impairment losses of £0.9 million (six months ended 31 January 2024: £2.2 million; year ended 31 July 2024: £6.4 million).

Novitas' income was £6.6 million (six months ended 31 January 2024: £5.0 million; year ended 31 July 2024: £11.0 million) and expenses were £3.0 million (six months ended 31 January 2024: £2.6 million; year ended 31 July 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 following the transfer of the majority of loans to Stage 3.

As set out in Note 22 "Discontinued operations and assets and liabilities classified as held for sale" and Note 23 "Post Balance Sheet Event", the group announced it entered into an agreement to sell Close Brothers Asset Management ("CBAM"), one of the group's operating segments, to Oaktree 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.

	Banking							
	Commercial	Retail	Property	Securities	Group[2]	Continuing operations	Discontinued operations[3]	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Summary balance sheet information at the 31 January 2025								
Total assets[1]	**5,027.1**	**2,871.7**	**1,934.2**	**1,305.6**	**3,114.0**	**14,252.6**	**185.6**	**14,438.2**
Total liabilities	**—**	**—**	**—**	**1,215.8**	**11,451.1**	**12,666.9**	**60.6**	**12,727.5**

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 £68.9 million.
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 represent the Asset Management division sold on 28 February 2025 - see Note 22. The assets and liabilities of Asset Management 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 £9,833.0 million, in addition to assets and liabilities of £3,117.6 million and £11,353.5 million respectively primarily comprising treasury balances which are included within the Group column above.

	Banking	Securities	Group	Continuing operations	Discontinued operations	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Equity at 31 January 2025						
Equity	**1,597.1**	**89.8**	**(101.2)**	**1,585.7**	**125.0**	**1,710.7**

	Banking							
	Commercial	Retail	Property	Securities	Group	Continuing operations	Discontinued operations[1]	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Summary income statement for the six months ended 31 January 2024								
Net interest income/(expense)	115.6	117.3	63.2	0.1	(5.0)	291.2	0.5	291.7
Non-interest income	52.9	14.5	1.8	34.1	—	103.3	—	103.3
Operating income/(expense)	**168.5**	**131.8**	**65.0**	**34.2**	**(5.0)**	**394.5**	**0.5**	**395.0**
Administrative expenses	(90.9)	(80.4)	(15.7)	(34.0)	(14.8)	(235.8)	(1.6)	(237.4)
Depreciation and amortisation	(12.1)	(10.4)	(2.3)	(2.9)	(1.2)	(28.9)	—	(28.9)
Impairment losses on financial assets	(14.6)	(22.0)	(5.2)	0.1	—	(41.7)	—	(41.7)
Total operating expenses before amortisation of intangible assets on acquisition	**(117.6)**	**(112.8)**	**(23.2)**	**(36.8)**	**(16.0)**	**(306.4)**	**(1.6)**	**(308.0)**
Adjusted operating profit/(loss)[2]	**50.9**	**19.0**	**41.8**	**(2.6)**	**(21.0)**	**88.1**	**(1.1)**	**87.0**
Amortisation of intangible assets on acquisition	—	—	—	—	—	—	—	—
Operating profit/(loss) before tax from continuing operations	**50.9**	**19.0**	**41.8**	**(2.6)**	**(21.0)**	**88.1**	**(1.1)**	**87.0**
Operating profit/(loss) before tax from discontinued operations	**—**	**—**	**—**	**—**	**—**	**—**	**6.8**	**6.8**
External operating income/(expense)	257.9	187.0	109.4	34.2	(193.5)	395.0		395.0
Inter segment operating (expense)/income	(89.4)	(55.2)	(44.4)	—	188.5	(0.5)	0.5	—
Segment operating income/(expense)	168.5	131.8	65.0	34.2	(5.0)	394.5	0.5	395.0

1. Discontinued operations represent the Asset Management division sold on 28 February 2025 - see Note 22. Operating loss before tax of £1.1 million relates to the intercompany transactions between Asset Management and other segments, which have been separated out for segmental reporting and eliminated for statutory reporting.
2. Adjusted operating profit/(loss) is stated before amortisation of intangible assets on acquisition and tax.

	Banking							
	Commercial	Retail	Property	Securities	Group	Continuing operations	Discontinued operations[1]	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Summary income statement for the year ended 31 July 2024								
Net interest income/(expense)	228.8	234.4	129.0	(0.4)	(11.5)	580.3	0.9	581.2
Non-interest income	100.8	28.0	3.9	73.4	—	206.1	—	206.1
Operating income/(expense)	**329.6**	**262.4**	**132.9**	**73.0**	**(11.5)**	**786.4**	**0.9**	**787.3**
Administrative expenses	(182.3)	(156.6)	(30.0)	(68.9)	(31.6)	(469.4)	(3.0)	(472.4)
Depreciation and amortisation	(26.1)	(20.7)	(4.9)	(5.9)	(2.2)	(59.8)	—	(59.8)
Impairment losses on financial assets	(31.7)	(47.2)	(20.0)	0.1	—	(98.8)	—	(98.8)
Total operating expenses before amortisation of intangible assets on acquisition	**(240.1)**	**(224.5)**	**(54.9)**	**(74.7)**	**(33.8)**	**(628.0)**	**(3.0)**	**(631.0)**
Adjusted operating profit/(loss)[2]	**89.5**	**37.9**	**78.0**	**(1.7)**	**(45.3)**	**158.4**	**(2.1)**	**156.3**
Amortisation of intangible assets on acquisition	—	(0.2)	—	—	—	(0.2)	—	(0.2)
Provision in relation to the BiFD review	(0.6)	(16.6)	—	—	—	(17.2)	—	(17.2)
Restructuring costs	(2.2)	(0.6)	(0.3)	—	—	(3.1)	—	(3.1)
Complaints handling and other operational and legal costs incurred in relation to motor commissions	—	(6.9)	—	—	—	(6.9)	—	(6.9)
Operating profit/(loss) before tax from continuing operations	**86.7**	**13.6**	**77.7**	**(1.7)**	**(45.3)**	**131.0**	**(2.1)**	**128.9**
Operating profit/(loss) before tax from discontinued operations	**—**	**—**	**—**	**—**	**—**	**—**	**13.1**	**13.1**
External operating income/(expense)	517.0	376.7	224.7	73.0	(404.1)	787.3	—	787.3
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	73.0	(11.5)	786.4	0.9	787.3

1. Discontinued operations represent the Asset Management division sold on 28 February 2025 - see Note 22. Operating loss before tax of £2.1 million relates to the intercompany transactions between Asset Management and other segments, which have been separated out for segmental reporting and eliminated for statutory reporting.
2. Adjusted operating profit/(loss) is stated before amortisation of intangible assets on acquisition, provision in relation to the BiFD review, restructuring costs, complaints handling and other operational and legal costs incurred in relation to motor commissions and tax.

	Banking							
	Commercial	Retail	Property	Securities	Group[2]	Continuing operations	Discontinued operations	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Summary balance sheet information at 31 July 2024								
Total assets[1]	5,101.6	3,041.9	1,955.2	825.0	2,965.1	13,888.8	192.0	14,080.8
Total liabilities	—	—	—	734.6	11,433.5	12,168.1	70.2	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.

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.

	Banking £ million	Securities £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Equity at 31 July 2024						
Equity	**1,710.7**	**90.4**	**(80.4)**	**1,720.7**	**121.8**	**1,842.5**

3. Taxation

	Six months ended 31 January		Year ended 31 July
	2025	2024[1]	2024[1]
	£ million	£ million	£ million
Tax charged/(credited) to the income statement			
Current tax:			
UK corporation tax	**10.2**	20.5	35.6
Foreign tax	**0.7**	0.8	0.9
Adjustments in respect of previous years	**—**	—	(4.9)
	10.9	21.3	31.6
Deferred tax:			
Deferred tax (credit)/charge for the current year	**(1.8)**	1.9	0.6
Adjustments in respect of previous years	**—**	—	5.8
	9.1	23.2	38.0
Tax on items not (credited)/charged to the income statement			
Current tax relating to:			
Acquisitions	**—**	—	(0.4)
Deferred tax relating to:			
Cash flow hedging	**(3.2)**	(3.9)	(8.4)
Financial instruments classified as fair value through other comprehensive income	**(1.8)**	(0.7)	(1.0)
Currency translation losses	**—**	—	(0.4)
Acquisitions	**—**	—	(0.3)
	(5.0)	(4.6)	(10.5)
Reconciliation to tax expense			
UK corporation tax for the period at 25% (2024: 25%) on operating (loss)/profit	**(26.0)**	21.8	32.2
Disallowable items and other permanent differences[2]	**37.9**	1.1	7.7
Banking surcharge	**—**	0.3	—
Tax relief on coupon on other equity instruments	**(2.8)**	—	(2.8)
Prior period tax provision	**—**	—	0.9
	9.1	23.2	38.0

1. Comparative information restated following the classification of Close Brothers Asset Management as discontinued operations. See Notes 2 and 22.
2. Disallowable items and other permanent differences largely relate to the non-deductible provision in relation to motor commissions.

The effective tax rate for the period is (8.8)% (six months ended 31 January 2024: 26.7%; year ended 31 July 2024: 29.5%), representing the best estimate of the annual effective tax rate expected for the full year, with the exception of the tax rate impact of the £173.4 million of provision and costs relating to the FCA's review of historical motor finance commission arrangements which have been recognised in the period (see Note 15 for further detail). Excluding the provision and costs, the effective tax rate is approximately 24.0%.

The standard UK corporation tax rate for the financial year is 25.0% (six months ended 31 January 2024: 25.0%; year ended 31 July 2024: 25.0%). The effective tax rate is below the UK corporation tax rate due to the motor commissions provision and related costs being largely disallowable.

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, however the impact is expected to be immaterial. 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.

4. 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.

	Six months ended 31 January		Year ended 31 July
	2025	2024[1]	2024[1]
Continuing operations			
Basic	**(82.8)p**	42.6p	53.3p
Diluted	**(82.7)p**	42.6p	53.2p
Adjusted basic[2]	**30.9 p**	43.4p	70.5p
Adjusted diluted[2]	**30.9 p**	43.4p	70.4p
Discontinued operations			
Basic	**0.7p**	3.4p	6.4p
Diluted	**0.7p**	3.4p	6.3p
Continuing and discontinued operations			
Basic	**(82.1)p**	46.0p	59.7p
Diluted	**(82.0)p**	46.0p	59.5p

1. Comparative information restated following the classification of Close Brothers Asset Management as discontinued operations. See Notes 2 and 22.
2. Excludes the following adjusting items and the associated tax effect where appropriate: amortisation of intangible assets on acquisition, provision in relation to the BiFD review, restructuring costs, provision in relation to motor commissions and complaints handling and other operational and legal costs incurred in relation to motor commissions.

	Six months ended 31 January		Year ended 31 July
	2025	2024[1]	2024[1]
	£ million	£ million	£ million
(Loss)/profit attributable to shareholders	**(122.9)**	68.8	89.3
Less profit from discontinued operations, net of tax	**(1.1)**	(5.0)	(9.5)
(Loss)/profit attributable to shareholders on continuing operations	**(124.0)**	63.8	79.8
Adjustments:			
Impairment of intangible assets	**4.0**	—	—
Amortisation of intangible assets on acquisition	**0.1**	—	0.2
Provision in relation to the BiFD review	**—**	—	17.2
Restructuring costs	**0.4**	—	3.1
Net expense within discontinued operations relating to intercompany transactions (Note 2)	**0.8**	1.1	2.1
Provision in relation to motor commissions	**165.0**	—	—
Complaints handling and other operational and legal costs incurred in relation to motor finance commissions	**8.4**	—	6.9
Tax effect of adjustments	**(8.4)**	—	(3.7)
Adjusted profit attributable to shareholders on continuing operations	**46.3**	64.9	105.6

1. Comparative information restated following the classification of Close Brothers Asset Management as discontinued operations. See Notes 2 and 22.

	Six months ended 31 January		Year ended 31 July
	2025	2024	2024
	£ million	£ million	£ million
Average number of shares			
Basic weighted	**149.7**	149.6	149.7
Effect of dilutive share options and awards	**0.2**	—	0.3
Diluted weighted	**149.9**	149.6	150.0

5. Dividends

	Six months ended 31 January		Year ended 31 July
	2025	2024	2024
	£ million	£ million	£ million
For each ordinary share			
Interim dividend for previous financial year paid in April 2024: nil (April 2023: 22.5p)	**—**	—	—
Final dividend for previous financial year paid in November 2024: nil (November 2023: 45.0p)	**—**	67.1	67.1
	—	67.1	67.1

The reinstatement of dividends will be reviewed once there is further clarity on the financial impact of the FCA review of historical motor finance commission arrangements and the ongoing appeals.

6. 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 January 2025 loans and advances to customers with a maturity of two years or less was £7,686.7 million (31 July 2024: £7,733.6 million) representing 76.5% (31 July 2024: 75.3%) of total gross loans and advances to customers:

	On demand	Within three months	Between three months and one year	Between one and two years	Between two and five years	After more than five years	Total gross loans and advances to customers	Impairment provisions	Total net loans and advances to customers
	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
At 31 January 2025	**90.7**	**3,004.7**	**2,709.7**	**1,881.6**	**2,217.3**	**140.6**	**10,044.6**	**(475.2)**	**9,569.4**
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 January 2025	31 July 2024
	£ million	£ million
Gross loans and advances to customers		
Held at amortised cost	**10,027.9**	10,264.8
Held at fair value through profit or loss	**16.7**	11.8
	10,044.6	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	Less than 30 days past due	Greater than or equal to 30 days past due	Total	Stage 3	Total
	£ million	£ million	£ million	£ million	£ million	£ million
At 31 January 2025						
Gross loans and advances to customers held at amortised cost						
Commercial	**3,728.6**	**872.5**	**37.6**	**910.1**	**417.4**	**5,056.1**
Of which: Commercial excluding Novitas	3,728.6	872.0	37.6	909.6	112.4	4,750.6
Of which: Novitas	—	0.5	—	0.5	305.0	305.5
Retail	**2,586.0**	**275.1**	**11.4**	**286.5**	**97.5**	**2,970.0**
Property	**1,572.4**	**14.1**	**168.0**	**182.1**	**247.3**	**2,001.8**
	7,887.0	**1,161.7**	**217.0**	**1,378.7**	**762.2**	**10,027.9**
Impairment provisions						
Commercial	**23.3**	**9.0**	**4.8**	**13.8**	**272.1**	**309.2**
Of which: Commercial excluding Novitas	23.3	8.5	4.8	13.3	36.0	72.6
Of which: Novitas	—	0.5	—	0.5	236.1	236.6
Retail	**24.6**	**16.3**	**2.6**	**18.9**	**54.8**	**98.3**
Property	**2.9**	**0.6**	**0.5**	**1.1**	**63.7**	**67.7**
	50.8	**25.9**	**7.9**	**33.8**	**390.6**	**475.2**
Provision coverage ratio						
Commercial	**0.6%**	**1.0%**	**12.8%**	**1.5%**	**65.2%**	**6.1%**
Within which: Commercial excluding Novitas	0.6%	1.0%	12.8%	1.5%	32.0%	1.5%
Within which: Novitas	—	100.0%	—	100.0%	77.4%	77.4%
Retail	**1.0%**	**5.9%**	**22.8%**	**6.6%**	**56.2%**	**3.3%**
Property	**0.2%**	**4.3%**	**0.3%**	**0.6%**	**25.8%**	**3.4%**
	0.6%	**2.2%**	**3.6%**	**2.5%**	**51.2%**	**4.7%**

		Stage 2				
	Stage 1	Less than 30 days past due	Greater than or equal to 30 days past due	Total	Stage 3	Total
	£ million	£ million	£ million	£ million	£ million	£ 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%

In Commercial, the impairment coverage ratio increased to 6.1% (31 July 2024: 5.7%), reflecting the impact of Novitas Stage 3 interest accrual in line with the requirement under IFRS 9 to recognise interest on a net basis.

Excluding Novitas, the Commercial provision coverage ratio slightly increased to 1.5% (31 July 2024: 1.4%) as the business experienced a small PD deterioration and material migrations from Stage 1 to Stage 2 during the financial year. Overall net impacts of these changes were minor increases in Stage 1 and 3 coverage, with Stage 2 remaining stable.

In Retail, the provision coverage ratio increased to 3.3% (31 July 2024: 3.0%), reflecting resilient portfolio performance in the context of sustained macroeconomic uncertainty and heightened 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 3.4% (31 July 2024: 3.0%), as a result of migrations to Stage 3 and increased individual provisions for some existing impaired accounts during the financial year.

(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 1.

(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. During the year, enhancements relating to PD assumptions were made to the models in Commercial resulting in £48.3 million of gross loans transferring from Stage 2 to Stage 1.

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.

	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	**2,868.8**	**—**	**—**	**2,868.8**
Transfers to Stage 1	**175.5**	**(214.5)**	**(6.6)**	**(45.6)**
Transfers to Stage 2	**(955.7)**	**853.3**	**(2.5)**	**(104.9)**
Transfers to Stage 3	**(108.5)**	**(93.4)**	**168.1**	**(33.8)**
Net transfer between stages and repayments[1]	**(888.7)**	**545.4**	**159.0**	**(184.3)**
Repayments while stage remained unchanged and final repayments	**(2,550.8)**	**(246.5)**	**(87.7)**	**(2,885.0)**
Changes to model methodologies	**48.3**	**(48.3)**	**—**	**—**
Write offs	**(1.1)**	**(0.7)**	**(34.6)**	**(36.4)**
At 31 January 2025	**7,887.0**	**1,378.7**	**762.2**	**10,027.9**

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[1] £ 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[2]	(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. A significant proportion of the Stage 3 movements are driven by Novitas with £174.4 million of transfers to Stage 3 and £37.4 million of write-offs. In addition, £49.2 million of Novitas movements are included within 'Repayments while stage remained unchanged and final repayments', comprised largely of accrued interest. The accrued interest is partly offset by ECL increases included within the adjacent ECL reconciliation, in line with IFRS 9's requirement to recognise interest income on Stage 3 loans on a net basis.
2. 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 2024	**52.2**	**31.3**	**362.3**	**445.8**
New financial assets originated	**21.5**	**—**	**—**	**21.5**
Transfers to Stage 1	**1.2**	**(3.7)**	**(0.6)**	**(3.1)**
Transfers to Stage 2	**(8.0)**	**21.0**	**(0.8)**	**12.2**
Transfers to Stage 3	**(1.9)**	**(8.5)**	**46.7**	**36.3**
Net remeasurement of expected credit losses arising from transfer of stages and repayments[1]	**(8.7)**	**8.8**	**45.3**	**45.4**
Repayments and ECL movements while stage remained unchanged and final repayments	**(14.5)**	**(6.1)**	**11.2**	**(9.4)**
Changes to model methodologies	**1.4**	**0.5**	**(0.4)**	**1.5**
Charge to the income statement	**(0.3)**	**3.2**	**56.1**	**59.0**
Write offs	**(1.1)**	**(0.7)**	**(27.8)**	**(29.6)**
At 31 January 2025	**50.8**	**33.8**	**390.6**	**475.2**

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[1] £ 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[2]	(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. A significant proportion of the Stage 3 movements are driven by Novitas with £147.6 million of transfers to Stage 3 and £11.9 million of write-offs.
2. Repayments relate only to financial assets which transferred between stages during the year. Other repayments are shown in the line below.

	Six months ended 31 January		Year ended 31 July
	2025	2024	2024
	£ million	£ million	£ million
Impairment losses relating to loans and advances to customers held at amortised cost:			
Charge to income statement arising from movement in impairment provisions	**59.0**	48.4	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	**(11.7)**	(7.4)	(21.7)
	47.3	41.0	97.0
Impairment losses relating to other financial assets	**0.8**	0.7	1.8
Impairment losses on financial assets recognised in income statement	**48.1**	41.7	98.8

Impairment losses on financial assets of £48.1 million (six months ended 31 January 2024: £41.7 million; year ended 31 July 2024: £98.8 million) include £0.9 million in relation to Novitas (six months ended 31 January 2024: £2.2 million; year ended 31 July 2024: £6.4 million).The Novitas impairment mainly relates to legal costs incurred since 31 July 2024.

7. Debt Securities

	Fair value through profit or loss	**Fair value through other comprehensive income**	**Amortised cost**	**Total**
	£ million	**£ million**	**£ million**	**£ million**
Sovereign and central bank debt	**—**	**304.4**	**—**	**304.4**
Supranational, sub-sovereigns and agency ("SSA") bonds	**—**	**143.0**	**—**	**143.0**
Covered bonds	**—**	**128.2**	**—**	**128.2**
Long trading positions in debt securities	**8.5**	**—**	**—**	**8.5**
Other debt securities	**1.4**	**—**	**5.2**	**6.6**
At 31 January 2025	**9.9**	**575.6**	**5.2**	**590.7**

	Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total
	£ million	£ million	£ million	£ 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:

	Six months ended 31 January	Year ended 31 July
	2025	2024
	£ million	£ million
Sovereign and central bank debt at 1 August	**383.7**	186.1
Additions	**122.5**	194.2
Redemptions	**(199.2)**	—
Currency translation differences	**(0.8)**	(1.5)
Movement in value	**(1.8)**	4.9
Sovereign and central bank debt at the end of the period	**304.4**	383.7

Movements on the book value of SSA bonds comprise:

	Six months ended 31 January	Year ended 31 July
	2025	2024
	£ million	£ million
SSA bonds at 1 August	**145.5**	—
Additions	**—**	155.4
Redemptions	**—**	(15.2)
Currency translation differences	**(0.2)**	(0.3)
Movement in value	**(2.3)**	5.6
SSA bonds at end of the period	**143.0**	145.5

Movements on the book value of covered bonds comprise:

	Six months ended 31 January 2025 £ million	Year ended 31 July 2024 £ million
Covered bonds 1 August	**187.7**	106.3
Additions	**15.5**	139.7
Redemptions/disposals	**(74.5)**	(59.0)
Currency translation differences	**(0.2)**	(0.3)
Movement in value	**(0.3)**	1.0
Covered bonds at end of the period	**128.2**	187.7

8. Equity Shares

	31 January 2025 £ million	31 July 2024 £ million
Long trading positions	**20.7**	25.8
Other equity shares	**1.8**	1.6
	22.5	27.4

9. Intangible Assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Total £ million
Cost				
At 1 August 2023	142.5	333.2	50.4	526.1
Additions	8.0	16.1	—	24.1
Disposals	—	(6.1)	—	(6.1)
At 31 January 2024	150.5	343.2	50.4	544.1
Additions	0.3	12.0	7.3	19.6
Disposals	—	(6.5)	(0.3)	(6.8)
At 31 July 2024	150.8	348.7	57.4	556.9
Additions	—	15.1	—	15.1
Disposals	—	(6.5)	—	(6.5)
Reclassification to assets held for sale[1]	(47.0)	(16.6)	(51.7)	(115.3)
At 31 January 2025	**103.8**	**340.7**	**5.7**	**450.2**
Amortisation				
At 1 August 2023	47.9	167.8	46.7	262.4
Amortisation charge for the year	—	18.6	0.6	19.2
Disposals	—	(6.0)	—	(6.0)
At 31 January 2024	47.9	180.4	47.3	275.6
Amortisation charge for the year	—	20.3	0.8	21.1
Disposals	—	(5.4)	(0.4)	(5.8)
At 31 July 2024	47.9	195.3	47.7	290.9
Amortisation charge for the year	—	19.8	0.7	20.5
Impairment charge for the year	2.1	1.9	—	4.0
Disposals	—	(4.1)	—	(4.1)
Reclassification to assets held for sale[1]	(3.5)	(9.2)	(46.0)	(58.7)
At 31 January 2025	**46.5**	**203.7**	**2.4**	**252.6**
Net book value at 31 January 2025	**57.3**	**137.0**	**3.3**	**197.6**
Net book value at 31 July 2024	102.9	153.4	9.7	266.0
Net book value at 31 January 2024	102.6	162.8	3.1	268.5
Net book value at 1 August 2023	94.6	165.4	3.7	263.7

1. Intangible assets relating to the Asset Management division have been reclassified to assets held for sale - see Note 22.

Software includes assets under development of £34.3 million (31 January 2024: £52.2 million).

Intangible assets on acquisition relate to broker and customer relationships and are amortised over a period of 8 to 20 years.

In the six months ended 31 January 2025, £0.1 million (six months ended 31 January 2024: £0.6 million; year ended 31 July 2024: £1.4 million) of the amortisation charge is included in amortisation of intangible assets on acquisition and £19.0 million (six months ended 31 January 2024: £18.6 million; year ended 31 July 2024: £38.9 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 January 2025, goodwill has been allocated to eleven (31 July 2024: nine) individual cash generating units ("CGUs"). Nine (31 July 2024: seven) are within the Banking division, with two additional CGUs this year following the separation of the group's Vehicle Hire and Brewery Rentals businesses from an existing Banking CGU, one (31 July 2024: one) is the Asset Management division and the remaining one (31 July 2024: one) is Winterflood in the Securities division. Vehicle Hire and Brewery Rentals have been separated out to present a more accurate position of the CGUs. The intangible assets relating to these two new CGUs total £4.0 million, which is immaterial for the group.

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 2 ‘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 January 2025 in light of the current trading and regulatory environment.

Methodology

The recoverable amounts for all CGUs except Asset Management were measured based on value in use. The methodology used to determine value in use is fundamentally consistent with that described in Note 14 "Intangible Assets" of the 2024 Annual Report with inputs and assumptions updated where appropriate. 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, and discount rates.

The main updates to inputs and assumptions in the current reporting period relate to cash flow forecasts. In particular, the cash flow forecasts for the Motor Finance and Motor Finance Ireland CGUs have been extended from five to seven years to allow the cash flows taken to perpetuity to reflect a more normalised view given the current environment. The cash flow forecasts of other CGUs have also been updated albeit the CGUs continue to be assessed based on a five-year period. In addition, the allocation of overhead costs has been reviewed and updated where appropriate following the sale of Asset Management. Discount rates are materially consistent with the prior year with valuation experts engaged to perform the calculations.

The Asset Management CGU is classified as discontinued operations in these financial statements and the associated goodwill is classified within assets held for sale. The sale of Asset Management was completed on 28 February 2025. Please see Note 22 and Note 23 for further detail. This sale transaction has resulted in a gain on disposal for the group, therefore, there is no goodwill impairment relating to this CGU at 31 January 2025.

Assessment overview

At 31 January 2025, the results of the assessment indicate there is no goodwill impairment except in relation to the Vehicle Hire and Brewery Rentals CGUs. Following a review of the value in use of Vehicle Hire and Brewery Rentals, the group's operating lease assets rental businesses, a total impairment of £4.0 million, which represents the full carrying value of goodwill and software of the two CGUs, has been recognised in the current period and presented as a separate adjusting item. Having performed stress tested 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 Winterflood and Motor Finance.

Assessment of Winterflood

The Winterflood CGU, which includes goodwill of £23.3 million and other intangible assets of £1.2 million, continued to experience challenging market conditions and recorded a small loss in the current period. The business has a long historical track record of trading profitably in a range of conditions and is well positioned to take advantage when investor confidence recovers. Nevertheless, consistent with the prior year, future market conditions remain uncertain and as such the value in use calculation for this CGU has been identified as a key source of estimation uncertainty as set out in Note 1.

The key source of estimation uncertainty within the Winterflood value in use calculation relates to the expected future cash flows and if they return to more normalised levels. The value in use of Winterflood is calculated to be 125% (31 July 2024: 136%) of carrying value, which represents a headroom of £28 million (31 July 2024: £41 million). For the purposes of goodwill modelling, management have projected that trading will gradually return to more normalised levels over the medium term with appropriate growth projections for Winterflood Business Services ("WBS") to reflect the robust pipeline of WBS clients and its positive track record.

As noted above, the value in use is sensitive to changes in cash flow assumptions. Winterflood's value in use includes the expected benefits of certain in-train initiatives which would improve its value proposition. To demonstrate this sensitivity to lower cash flows or a delay in the return to more normalised levels, a 10% reduction in the annual cash flows to perpetuity would reduce the value in use headroom by 38% while remaining above carrying value. The post-tax discount rate used is 11.8% (31 July 2024: 11.5%) and it is also an important driver of the value in use. An absolute increase of 1.0% in the rate would reduce the value in use headroom by 52% while remaining above carrying value.

Assessment of Motor Finance

The Motor Finance CGU, which includes goodwill of £3.0 million and other intangible assets of £15.2 million, relates to the group's UK motor finance business. The market and regulatory backdrop for Motor Finance remains uncertain, therefore 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 £165.0 million provision for potential remediation and associated costs relating to motor commissions described in Note 15 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 forecast capital charge, and when they return to more normalised growth levels. While as noted previously the cash flows exclude the provision for potential remediation and associated costs, the cash flows may nevertheless be impacted by the uncertainty and outcome of the FCA's review, the Court of Appeal's judgement in the Hopcraft case, the outcome of the Supreme Court appeals and the group's strategic and capital actions response. As described in Note 1, determining the impact on goodwill of this matter is a critical accounting judgement. It also represents a key assumption for the Motor goodwill impairment assessment.

The value in use of Motor is calculated to be 107% (31 July 2024: 121%) of carrying value, which represents a headroom of £12 million (31 July 2024: £35 million). Management's expectations on a return of the cash flows to more normalised growth levels are in part dependent on assumptions relating to funding, capital and customer demand. To demonstrate this sensitivity to lower cash flows or a delay in the return to more normalised levels, a 10% reduction in the annual cash flows to perpetuity would result in an immaterial impairment of the £3.0 million of goodwill. 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 and Supreme Court appeals. Separately, the post-tax discount rate used is 12.1% (31 July 2024: 11.9%) and an absolute increase of 1.0% in the discount rate would result in an impairment of the £3.0 million of goodwill and partial impairment of £6.9 million of the other intangible assets.

These scenarios for Winterflood and Motor Finance 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.

10. Property, Plant and Equipment

	Leasehold property	Fixtures, fittings and equipment	Assets held under operating leases	Motor vehicles	Right of use assets[1]	Total
	£ million	£ million	£ million	£ million	£ million	£ million
Cost						
At 1 August 2023	21.5	65.5	449.1	0.4	94.0	630.5
Additions	0.3	8.1	41.6	—	3.5	53.5
Disposals	—	(5.0)	(25.2)	—	(4.1)	(34.3)
At 31 January 2024	21.8	68.6	465.5	0.4	93.4	649.7
Additions	1.0	4.8	23.1	—	6.5	35.4
Disposals	(0.4)	(8.3)	(46.7)	—	(7.0)	(62.4)
At 31 July 2024	22.4	65.1	441.9	0.4	92.9	622.7
Additions	0.5	2.2	28.4	—	5.1	36.2
Disposals	(0.5)	(3.6)	(37.7)	—	(5.2)	(47.0)
Reclassification to assets held for sale[2]	(5.2)	(6.8)	—	—	(11.0)	(23.0)
At 31 January 2025	**17.2**	**56.9**	**432.6**	**0.4**	**81.8**	**588.9**
Depreciation						
At 1 August 2023	15.0	40.9	177.9	0.2	39.4	273.4
Depreciation and impairment charges for the year	1.1	4.4	21.6	—	7.8	34.9
Disposals	—	(5.1)	(16.0)	—	(2.6)	(23.7)
At 31 January 2024	16.1	40.2	183.5	0.2	44.6	284.6
Depreciation and impairment charges for the year	1.2	4.7	22.8	0.1	7.7	36.5
Disposals	(0.3)	(8.3)	(32.3)	—	(7.1)	(48.0)
At 31 July 2024	17.0	36.6	174.0	0.3	45.2	273.1
Depreciation and impairment charges for the year	1.2	4.7	24.1	—	7.8	37.8
Disposals	(0.2)	(3.6)	(29.1)	—	(4.3)	(37.2)
Reclassification to assets held for sale[2]	(3.2)	(4.7)	—	—	(6.5)	(14.4)
At 31 January 2025	**14.8**	**33.0**	**169.0**	**0.3**	**42.2**	**259.3**
Net book value at 31 January 2025	**2.4**	**23.9**	**263.6**	**0.1**	**39.6**	**329.6**
Net book value at 31 July 2024	5.4	28.5	267.9	0.1	47.7	349.6
Net book value at 31 January 2024	5.7	28.4	282.0	0.2	48.8	365.1
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 Property, plant and equipment relating to the Asset Management division have been reclassified to assets held for sale - see Note 22.

11. Settlement Balances and Short Positions

	31 January 2025 £ million	31 July 2024 £ million
Settlement balances	**1,066.4**	600.1
Short positions in:		
Debt securities	**3.1**	5.5
Equity shares	**7.7**	9.3
	10.8	14.8
	1,077.2	614.9

12. 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	**0.9**	**42.5**	**50.2**	**—**	**—**	**—**	**93.6**
Deposits by customers	**1,168.6**	**2,351.3**	**3,495.8**	**1,198.7**	**512.8**	**—**	**8,727.2**
Loans and overdrafts from banks	**51.9**	**24.0**	**120.1**	**—**	**—**	**—**	**196.0**
Debt securities in issue	**—**	**78.4**	**178.2**	**1,007.0**	**282.9**	**324.3**	**1,870.8**
Subordinated loan capital[1]	**—**	**1.4**	**(0.4)**	**(0.2)**	**—**	**190.5**	**191.3**
At 31 January 2025	**1,221.4**	**2,497.6**	**3,843.9**	**2,205.5**	**795.7**	**514.8**	**11,078.9**

	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
Subordinated loan capital[1]	—	1.4	(0.4)	(0.5)	—	186.7	187.2
At 31 July 2024	754.1	2,406.0	3,728.6	2,593.7	1,178.5	510.3	11,171.2

1. Comprises issuances of £200.0 million with contractual maturity date of 2031 and optional prepayment date of 2026.

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.

As at 31 January 2025, the group was a participant of the Bank of England's Term Funding Scheme with Additional Incentives for SMEs ("TFSME") and the Indexed Long-Term Repo ("ILTR"). Under these schemes, asset finance loan receivables of £261.9 million (31 July 2024: £404.8 million), UK gilts with a market value of £15.0 million (31 July 2024: £Nil) and retained notes relating to Motor Finance loan receivables of £204.9 million (31 July 2024: £34.4 million) were positioned as collateral with the Bank of England, against which £110.0 million (31 July 2024: £110.0 million) of cash was drawn from the TFSME and £10.0 million (31 July 2024: £Nil) from the ILTR. During the period ended 31 January 2025, the group has early repaid £Nil (31 July 2024: £490.0 million) against the TFSME.

The group also pledged sovereign assets with a market value of £19.5 million (31 July 2024: £Nil) as collateral against repurchase agreements. This was exchanged for cash and included within loans and overdrafts from banks.

The term of the TFSME transactions is four years from the date of each drawdown but the group may choose to repay earlier at its discretion. The term of the ILTR transaction is six months and cannot be repaid earlier. The risks and rewards of the loan receivables remain with the group and continue to be recognised in loans and advances to customers on the consolidated balance sheet.

The group has securitised without recourse and restrictions £1,470.4 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 £1,285.9 million (31 July 2024: £1,453.7 million). This includes the £204.9 million (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 credit risk and rewards of the residual benefit of the underlying assets 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.

As at 31 January 2025, Winterflood had pledged equity and debt securities of £30.5 million (31 July 2024: £18.3 million) in the normal course of business.

13. Other Equity Instrument

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. The second coupon payment of £11.1 million was made on 29 November 2024. 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.

14. Capital

	31 January 2025 £ million	31 July 2024[5] £ million
CET1 capital		
Shareholders' equity per balance sheet	**1,710.7**	1,842.5
Regulatory adjustments to equity		
Contingent convertible securities recognised as AT1 capital[1]	**(197.6)**	(197.6)
Intangible assets, net of associated deferred tax liabilities	**(252.3)**	(264.0)
Foreseeable AT1 coupon charges[2]	**(3.9)**	(3.8)
Cash flow hedging reserve	**(4.7)**	(13.0)
Pension asset, net of associated deferred tax liabilities	**(0.4)**	(0.6)
Prudent valuation adjustment	**(0.7)**	(0.8)
IFRS 9 transitional arrangements[3]	**6.2**	12.1
CET1 capital[4]	**1,257.3**	1,374.8
Additional tier 1 capital	**200.0**	200.0
Total tier 1 capital[4]	**1,457.3**	1,574.8
Tier 2 capital - subordinated debt	**200.0**	200.0
Total regulatory capital[4]	**1,657.3**	1,774.8
RWAs		
Credit and counterparty credit risk	**9,209.9**	9,548.4
Operational risk[4]	**1,044.5**	1,044.5
Market risk[4]	**86.4**	108.3
	10,340.8	10,701.2
CET1 capital ratio[4]	**12.2 %**	12.8 %
Tier 1 capital ratio[4]	**14.1 %**	14.7 %
Total capital ratio[4]	**16.0 %**	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 13.
2. Under CRR Article 26, a deduction for foreseeable charges has been recognised at 31 January 2025 and 31 July 2024. The deduction at 31 January 2025 reflects charges for the coupon on the group's contingent convertible securities.
3. The group has elected to apply IFRS 9 transitional arrangements for 31 January 2025, which allow the capital impact of expected credit losses to be phased in over the transitional period.
4. 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 January 2025 the CET1 capital ratio would be 12.1%, Tier 1 capital ratio 14.0% and total capital ratio 16.0% (31 July 2024: CET1 capital ratio 12.7%, Tier 1 capital ratio 14.6% and total capital ratio 16.5%).
5. The comparative information is unaudited.

The following table shows the movement in CET1 capital during the year:

	Six months ended 31 January		Year ended 31 July
	2025	2024	2024
	£ million	£ million	£ million
CET1 capital at 1 August	**1,374.8**	1,310.8	1,310.8
(Loss)/profit in the period	**(111.8)**	68.8	100.4
AT1 coupon charges	**(11.2)**	(3.0)	(15.0)
IFRS 9 transitional arrangements	**(5.9)**	(16.6)	(19.7)
Decrease/(increase) in intangible assets, net of associated deferred tax liabilities	**11.5**	(4.9)	(1.2)
Other movements in reserves recognised for CET1 capital	**(3.1)**	(2.4)	(0.8)
Other movements in adjustments from CET1 capital	**3.0**	0.3	0.3
CET1 capital at end of period	**1,257.3**	1,353.0	1,374.8

15. Other Liabilities

Provision in relation to motor commissions

An overview of the developments in relation to motor finance commissions including an update on the group's Supreme Court appeals, the FCA's review and its most recent 11 March 2025 announcement and other claims and complaints is set out on pages 7 and 8.

In light of recent developments and the available information, the group has been reviewing its accounting assessment of these matters under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. As a result, the group recognised a provision in relation to motor finance commissions of £165.0 million in these H1 2025 financial statements. This includes estimates for certain potential operational and legal costs, as well as estimates for potential remediation for affected customers.

The estimated provision is based on probability weighted scenarios using various assumptions relating to potential outcomes of the Supreme Court appeals and the FCA review. All scenarios selected assume a form of redress and are considered to represent an appropriate range of potential outcomes. Other assumptions include, for example, commission models, rates and time periods in scope of any regulatory redress scheme, as well as response and uphold rates and the costs to deliver any redress.

Under IAS 37, a provision must be recognised if there is a present obligation, settlement of the obligation is probable and a reliable estimate can be made of the amount. Determining whether a provision should be recognised under IAS 37 in relation to motor commissions represents an area of critical accounting judgement for the group.

In addition, certain assumptions applied in the calculation of the provision represent key sources of estimation uncertainty. These key sources of estimation uncertainty relate to the scenarios selected, the weightings applied, the levels of redress and the response and uphold rates. A 10% relative increase or decrease in the assumed combined response and uphold rates would result in a £16.5 million increase or decrease in the estimated provision. Changes in other assumptions 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 as to the range of outcomes from the Supreme Court appeals and the FCA's ongoing review of motor finance commissions and, therefore, the ultimate cost to the group could be materially higher or lower than the provision taken.

During the current period, the group incurred £8.4 million (six months ended 31 January 2024: £nil; year ended 31 July 2024: £6.9 million) of complaints handling and other operational and legal costs in relation to motor commissions, including increased resourcing to manage complaints and legal expenses. These costs, as well as the £165.0 million provision described above, do not reflect underlying trading performance and therefore have been presented as a separate adjusting item and excluded from adjusted operating profit by management.

Restructuring costs

The group incurred £0.4 million (six months ended 31 January 2024: £nil; year ended 31 July 2024: £3.1 million) of restructuring costs in the current period. These costs do not reflect underlying trading performance and therefore have been presented as a separate adjusting item and excluded from adjusted operating profit by management.

16. Contingent Liabilities

As noted above, there remains significant uncertainty as to the range of outcomes from the Supreme Court appeals and the FCA's ongoing review of motor commissions and, therefore, the ultimate cost to the group could be materially higher or lower than the estimated provision in relation to motor commissions recognised in the current period as set out in Note 15. Therefore, in addition to such provision, there may be contingent liabilities with respect to potential risks arising from the Hopcraft Court of Appeal judgement and subject to the outcome of the Supreme Court appeals. The timing, scope and quantum of any potential financial impact of these contingent liabilities on the group cannot be reliably estimated at present.

In the normal course of the group's business, there may be contingent liabilities relating to other complaints, legal proceedings or regulatory reviews. These cases are not currently expected to have a material impact on the group.

17. Consolidated Cash Flow Statement Reconciliation

	Six months ended 31 January		Year ended 31 July
	2025	2024	2024
	£ million	£ million	£ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities			
Operating (loss)/profit before tax from continuing operations	**(103.8)**	87.0	128.9
Operating profit before tax from discontinued operations	**2.5**	6.8	13.1
Tax paid	**(10.7)**	(31.9)	(29.6)
Depreciation, amortisation and impairment	**58.3**	54.1	111.7
Impairment losses on financial assets	**48.2**	41.7	98.8
Provision in relation to motor commissions	**165.0**	—	—
Amortisation of de-designated cash flow hedges	**(9.0)**	(15.4)	(27.9)
Decrease/(increase) in:			
Interest receivable and prepaid expenses	**(4.9)**	(6.3)	5.5
Net settlement balances and trading positions	**(2.0)**	(13.2)	(0.3)
Net money broker loans against stock advanced	**4.6**	28.1	27.0
(Decrease)/increase in interest payable and accrued expenses	**(14.3)**	(21.7)	(12.7)
Net cash (outflow)/inflow from trading activities	**133.9**	129.2	314.5
Cash (outflow)/inflow arising from changes in:			
Loans and advances to banks not repayable on demand	**—**	11.2	24.0
Loans and advances to customers	**193.4**	(401.1)	(699.4)
Assets let under operating leases	**(20.2)**	(31.8)	(41.1)
Sovereign and central bank debt	**76.7**	—	(194.2)
SSA	**—**	(140.9)	(140.2)
Covered bonds	**59.0**	(80.8)	(80.7)
Deposits by banks	**(43.7)**	(9.2)	(1.3)
Deposits by customers	**36.7**	542.1	975.1
Loans and overdrafts from banks	**30.4**	(220.0)	(492.2)
Debt securities in issue (net)	**(121.9)**	(181.5)	(67.6)
Other assets less other liabilities	**1.6**	(11.2)	21.1
Net cash inflow/(outflow) from operating activities	**346.0**	(394.0)	(382.0)
(b) Analysis of net cash outflow in respect of the purchase of subsidiaries			
Purchase of subsidiaries, net of cash acquired	**(0.5)**	(11.2)	(15.4)
(c) Analysis of net cash inflow in respect of the sale of subsidiaries			
Cash consideration received	**—**	0.2	0.9
(d) Analysis of cash and cash equivalents[1]			
Cash and balances at central banks	**1,852.5**	1,641.7	1,584.2
Loans and advances to banks	**292.1**	245.8	260.3
	2,144.6	1,887.5	1,844.5

1. Excludes £33.2 million (31 January 2024: £46.6 million, 31 July 2024: £33.2 million) of cash reserve accounts and cash held in trust.

During the period ended 31 January 2025, the non-cash changes on debt financing amounted to £16.1 million (six months ended 31 January 2024: £21.4million; year ended 31 July 2024: £35.9 million) arising largely from interest accretion and fair value hedging movements.

18. Fair Value of Financial Assets and Liabilities

The fair values of the group's subordinated loan capital and debt securities in issue are set out below.

	31 January 2025		31 July 2024	
	Fair value	Carrying value	Fair value	Carrying value
	£ million	£ million	£ million	£ million
Subordinated loan capital	**184.3**	**191.3**	179.4	187.2
Debt securities in issue	**1,877.8**	**1,870.8**	1,998.5	1,986.4

The fair value of gross loans and advances to customers at 31 January 2025 is estimated to be £9,526.6 million (year ended 31 July 2024: £9,806.4 million), with a carrying value of £9,569.5 million (year ended 31 July 2024: £9,830.8 million). The fair value of deposits by customers is estimated to be £8,733.5 million (31 July 2024: £8,691.8 million), with a carrying value of £8,727.2 million (year ended 31 July 2024: £8,693.6 million). These estimates are based on highly simplified assumptions and inputs and may differ from 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.

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 in Note 26 "Financial risk management" of the 2024 Annual Report.

The instruments included within the three levels, the valuation methodologies and the most significant inputs are consistent with those described in Note 26 of the 2024 Annual Report. 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.

The tables below show the classification of financial instruments held at fair value into the Level 1 to Level 3 valuation hierarchy.

	Level 1	Level 2	Level 3	Total
	£ million	£ million	£ million	£ million
At 31 January 2025				
Assets				
Loans and advances to customers held at FVTPL	—	—	**16.7**	**16.7**
Debt securities:				
Sovereign and central bank debt	**304.4**	—	—	**304.4**
SSA bonds	**143.0**	—	—	**143.0**
Covered bonds	**128.2**	—	—	**128.2**
Long trading positions in debt securities	**6.5**	**2.0**	—	**8.5**
Equity shares	**3.0**	**19.4**	**0.1**	**22.5**
Derivative financial instruments	—	**96.2**	**4.4**	**100.6**
Other assets	—	—	**1.4**	**1.4**
	585.1	**117.6**	**22.6**	**725.3**
Liabilities				
Short positions:				
Debt securities	**2.3**	**0.8**	—	**3.1**
Equity shares	**3.2**	**4.5**	—	**7.7**
Derivative financial instruments	—	**114.1**	**4.6**	**118.7**
	5.5	**119.4**	**4.6**	**129.5**

	Level 1	Level 2	Level 3	Total
	£ million	£ million	£ million	£ 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

During the period, there were no transfers between Levels 1, 2 and 3 (2024: no transfers).

Movements in financial instruments categorised as Level 3 were:

	Loans and advances to customers held at FVTPL	Derivative financial assets	Derivative financial liabilities	Equity shares	Contingent consideration	Other assets	Total
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
At 1 August 2023	—	11.1	(11.2)	0.2	(0.8)	—	(0.7)
Total gains/(losses) recognised in the consolidated income statement	—	0.7	(1.0)	—	0.4	—	0.1
Purchases, issues, originations and transfers in	—	—	—	0.3	—	1.2	1.5
Sales, settlements and transfers out	—	—	—	—	2.2	—	2.2
At 31 January 2024 (unaudited)	—	11.8	(12.2)	0.5	1.8	1.2	3.1
Total gains/(losses) recognised in the consolidated income statement	—	(5.7)	5.8	—	—	—	0.1
Purchases, issues, originations and transfers in	11.8	—	—	(0.3)	(0.5)	(0.4)	10.6
Sales, settlements and transfers out	—	—	—	(0.1)	(3.1)	—	(3.2)
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	—	(1.7)	1.8	—	(0.2)	—	(0.1)
Purchases, issues, originations and transfers in	4.9	—	—	—	—	0.6	5.5
Sales, settlements and transfers out	—	—	—	—	—	—	—
Reclassification to liabilities held for sale	—	—	—	—	2.0	—	2.0
At 31 January 2025	**16.7**	**4.4**	**(4.6)**	**0.1**	**—**	**1.4**	**18.0**

The gains recognised in the consolidated income statement relating to Level 3 instruments held at 31 January 2025 amounted to £1.3 million (31 January 2024: £0.3 million loss, 31 July 2024: £0.2 million gain).

19. Additional Support for Customers

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 an extension outside terms (for example, a higher Loan to value ("LTV") or overpayments) and refinancing, which may incorporate an extension of the loan tenor and capitalisation of arrears. Furthermore, other forms of forbearance such as moratorium, covenant waivers and rate concessions are also offered.

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 January 2025, the gross carrying amount of exposures with forbearance measures was £372.5 million (31 July 2024: £363.8 million). The key driver of this increase has been higher forbearance in our Asset Finance and Leasing, and Motor Finance businesses reflecting continued macroeconomic challenges and enduring cost of living pressures on customers.

An analysis of forborne loans is shown in the table below:

	31 January 2025	31 July 2024
Gross loans and advances to customers (£ million)	**10,044.6**	10,276.6
Forborne loans (£ million)	**372.5**	363.8
Forborne loans as a percentage of gross loans and advances to customers (%)	**3.7%**	3.5%
Provision on forborne loans (£ million)	**98.7**	89.4
Number of customers supported	**16,956**	13,166

The following is a breakdown of forborne loans by segment:

	31 January 2025 £ million	31 July 2024 £ million
Commercial business	**122.9**	118.5
Retail business	**52.3**	42.8
Property business	**197.3**	202.5
Total	**372.5**	363.8

The following is a breakdown of the number of customers supported by segment:

	31 January 2025 Number of customers supported	31 July 2024 Number of customers supported
Commercial business	**912**	839
Retail business	**15,994**	12,275
Property business	**50**	52
Total	**16,956**	13,166

The following is a breakdown of forborne loans by concession type:

	31 January 2025	31 July 2024
	£ million	£ million
Extension outside terms	**102.3**	101.7
Refinancing	**26.6**	28.0
Moratorium	**158.9**	147.0
Deferring collections/recoveries activities	**82.4**	85.1
Other modifications	**2.3**	2.0
Total	**372.5**	363.8

Government lending schemes

Over the pandemic period, following accreditation, customers were offered facilities under the UK government-introduced Coronavirus Business Interruption Loan Scheme ("CBILS"), the Coronavirus Large Business Interruption Loan Scheme ("CLBILS") and the Bounce Back Loan Scheme ("BBLS"), thereby enabling the Banking division to maximise its support to small businesses. At 31 January 2025, there are 2,350 (31 July 2024: 2,887) remaining facilities, with a residual balance of £131.5 million (31 July 2024: £202.3 million) following further repayments across the Commercial businesses.

The Banking division also received accreditation to offer products under the various Recovery Loan Schemes ("RLS"), the Growth Guarantee Scheme ("GGS") and schemes in the Republic of Ireland. At 31 January 2025, there are 1,430 (31 July 2024: 1,321) live facilities, with balances of £353.8 million (31 July 2024: £340.7 million).

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.

20. Interest Rate Risk

The group recognises three main sources of interest rate risk in the banking book ("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 Asset and Liability Committee.

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 due to interest rate changes, highlighting the potential future sensitivity of earnings, and any risk to capital.

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

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 January 2025:

	31 January 2025	31 July 2024
	£ million	£ million
0.5% increase	**0.9**	0.1
2.5% increase	**4.2**	0.5
0.5% decrease	**(0.9)**	(0.1)
2.5% decrease	**(4.5)**	(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 January 2025 reflects its policy to ensure exposure to interest rate shocks is managed within the group's risk appetites. The EaR measure is a combination of the group's repricing profile and the embedded optionality risk, which is negligible in the current interest rate environment.

The EaR reflects the bank's strategy to manage and minimise interest rate risk, to that required to operate efficiently.

EV impact

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 January 2025:

	31 January 2025	31 July 2024
	£ million	£ million
0.5% increase	**2.1**	3.5
2.5% increase	**10.1**	17.2
0.5% decrease	**(2.0)**	(3.5)
2.5% decrease	**(6.5)**	(14.4)

The group's EV at 31 January 2025 reflects its policy to ensure exposure to interest rate shocks is managed within the group's risk appetites. The EV measure is a combination of our repricing profile and the embedded optionality to cover interest rate floors within the bank's lending and borrowing activities.

21. Related Party Transactions

Related party transactions, including salary and benefits provided to directors and key management, did not have a material effect on the financial position or performance of the group during the period. There were no changes to the type and nature of the related party transactions disclosed in the 2024 Annual Report that could have a material effect on the financial position and performance of the group in the six months to 31 January 2025.

22. Discontinued operations and assets and liabilities classified as held for sale

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").

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.

The business 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 31 January 2025 consolidated balance sheet.

Results of discontinued operations

	Six months ended 31 January		Year ended 31 July
	2025	2024	2024
	£ million	£ million	£ million
Operating income	**81.8**	75.8	156.9
Operating expense[1]	**(79.2)**	(68.9)	(143.8)
Impairment on financial assets	**(0.1)**	(0.1)	—
Operating profit before tax	**2.5**	6.8	13.1
Tax	**(1.4)**	(1.8)	(3.6)
Profit after tax	**1.1**	5.0	9.5

1. Operating expenses include £2.4 million of directly attributable transaction costs relating to the disposal of CBAM.

Assets and liabilities held for sale

The major classes of assets and liabilities classified as held for sale are as follows:

	31 January 2025
	£ million
Balance sheet	
Intangible assets	**56.6**
Loans and advances to banks	**41.0**
Other receivables	**35.6**
Other assets	**26.8**
Total assets classified as held for sale	**160.0**
Accruals and deferred income	**20.5**
Other liabilities	**39.6**
Total liabilities classified as held for sale	**60.1**

Cash flows from discontinued operations

	Six months ended 31 January		Year ended 31 July
	2025	2024	2024
	£ million	£ million	£ million
Net cash flow from operating activities	**—**	—	—
Net cash flow from investing activities	**(3.0)**	(4.0)	(9.7)
Net cash flow from financing activities	**(1.5)**	(1.3)	(2.9)

23. Post Balance Sheet Event

On 28 February 2025, following the announcement on 19 September 2024 and the subsequent receipt of required regulatory approvals, the group successfully completed the sale of CBAM to Oaktree. The completion of this sale is a non-adjusting event under the requirements of IAS 10 "Events After the Reporting Period".

As set out in Note 22, CBAM fulfilled the requirements of IFRS 5 to be classified as 'discontinued operations' in these Half-Year 2025 financial statements. The gain on disposal, which is set out in the table below and not taxable, will be recognised in the group's Full-Year 2025 financial statements.

Consolidated gain on disposal

	£ million
Cash consideration	146.4
Contingent deferred consideration	21.1
Total consideration	**167.5**
Disposal transaction costs	(8.5)
	159.0
Net assets of CBAM at completion date	99.7
Consolidated gain on disposal	59.3

The 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 cent per annum, stepping up to 12 per cent 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 fair value of the contingent deferred consideration is estimated to be £21.1 million based on a discounted expected cash flow method.

Definitions

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 amortisation of intangible assets on acquisition, to present the performance of the group's acquired businesses consistent with its other businesses; and any exceptional and other adjusting items which do not reflect underlying trading performance

Adjusted earnings per share ("AEPS"): Adjusted profit attributable to ordinary shareholders 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

Assets under administration: Total assets for which Winterflood Business Services provide custody and administrative services

Bad debt ratio: Impairment losses in the year as a percentage of average net loans and advances to customers and operating lease assets

Bargains per day: Average daily number of Winterflood's trades with third parties

Basic earnings per share ("EPS"): Total profit attributable to ordinary shareholders and other equity owners divided by basic weighted average number of ordinary shares in issue

Bounce Back Loan Scheme ("BBLS"): UK government business lending scheme that helped small and medium-sized businesses to borrow between £2,000 and £50,000 (up to a maximum of 25% of their turnover)

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 the lending activities divided by the average net loans and advances to customers and operating lease assets

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 SICR triggers. Accounts which are credit impaired will be allocated to Stage 3

CRR: Regulation 575/2013/EU, as it forms part of the assimilated law of the United Kingdom

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: Total adjusted operating expenses divided by operating income

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

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

Funding allocated to loan book: Total available funding, excluding equity and funding held for liquidity purposes

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

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

Investment costs: Includes depreciation and other costs related to investment in multi-year projects, new business initiatives and pilots and cyber resilience. Excludes IFRS 16 depreciation

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

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. Bad debt ratio excluding Novitas only disclosed from FY21 onwards. Long-term average bad debt ratio of 1.2% based on the average bad debt ratio for FY08-H125, excluding Novitas.

Loss day: Where aggregate gross trading book revenues are negative at the end of a trading day

Managed assets or assets under management ("AuM"): Total market value of assets which are managed by Close Brothers Asset Management in one of the investment solutions

Modelled expected credit loss provision: ECL = PD x LGD x EAD

Net asset value ("NAV") per share: Total assets less total liabilities and other equity instruments, divided by the number of ordinary shares in issue excluding own shares

Net flows: Net flows as a percentage of opening managed assets calculated on an annualised basis

Net interest margin ("NIM"): Operating income generated by lending activities, including interest income net of interest expense, fees and commissions income net of fees and commissions expense, and operating lease income net of operating lease expense, less depreciation on operating lease assets, divided by average net loans and advances to customers and operating lease assets

Net stable funding ratio ("NSFR"): Regulatory measure of the group's weighted funding as a percentage of weighted assets

Operating margin: Adjusted operating profit divided by operating income

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

Recovery Loan Scheme: Launched in April 2021 as a replacement to CBILS. Under the terms of the scheme, businesses of any size that have been adversely impacted by the Covid-19 pandemic can apply to borrow up to £10 million, with accredited lenders receiving a government-backed guarantee of 80% on losses that may arise

Return on assets: Adjusted operating profit attributable to ordinary shareholders divided by total closing assets at the balance sheet date

Return on average tangible equity ("RoTE"): Adjusted operating profit attributable to ordinary shareholders divided by average total shareholder's equity, excluding intangible assets and other equity instruments

Return on net loan book ("RoNLB"): Adjusted operating profit from lending activities divided by average net loans and advances to customers and operating lease assets

Return on opening equity ("RoE"): Adjusted operating profit attributable to ordinary shareholders divided by opening equity, excluding non-controlling interests and other equity instruments

Revenue margin: Income from advice, investment management and related services divided by average total client assets. Average total client assets calculated as a two-point average

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

Secured debt: Debt backed or secured by collateral

Senior debt: Represents the type of debt that takes priority over other unsecured or more junior debt owed by the issuer. Senior debt is first to be repaid ahead of other lenders or creditors

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

Tangible net asset value ("TNAV") per share: Total assets less total liabilities, other equity instruments and intangible assets, divided by the number of ordinary shares in issue excluding own shares

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 client assets ("TCA"): Total market value of all client assets including both managed assets and assets under advice and/or administration in the Asset Management division

Total funding as percentage of loan book: Total funding divided by net loans and advances to customers and operating lease assets

Watch list: Internal risk management process for heightened monitoring of exposures that are showing increased credit risk

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” and other words and expressions of similar meaning. 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: https://www.closebrothers.com/investor-relations). 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.

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