Close Brothers

This announcement contains inside information

Press Release

Trading update and dividend announcement

15 February 2024

Embargoed for release until 7.00 am on 15 February 2024.

The Board of Close Brothers Group plc ("the group") is updating the market following the announcement by the Financial Conduct Authority (the "FCA") of its review of historical motor finance commission arrangements.

There is significant uncertainty about the outcome of the FCA's review, and the timing, scope and quantum of any potential financial impact on the group cannot be reliably estimated at present. In accordance with the relevant accounting standards, the Board has concluded that it is currently not required or appropriate to recognise a provision in the group's Half-Year 2024 results in relation to this matter.

Our business continues to perform well, and we are confident in the strength of our business franchise. Our Banking division continues to deliver disciplined growth at strong margins and stable credit performance, and generated approximately £112 million of adjusted operating profit ("AOP") for the six months to 31 January 2024. Close Brothers Asset Management delivered strong annualised net inflows of 9% and Winterflood remains well placed for a recovery in investor confidence. We expect to report overall group AOP of approximately £94 million, after Group (central functions) net expenses.

The group has a strong capital, funding and liquidity position. At 31 December 2023, our Common Equity Tier 1 ("CET1") and Total capital ratios were 12.5% and 16.4% respectively, providing significant headroom over the minimum regulatory requirements[1]. Our leverage ratio, which is a measure of capital strength not affected by risk weightings, remained strong at 12.7%. Our conservative approach to funding is based on the principle of "borrow long, lend short" and we hold liquidity levels comfortably ahead of both internal risk appetite and regulatory requirements, with a Liquidity Coverage Ratio in excess of 1,000%[2].

While there is no certainty regarding any potential financial impact as a result of the FCA's review, the Board recognises the need to plan for a range of possible outcomes. It is a long-standing priority of the group to maintain a strong balance sheet and prudent approach to managing its financial resources. To that end, the Board considers it prudent for the group to further build capital strength, while supporting our customers and business franchise.

Therefore, the group will not pay any dividends on its ordinary shares for the current financial year, and the reinstatement of dividends in the 2025 financial year and beyond will be reviewed once the FCA has concluded its process and any financial consequences for the group have been assessed[3].

In addition, the Board is implementing a range of actions to further accrete capital including optimising Risk Weighted Assets and continued delivery of our cost management initiatives.

The Board is confident that these actions will further build our capital strength, leaving the group in a strong position to continue to support our customers and protect our valuable franchise. The group will provide a further update at its Half-Year 2024 results.

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, Company Secretary.

Footnotes

1 The group's capital ratios are presented on a transitional basis after the application of IFRS 9 transitional arrangements which allow banks to add back to their capital base a proportion of the IFRS 9 impairment charges during the transitional period. Without their application, the CET1 and Total capital ratios would be 12.4% and 16.2%, respectively. The applicable minimum CET1 and Total capital ratio regulatory requirements, excluding any applicable PRA buffer, were 9.5% and 13.4% respectively at 31 December 2023. The group's capital ratios are unaudited and include unverified profits net of foreseeable dividends. At 31 December 2023, the related foreseeable dividend accrual was c.£40 million or c.40 bps of CET1.

2 Liquidity Coverage ratio presented as a 12-month average to 31 December 2023.

3 This decision does not affect the payment of interest on any other capital instrument issued by the group including its Fixed Rate Resetting Additional Tier 1 Perpetual Subordinated Contingent Convertible Securities.

Financial Calendar (provisional)*

Close Brothers will release its Half-Year results for the six months ending 31 January 2024 on 19 March 2024. The provisional financial calendar for the remainder of the 2024 financial year is as follows:

Half Year Results 2024	19 March 2024
Q3 2024 Trading Update	22 May 2024
Preliminary Results 2024	24 September 2024

* *All dates are subject to change.*

Further information

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About Close Brothers

Close Brothers is a leading UK merchant banking group providing lending, deposit taking, wealth management services and securities trading. We employ approximately 4,000 people, principally in the United Kingdom and Ireland. Close Brothers Group plc is listed on the London Stock Exchange and is a constituent of the FTSE 250.

Cautionary Statement

Certain statements included or incorporated by reference within this announcement may constitute "forward-looking statements" in respect of the group's operations, performance, prospects and/or financial condition. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "will", "should", "expects", "believes", "intends", "plans", "potential", "targets", "goal" or "estimates". By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. There are also a number of factors that could cause actual future operations, performance, financial conditions, results or developments to differ materially from the plans, goals and expectations expressed or implied by these forward-looking statements and forecasts. These factors include, but are not limited to, those contained in the Group's annual report (available at: 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.

Except as may be required by law or regulation, no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser.

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