

This announcement contains inside information

Further update in relation to motor finance commissions

14 October 2025

Following the publication of the Financial Conduct Authority (“FCA”)’s consultation paper on 7 October 2025 on a proposed industry-wide redress scheme in respect of motor finance commissions, Close Brothers Group plc (“the group”) has carried out a review of the potential financial impact of the proposed scheme.

The group’s existing provision of £165.0 million was based on a range of probability-weighted redress scenarios. The FCA consultation provides more detail on the proposed redress scheme, including the commission models that would be in scope, how unfairness would be assessed, and the proposed approach to calculation of redress. The proposals indicate that the potential financial impact would sit towards the higher end of the group’s previous scenarios.

While uncertainty in relation to the outcome of the consultation remains, the group has updated its range of probability-weighted scenarios resulting in an additional expected charge of around £135 million, increasing the total provision to approximately £300 million. This reflects a greater likelihood that more historical cases, particularly those involving Discretionary Commission Arrangements, would qualify for redress, as well as the possibility of the proposed redress methodology resulting in higher compensation levels than reflected in some of the group’s previous range of scenarios.

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

The total c.£300 million provision, which includes both redress and certain operational costs, represents the group’s current best estimate based on all available information at this stage. The ultimate cost to the group could be materially higher or lower than the estimated provision depending on the outcome of the consultation and any further legal, regulatory or industry developments.

The group remains confident in its capital strength, with a Common Equity Tier 1 (“CET1”) ratio of 13.8% (14.3% reflecting the disposal of Winterflood¹) as at 31 July 2025. The additional provision is expected to reduce the CET1 capital ratio by approximately 130 basis points on a pro-forma basis as at 31 July 2025². Taking into account the estimated CET1 benefit from the sale of Winterflood of c.55 basis points alongside the impact of the estimated provision, the pro-forma CET1 capital ratio would be c.13.0%, significantly above the group’s regulatory requirement of 9.7%.

Footnotes

1 Reflecting the estimated CET1 benefit from the sale of Winterflood. The announced sale of Winterflood is expected to increase the group's CET1 capital ratio by c.55 basis points on a pro-forma basis as at 31 July 2025, of which c.30 basis points will be recognised upon completion, with a further c.25 basis points expected in due course from the reduction in operational risk weighted assets.

2 The estimated financial impact included in this announcement is unaudited and remains subject to review as part of the group's interim and full-year audit processes.

Inside information

This announcement contains information which is deemed by the Company to constitute inside information within the meaning of the UK version of the European Union's Market Abuse Regulation ((EU) No. 596/2014). Upon the publication of this announcement via the Regulatory Information Service, the inside information is now considered to be in the public domain. The person responsible for arranging the release of this information on behalf of the Company is Sarah Peazer-Davies, Group General Counsel and Company Secretary.

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About Close Brothers

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

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