

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt as to any aspect of the proposals referred to in this document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant, or other professional adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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## **CLOSE BROTHERS GROUP plc**

(incorporated and registered in England and Wales under number 00520241)

# **Annual General Meeting**

## **18 November 2009**

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Your attention is drawn to the letter from the Chairman of Close Brothers Group plc (the “**Company**”) which is set out on pages 3 to 4 of this document and which recommends you to vote in favour of the Resolutions to be proposed at the Annual General Meeting.

**Notice of the Annual General Meeting of the Company to be held at 10 Crown Place, London, EC2A 4FT on 18 November 2009 at 11.00 a.m.** is set out on pages 5 to 10 of this document. Shareholders will also find enclosed with this document a form of proxy for use in connection with the Annual General Meeting.

Completion and return of a form of proxy will not preclude shareholders from attending and voting at the Annual General Meeting should they choose to do so. **The form of proxy must be received by 16 November 2009, not less than 48 hours before the time appointed for the Annual General Meeting.** Further instructions relating to the form of proxy are set out in the Notice of the Annual General Meeting.

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14 October 2009

### **Annual General Meeting**

Dear Shareholder,

The Annual General Meeting of the Company will be held at 10 Crown Place, London EC2A 4FT on 18 November 2009 at 11.00 a.m. The formal Notice of Annual General Meeting is set out on pages 5 to 10 of this document. If you would like to vote on the resolutions but cannot come to the Annual General Meeting, please fill in the form of proxy sent to you with this Notice and return it to our registrars as soon as possible. They must receive it not less than 48 hours before the time appointed for holding the Annual General Meeting. Lodgement of the form of proxy will not prevent you from attending and voting at the meeting.

#### **Final dividend**

Shareholders are being asked to approve a final dividend of 25.5p per ordinary share for the year ended 31 July 2009. If you approve the recommended final dividend, this will be paid on 19 November 2009 to all ordinary shareholders who were on the register of members on 9 October 2009.

#### **New Articles of Association**

We are asking shareholders to approve the adoption of new articles of association to take account of a number of developments in law applicable to companies since the current articles of association were adopted at last year's Annual General Meeting, primarily the implementation of the Shareholder Rights Directive in the UK in August 2009 and the remaining provisions of the Companies Act 2006 in October 2009. We have also taken the opportunity to revise the current articles of association in order to update the language, style and approach in line with best practice.

An explanation of the main differences of substance between the current articles of association and the new articles of association is set out in Appendix 1 to this document.

#### **Authority to allot shares and disapplication of shareholders' statutory pre-emption rights**

We are asking shareholders to authorise the Directors, for the purposes of Part XVII of the Companies Act 2006, to allot shares. Following recent changes to the Association of British Insurers' guidance, the Company is seeking, in addition to the usual general authority to allot shares up to an aggregate amount equal to one-third of the existing share capital (which as in previous years is accompanied by a disapplication of shareholders' pre-emption rights), a newly available additional authority to allot shares (but only in the context of a rights issue) up to an aggregate amount equal to one-third of the existing share capital. Overall in the case of a rights issue, the Directors on behalf of the Company could issue shares so as to enlarge the Company's share capital by an amount equal to two-thirds of the existing share capital without further shareholder authority. This would ensure that the Company has the maximum possible flexibility (consistent with evolving market practice) to respond to circumstances and opportunities as they arise. As set out in the explanatory notes to the Notice of General Meeting, the Directors have no present intention of exercising this authority.

#### **Close Brothers Omnibus Share Incentive Plan**

We are asking shareholders to approve the adoption of a new Omnibus Share Incentive Plan (the "Plan") (comprising a deferred annual bonus plan, share matching plan and long term incentive plan) to replace the Company's existing executive incentive schemes. The Remuneration Committee (all of whose members are independent non-executive directors) has conducted an extensive review of the Company's

remuneration policy for directors and senior managers. The Report of the Board on Directors' Remuneration is to be found on pages 40 to 50 of the Annual Report and Accounts for the financial year ended 31 July 2009. One consequence of the review is that the Remuneration Committee has recommended to the Board the adoption of the Plan.

The Remuneration Committee is confident that these changes will create better alignment with shareholders whilst ensuring that the remuneration package remains motivating to our management team by providing additional upside for sustained long term performance. The Remuneration Committee believes that the proposal draws on recent regulatory developments while ensuring a fair and reasonable package that is aligned to key value drivers.

The principal provisions of the Plan are set out in Appendix 2 at pages 17 to 20.

### **Explanatory notes**

The explanatory notes which appear on pages 11 to 13 of this document give further explanation of special business proposed to be passed at the Annual General Meeting.

### **Recommendation**

Your Directors unanimously consider that all the resolutions to be put to the Annual General Meeting are in the best interests of the Company and its shareholders as a whole and recommend that you vote in favour of them as we intend to do in respect of our own shareholdings.

Yours faithfully,

Strone Macpherson  
Chairman

Registered Office as above

Registered in England No 520241

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**Close Brothers Group plc**  
**NOTICE OF ANNUAL GENERAL MEETING**

Notice is hereby given that the Annual General Meeting of Close Brothers Group plc will be held at 10 Crown Place, London, EC2A 4FT on 18 November 2009 at 11.00 a.m. for the purpose of transacting the following business as ordinary resolutions (as regards resolutions 1 to 11) and as special resolutions (as regards resolutions 12 to 15).

**Ordinary Resolutions**

1. To receive the Company's 2009 Annual Report and Accounts together with the reports of the directors and auditors.
2. To approve the Report of the Board on Directors' Remuneration for the financial year ended 31 July 2009.
3. To authorise the payment of a final dividend on the ordinary shares of 25.5p per share for the year ended 31 July 2009 on 19 November 2009 to shareholders on the register at the close of business on 9 October 2009.
4. To elect Ray Greenshields, who was appointed as a director by the Board on 13 November 2008, as a director of the Company.
5. To elect Preben Prebensen, who was appointed as a director by the Board on 1 April 2009, as a director of the Company.
6. To re-elect Stephen Hodges, who retires by rotation, as a director of the Company.
7. To re-elect Strone Macpherson, who retires by rotation, as a director of the Company.
8. To reappoint Deloitte LLP as auditors of the Company.
9. To authorise the directors to determine the remuneration of the auditors.
10. To approve the establishment of the Close Brothers Omnibus Share Incentive Plan (the "**Plan**"), the principal provisions of which are summarised in Appendix 2, and to authorise the Directors to do all acts and things necessary to establish and carry the Plan into effect.
11. To authorise the Board to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:
  - (a) up to a nominal amount of £12,032,108 (such amount to be reduced by the nominal amount of any equity securities (as defined by the Companies Act 2006) allotted under paragraph (b) below in excess of £12,032,108); and
  - (b) comprising equity securities (as defined in the Companies Act 2006) up to a nominal amount of £24,064,216 (such amount to be reduced by any shares and rights to subscribe for or convert any security into shares allotted under paragraph (a) above) in connection with an offer by way of a rights issue:
    - (1) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
    - (2) to holders of other equity securities as required by the rights of those securities or as the Board otherwise considers necessary,and (for the purposes of paragraph (b) above) so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter,

such authorities to apply until the end of next year's Annual General Meeting (or, if earlier, until the close of business on 18 February 2011) but, in each case, so that the Company may make offers and enter into agreements during the relevant period which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board

may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended.

## Special Resolutions

12. That:

- (a) the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and
- (b) the Articles of Association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

13. That a general meeting other than an Annual General Meeting may be called on not less than 14 clear days' notice.

14. That, if resolution 11 is passed, the Board be given power to allot equity securities (as defined in the Companies Act 2006) for cash under the authority given by that resolution and/or where the allotment is treated as an allotment of equity securities under section 560(2)(b) of the Companies Act 2006, free of the restriction in section 561(1) of the Companies Act 2006, such power to be limited:

- (a) to the allotment of equity securities in connection with an offer of equity securities (but in the case of the authority granted under paragraph (b) of resolution 11, by way of a rights issue only):
  - (1) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and
  - (2) to holders of other equity securities, as required by the rights of those securities or, as the Board otherwise considers necessary,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matter; and

- (b) in the case of the authority granted under paragraph (a) of resolution 11 and/or in the case of any transfer of treasury shares which is treated as an allotment of equity securities under section 560(2)(b) of the Companies Act 2006, to the allotment (otherwise than under paragraph (a) above) of equity securities up to a nominal amount of £1,804,816,

such power to apply until the end of next year's Annual General Meeting (or, if earlier, until the close of business on 18 February 2011) but during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted after the power ends and the Board may allot equity securities under any such offer or agreement as if the power had not ended.

15. That the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of its ordinary shares of 25p each, subject to the following conditions:

- (a) the maximum number of ordinary shares authorised to be purchased is 14,438,530;
- (b) the minimum price (exclusive of expenses) which may be paid for an ordinary share is 25p;
- (c) the maximum price (exclusive of expenses) which may be paid for each ordinary share is the higher of:
  - (1) an amount equal to 105 per cent of the average of the middle market quotations of an ordinary share of the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is contracted to be purchased; and
  - (2) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System;

- (d) this authority shall expire at the close of the Annual General Meeting of the Company held in 2010 or 18 months from the date of this resolution (whichever is earlier); and
- (e) a contract to purchase shares under this authority may be made prior to the expiry of this authority, and concluded in whole or in part after the expiry of this authority.

By order of the Board

Registered Office:  
10 Crown Place  
London EC2A 4FT

Robin Sellers  
Company Secretary  
14 October 2009

# NOTICE OF ANNUAL GENERAL MEETING

## Notes

### Proxies and corporate representatives

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Notice. You can only appoint a proxy by using the procedures set out in these notes and the notes to the proxy form.
2. To be valid any proxy form or other instrument appointing a proxy must be received by post or (during normal business hours only) by hand at the office of the Company's registrars (Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU).

Alternatively, shareholders may appoint a proxy electronically by visiting [www.capitashareportal.com](http://www.capitashareportal.com) and following the instructions provided.

CREST members can appoint a proxy by utilising the CREST electronic appointment service in accordance with the procedures set out in Notes 8 to 11.

**IMPORTANT: in any case your proxy form must be received by the Company's registrars no later than 48 hours before the time appointed for holding the Annual General Meeting.**

3. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

### Nominated persons

4. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the Annual General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
5. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.

### Entitlement to attend and vote

6. To be entitled to attend and vote at the Annual General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 11.00 a.m. on 16 November 2009 (or, in the event of any adjournment, on the date which is 48 hours before the time of the adjourned meeting, excluding non-working days). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the meeting.

### Total voting rights

7. As at 8 October 2009 (being the latest practicable date prior to the publication of this Notice and excluding shares held in Treasury) the Company's issued share capital consists of 144,385,304 ordinary shares, carrying one vote each. Therefore, the total voting rights in the Company as at 8 October 2009 are 144,385,304.



## **CREST members**

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com/CREST](http://www.euroclear.com/CREST)). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer’s agent (ID RA10) by not less than 48 hours before the time appointed for holding the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

## **Audit statements**

12. Under section 527 of the Companies Act 2006 members meeting the threshold requirements set out in that section have the right to require the Company to publish on a website a statement setting out any matter relating to: (i) the audit of the Company’s accounts (including the auditor’s report and the conduct of the audit) that are to be laid before the Annual General Meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company’s auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the Annual General Meeting includes any statement that the Company has been required under section 527 of the Companies Act 2006 to publish on a website.

## **Members’ right to ask questions**

13. Any member attending the meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

**Electronic publication**

14. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found on the Company's website ([www.closebrothers.co.uk](http://www.closebrothers.co.uk)).

**Inspection of documents**

15. The following documents will be available for inspection at the registered office of the Company (10 Crown Place, London, EC2A 4FT) from 9.00 am on the day of this Notice until the end of the Annual General Meeting:

- Copies of the executive directors' service contracts;
- Copies of letters of appointment of the non-executive directors;
- The rules of the proposed Close Brothers Omnibus Share Incentive Plan; and
- A copy of the proposed new articles of association of the Company and a copy of the existing memorandum and articles of association.

**Communication**

16. You may not use any electronic address provided either in this Notice of Annual General Meeting or any related documents (including the Chairman's letter and proxy form) to communicate with the Company for any purpose other than those expressly stated.

## Close Brothers Group plc

### EXPLANATORY NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Resolutions 1 to 11 are proposed as ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 12 to 15 are proposed as special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

The notes on the following pages give an explanation of resolutions 4 to 7 and 10 to 15 only, on the basis that these resolutions are in respect of the re-election of directors and the special business to be transacted at the 2009 AGM.

#### Resolutions 4-7: Re-election of Directors

Resolutions 4 to 7 are seeking approval for the election or re-election of Messrs Greenshields, Prebensen, Hodges and Macpherson as Directors. Biographical details of Messrs Greenshields, Prebensen, Hodges and Macpherson are set out on pages 8 to 9 of the Annual Report and Accounts for the financial year ended 31 July 2009.

#### Resolution 10: Close Brothers Omnibus Share Incentive Plan

Resolution 10 would authorise the establishment of the Close Brothers Omnibus Share Incentive Plan (the "Plan"), and would authorise the Directors to do all acts and things necessary to establish and carry out the Plan. The principal terms of the Plan are summarised in Appendix 2 of this document at pages 17 to 20.

The Remuneration Committee is confident that these changes will create better alignment with shareholders' interests whilst ensuring that the remuneration package remains motivating to our management team by providing additional upside for sustained long term performance. The Committee believes that the proposal draws on recent regulatory developments while ensuring a fair and reasonable package that is aligned to key value drivers.

#### Resolution 11: General authority to allot

Paragraph (a) of resolution 11 would give the Directors the authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares up to an aggregate nominal amount equal to £12,032,108 (representing 48,128,432 ordinary shares of 25p each). This amount represents approximately one-third of the issued ordinary share capital (excluding treasury shares) of the Company as at 8 October 2009, the latest practicable date prior to publication of this Notice.

In line with guidance issued by the Association of British Insurers, paragraph (b) of resolution 11 would give the Directors authority to allot ordinary shares or grant rights to subscribe for or convert any securities into ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £24,064,216 (representing 96,256,864 ordinary shares), as reduced by the nominal amount of any shares issued under paragraph (a) of resolution 11. This amount (before any reduction) represents approximately two-thirds of the issued ordinary share capital (excluding treasury shares) of the Company as at 8 October 2009, the latest practicable date prior to publication of this Notice.

The Directors note that members of the Association of British Insurers will expect all directors wishing to remain in office to stand for re-election at the next Annual General Meeting of the Company following the decision to make a share issue using the additional authority to allot envisaged in paragraph (b) where the aggregate actual usage of the authorities to allot exceeds one-third of the existing share capital at the time of issue as regards nominal amount and the monetary proceeds of the share issue (whether in whole or part by way of a fully pre-emptive rights issue) exceed one-third (or such lesser relevant proportion) of the Company's pre-issue market capitalisation.

Your Directors recommend that the Company should be able to issue shares pursuant to paragraph (b) so that the Company has the maximum possible flexibility (consistent with evolving market practice) to respond to circumstances and opportunities as they arise.

The authorities sought under paragraphs (a) and (b) of resolution 11 will expire at the earlier of 18 February 2011 and the conclusion of the Annual General Meeting of the Company held in 2010.

Other than in respect of options in issue, the Directors have no present intention to exercise either of the authorities sought under this resolution.

As at the date of this Notice 5,224,911 ordinary shares were held by the Company in Treasury.

#### **Resolution 12: Adoption of new articles of association**

Resolution 12 would allow the Company to adopt new articles of association (the “**New Articles**”) in order to update the Company’s current articles of association (the “**Current Articles**”) primarily to take account of the coming into force of the Companies (Shareholders’ Rights) Regulations 2009 (the “**Shareholders’ Rights Regulations**”) and the implementation of the last parts of the Companies Act 2006. We are also taking the opportunity to revise the Current Articles in order to update the language, style and approach in line with best practice.

Since your Directors are proposing a large number of changes to the existing Articles, it is more appropriate to adopt the New Articles, rather than amend the Current Articles. There are a number of substantive changes proposed, which are summarised in Appendix 1. Other changes, which are of a minor, technical or clarifying nature and also some changes which merely reflect changes made by the Companies Act 2006 or the Shareholders’ Rights Regulations, or conform the language of the New Articles with current best practice or that used in the model articles for public companies produced by the Department for Business, Innovation and Skills have not been noted in Appendix 1.

The New Articles and the Current Articles are available for inspection at the registered office of the Company during normal business hours on any business day from the date of this circular up to the date of, and during, the Annual General Meeting. Copies of both versions will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to, and during, the meeting. Until 13 November 2009 you may also ask for a copy of the proposed New Articles free of charge, by writing to the Company Secretary at the Company’s registered office.

#### **Resolution 13: Notice of general meetings**

Resolution 13 would allow the Company to hold general meetings on 14 clear days’ notice. Changes made to the Companies Act 2006 by the Shareholders’ Rights Regulations increase the notice period required for general meetings of the Company to 21 clear days unless shareholders approve a shorter notice period, which cannot however be less than 14 clear days. (AGMs will continue to be held on at least 21 clear days’ notice.)

Until the coming into force of the Shareholders’ Rights Regulations on 3 August 2009, the Company was able to call general meetings other than an annual general meeting on 14 clear days’ notice without obtaining such shareholder approval. In order to preserve this ability, Resolution 13 seeks such approval. The approval will be effective until the Company’s next Annual General Meeting, when it is intended that a similar resolution will be proposed.

Note that the changes to the Companies Act 2006 mean that, in order to be able to call a general meeting on less than 21 clear days’ notice, the Company must make a means of electronic voting available to all shareholders for that meeting. The Company is in compliance with this requirement.

#### **Resolution 14: General power to disapply pre-emption rights**

Resolution 14 would give the Directors the authority to allot ordinary shares (or sell any ordinary shares which the Company elects to hold in Treasury) for cash without first offering them to existing shareholders in proportion to their existing shareholdings.

This authority would be, similar to previous years, limited to allotments or sales in connection with pre-emptive offers and offers to holders of other equity securities if required by the rights of those shares or as the Board otherwise considers necessary, or otherwise up to an aggregate nominal amount of £1,804,816 (representing 7,219,264 ordinary shares). This aggregate nominal amount represents approximately 5% of the issued ordinary share capital of the Company as at 8 October 2009, the latest practicable date prior to publication of this Notice. In respect of this aggregate nominal amount, the Directors confirm their intention to follow the provisions of the Pre-Emption Group’s Statement of Principles regarding cumulative usage of

authorities within a rolling 3-year period where the Principles provide that usage in excess of 7.5% should not take place without prior consultation with shareholders.

The authority will expire at the earlier of 18 February 2011 and the conclusion of the Annual General Meeting of the Company held in 2010.

#### **Resolution 15: Purchase of own shares**

Resolution 15 would give the Company the right to make market purchases of its own shares.

The authority in respect of 14,438,530 ordinary shares (10% of the Company's ordinary share capital in issue (excluding treasury shares) at 31 July 2009 and 8 October 2009 (the latest practicable date prior to the publication of this letter)) will expire at the earlier of 18 May 2011 and the conclusion of the Annual General Meeting to be held in 2010 (whichever date is earlier). The resolution specifies the maximum and minimum prices at which shares may be bought. Share purchases would only be made where the Directors believed that they were in the best interests of the Company, would promote the success of the Company and would enhance earnings per share, taking into account other available investment opportunities and the overall financial position of the group. Shares purchased under this authority become treasury shares which the Company can cancel or hold for sale for cash or use to meet the obligations under the Company's employee share schemes.

The total number of rights and options to subscribe for equity shares outstanding at 8 October 2009 related to 6,701,587 ordinary shares, representing 4.64% of the Company's ordinary share capital in issue (excluding treasury shares). If the full authority to purchase shares (both the existing authority and that sought at the 2009 Annual General Meeting) were to be used then those rights and options to subscribe for equity shares would represent 5.87% of the Company's issued share capital (excluding treasury shares) at 8 October 2009.

## **APPENDIX 1 EXPLANATORY NOTES OF MATERIAL CHANGES TO THE COMPANY'S ARTICLES OF ASSOCIATION**

### **1. The Company's objects**

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum. The Companies Act 2006 provides that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the Company. Under the Companies Act 2006 the objects clause and all other provisions which are contained in a company's memorandum, for existing companies at 1 October 2009, are deemed to be contained in the company's articles of association but the company can remove these provisions by special resolution.

Further, the Companies Act 2006 states that unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason the Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are treated as forming part of the Company's articles of association as of 1 October 2009. Resolution 12 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

### **2. Articles which replicate statutory provisions**

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main to be removed in the New Articles. This is in line with the approach advocated by the Government that statutory provisions should not be replicated in a company's constitution.

### **3. Change of name**

Under the Companies Act 1985, a company could only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the Directors to pass a resolution to change the Company's name.

### **4. Authorised share capital and unissued shares**

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital and the New Articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes.

### **5. Redeemable shares**

Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead, provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the Directors would need shareholders' authority to issue new shares in the usual way.

### **6. Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital**

Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable

reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have been removed in the New Articles.

## **7. Use of seals**

Under the Companies Act 1985, a company required authority in its articles to have an official seal for use abroad. Under the Companies Act 2006, such authority will no longer be required. Accordingly, the relevant authorisation has been removed in the New Articles.

The New Articles provide an alternative option for execution of documents (other than share certificates). Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

## **8. Suspension of registration of share transfers**

The Current Articles permit the Directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has been removed in the New Articles.

## **9. Number of directors**

In line with Association of British Insurers' recommendations and market practice to set a maximum number of directors, the New Articles stipulate a maximum number of fifteen directors.

## **10. Directors' fees**

The New Articles increase the aggregate annual limit on fees payable to Directors from £600,000 to £1,000,000. This is to enable the Board to continue recruiting and paying non-executive Directors in line with the market rate.

## **11. Indemnity of directors**

The New Articles provide a permissive, rather than mandatory, indemnity for Directors, consistent with market practice. It is proposed that individual indemnities will be entered into with each Director in due course (again, consistent with market practice).

## **12. Vacation of office by directors**

The Current Articles specify the circumstances in which a Director must vacate office. The New Articles update these provisions to treat physical illness in the same manner as mental illness (in line with the approach taken on mental and physical incapacity in the model articles for public companies produced by the Department for Business, Innovation and Skills).

## **13. Voting by proxies on a show of hands**

The Shareholders' Rights Regulations have amended the Companies Act 2006 so that it now provides that each proxy appointed by a member has one vote on a show of hands unless the proxy is appointed by more than one member in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The New Articles remove provisions in the Current Articles dealing with proxy voting on the basis that these are dealt with in the Companies Act 2006 and contain a provision clarifying how the provision of the Companies Act 2006 giving a proxy a second vote on a show of hands should apply to discretionary authorities.



#### **14. Voting by corporate representatives**

The Shareholders' Rights Regulations have amended the Companies Act 2006 in order to enable multiple representatives appointed by the same corporate member to vote in different ways on a show of hands and a poll. The New Articles remove provisions in the Current Articles dealing with voting by corporate representatives on the basis that they are dealt with in the Companies Act 2006.

#### **15. Electronic conduct of meetings**

Amendments made to the Companies Act 2006 by the Shareholders' Rights Regulations specifically provide for the holding and conducting of electronic meetings. The New Articles reflect more closely the relevant provisions.

#### **16. Chairman's casting vote**

The New Articles remove the provision giving the chairman a casting vote in the event of an equality of votes as this is no longer permitted under the Companies Act 2006.

#### **17. Notice of general meetings**

The Shareholders' Rights Regulations amend the Companies Act 2006 to require the company to give 21 clear days' notice of general meetings unless the company offers members an electronic voting facility and a special resolution reducing the period of notice to not less than 14 clear days has been passed. Annual general meetings must be held on 21 clear days' notice. The New Articles remove provisions in the Current Articles dealing with notice of general meetings on the basis that this is dealt with in the Companies Act 2006.

#### **18. Adjournments for lack of quorum**

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The New Articles reflect this requirement.

#### **19. Voting record date**

Under the Companies Act 2006 as amended by the Shareholders' Rights Regulations the Company must determine the right of members to vote at a general meeting by reference to the register not more than 48 hours before the time for the holding of the meeting, not taking account of days which are not working days. The New Articles remove provisions in the Current Articles dealing with the voting record date on the basis that this is dealt with in the Companies Act 2006.

#### **20. General**

Generally, the opportunity has been taken to revise the Current Articles in order to update the language, style and approach in line with best practice (including conforming some articles with the Uncertificated Securities Regulations 2001 and the model articles for public companies produced by the Department for Business, Innovation and Skills) as well as to take account of a number of developments in law applicable to companies since the Current Articles were adopted at last year's Annual General Meeting, primarily the implementation of the Shareholder Rights Directive in the UK in August 2009 and the remaining provisions of the Companies Act 2006 in October 2009.



## APPENDIX 2 SUMMARY OF MAIN PROVISIONS OF THE CLOSE BROTHERS OMNIBUS SHARE INCENTIVE PLAN

### A. General Provisions

#### 1. Administration of the Plan

The Plan will be administered by the Remuneration Committee of the Board (the "Committee"). All of the members of the Committee are independent non-executive Directors and are not eligible to participate in the Plan.

#### 2. Eligibility

Participants in the Plan will be selected by the Committee. Participants will be limited to employees and executive directors of the Company and its subsidiaries who, in the case of Directors, are required to devote substantially the whole of their working time to their duties to the group.

#### 3. Awards

Awards may take one of three forms. An award may be a deferred right to receive Shares or a right to acquire Shares for a nominal consideration. Alternatively, an award may take the form of a transfer to the participant of Shares but on terms that those Shares may be forfeited. It is intended that the initial grant of awards will be in the form of conditional awards.

Awards will be personal to the participant and may not be transferred. No payment will be required for the grant of an award. Awards may be granted either by the Company or by the trustee of an employee trust.

#### 4. Shares

The shares to be used for the purposes of the Plan will be fully-paid ordinary shares in the Company and may be newly issued shares, treasury shares or shares purchased in the market.

Application will be made to the London Stock Exchange for admission to the Official List of any new shares issued under the Plan. Ordinary shares issued under the Plan will rank equally in all respects with existing ordinary shares except for any rights attaching to the shares by reference to a record date prior to the date of allotment.

#### 5. Variation of Capital

In the event of any variation in the share capital of the Company (including a capitalisation or rights issue or any sub-division, consolidation or reduction in the share capital of the Company) or in such other circumstances as the Committee considers appropriate, the Committee may make such adjustment as it considers appropriate to the number of shares subject to any award.

#### 6. Amendments

The rules of the Plan may be amended by the Committee. The Committee may make such amendments to the Plan and to any award as may be necessary or desirable to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the group.

Except as described above and for amendments designed to ease the administration of the Plan, no amendment which is to the advantage of existing or future participants may, however, be made to those provisions dealing with eligibility, individual or plan limits, the terms of awards or the adjustment of awards without prior approval of the Company in general meeting.

No amendment will prejudice the subsisting rights of any participants under the Plan except with the prior consent of each participant so affected.

No further awards may be granted after the tenth anniversary of shareholder approval of the Plan.

## **7. Timing**

Awards may be granted within six weeks of the date on which the Plan is approved by shareholders. Thereafter, awards may normally only be granted in the six weeks following the announcement of the results of the Company for any period and when or shortly after an employee becomes entitled to participate in the Plan.

## **8. Benefits non-pensionable**

Benefits under the Plan will not form part of a participant's remuneration for pension purposes.

## **9. Limits**

The number of shares which may be issued or allotted by the Company pursuant to the Plan on any date, when aggregated with the number of shares issued or issuable pursuant to rights granted in the previous 10 years under any other share option or share acquisition scheme operated by the Company, may not exceed 10 per cent. of the equity share capital in issue or, in respect of plans for the benefit of selected employees and directors, 5 per cent of the equity share capital of the Company in issue from time to time. For the purposes of these limits treasury shares will be treated as new issue shares for so long as this is required by ABI guidelines.

## **B. Provisions for Deferred Bonus Plan and Share Matching Plan**

### **10. Awards**

The first award under the Plan will be made in respect of bonuses paid for the 2010 financial year.

Under the Deferred Bonus Plan any bonus earned over 100% of the eligible employee's annual salary will be deferred into shares. These Deferred Awards will not vest for a period of 2 years but are not subject to performance targets.

In addition, under the Share Matching Plan, employees can voluntarily choose to invest up to 100% of salary from their total annual bonus (including any part of the bonus earned over 100% of annual salary) into Invested Awards. These Invested Awards will not vest for a period of 3 years.

Where Invested Awards are to be held for 3 years then they may also receive matching shares subject to a performance target being satisfied over a 3 year performance period. The Committee will determine the matching ratio for each matching award but the maximum ratio will be 2 matching shares for each share subject to an Invested Award.

### **11. Performance targets**

All Matching Awards must be granted subject to a performance target which, in normal circumstances, will be measured over a period of not less than three years. The achievement of the performance target will normally be a condition precedent to the right to the release of the Matching Award Shares. The Committee may change the performance target from time to time if events happen which make it fair and reasonable to do so but not so as to make the performance target, in the opinion of the Committee, materially easier or more difficult to satisfy than it was when the award was first granted. A summary of the performance targets for awards granted to executive directors of the Company will be disclosed in the annual report each year.

It is intended that the initial Awards will be subject to the same targets summarised for the Long Term Incentive Plan.

### **12. Release of Award Shares**

Matching Awards will vest, if at all, shortly after the Committee has determined whether or not the performance target has been met subject to the participant having retained his Invested Award throughout the period from the date of grant. Where the award takes the form of a right to acquire Shares, it may be exercised during such period as the Committee may have specified at the date of grant ending not later than 10 years after grant.

In the case of Deferred Awards and Invested Awards, the Award Shares will either be released automatically to the participant or, as the case may be, will cease to be subject to forfeiture after the expiry of the two or three year respective retention period.

### **13. Cessation of employment**

If a participant ceases to be a director or employee of the member of the group before the normal vesting date by reason of death, ill health, injury or disability, retirement at his normal retirement age, his office or employment being in a company which ceases to be a Group Member or any other reason if the Committee so decides then his Matching Award shall vest on the normal vesting date subject to the achievement of the performance target and being time pro rated so as to reflect the proportion of time from the grant date to the normal vesting date which has elapsed by the date of such cessation.

The Committee will, however, have discretion to vest Matching Awards earlier than the normal vesting date. The Awards will lapse if a participant ceases employment in any other circumstances.

Deferred Awards and Invested Awards will vest on cessation of employment unless the employment ends for cause, or the participant's bankruptcy or where the participant joins another financial services company within 12 months of the date when his employment ceases, in which case the awards shall lapse.

### **14. Change of control, reorganisation etc**

In the event of a change of control or a winding up of the Company or a scheme of arrangement affecting the Company then awards will vest at the relevant date subject to achievement of the performance target as adjusted to reflect the earlier date of vesting on a time pro rated basis to reflect the proportion of time from the grant date to the normal vesting date which has elapsed by the date of such change of control, or in respect of such greater number of shares as the Committee may determine. In making any determination, the Committee will consider the nature of the transaction (e.g. whether it is recommended), the additional value created for shareholders, the Company's performance against the performance targets over the period to the date of the relevant event and the estimated performance against such targets over the full performance period.

In the event of a change of control of the Company, participants may, with the agreement of the acquiring company, surrender their awards in return for substitute awards over shares in the acquiring company.

## **C. Provisions for Long Term Incentive Plan**

### **15. Awards**

The maximum annual value of an award will not exceed 200% of the participant's base pay. It is intended that the majority of the initial awards will be at lower levels. Awards will be subject both to the achievement of performance targets at the date of grant and also to continued employment.

### **16. Performance targets**

Each award will be subject to one or more performance targets which will determine whether and to what extent the participant will receive shares under the Plan.

The performance target(s) will be established at the start of the performance period. In normal circumstances, the performance period will be three consecutive financial years.

For the initial awards, the Committee intends that 1/3rd of each award will be subject to a requirement that the growth in the Company's adjusted earnings per share over the performance period must exceed the rate of inflation over that period by 3% with maximum vesting at 10%. In addition, a further 1/3rd of the award will be subject to a further target based on the Company's total shareholder return (that is to say, share price growth plus re-invested dividends) over the performance period being at least 10% with maximum vesting at 20%. The relevant part of a participant's award will lapse if the Company's performance is below the lower level; 25% will vest at the lower level and 100% at the top level. For performance between the two levels, the award will vest on a sliding scale.

The remaining 1/3rd of the award will be subject to a target which is based on a number of long term business improvement goals (strategic clarity, people, capital and balance sheet management,

risk/compliance and financial KPIs) which focus on integrating the Company's operations, improving efficiency and processes and improving the Company's scalability. 25% of this part of the award will vest at threshold performance, with 100% vesting at exceptional performance and no vesting at below threshold performance.

The Committee has the right to alter a performance target in such circumstances as it considers appropriate but not so as to make the performance target either materially easier or more difficult to achieve than it was when the award was first granted.

The Committee has the right to set different targets each year. Those applicable to awards granted to the executive directors of the Company will be disclosed in the Annual Report each year.

#### **17. Release of shares**

The participant may exercise his award (where the award takes the form of a right to acquire) or Shares will be issued or transferred (where the award takes the form of a right to receive) after the results for the final year of the performance period are known but in any event not earlier than the third anniversary of the Award's grant date.

#### **18. Cessation of Employment**

If a participant ceases to be a director or employee of a member of the group before the normal vesting date by reason of death, ill health, injury or disability, retirement at his normal retirement age, his office or employment being in a company which ceases to be a Group Member or any other reason if the Committee so decides then his award shall vest on the normal vesting date subject to the achievement of performance and being time pro rated so as to reflect the proportion of time from the grant date to the normal vesting date which has elapsed by the date of such cessation.

The Committee will, however, have discretion to vest awards earlier than the normal vesting date. The Awards will lapse if a participant ceases employment in any other circumstances.

#### **19. Change of control**

In the event of a change of control or a winding up of the Company or a scheme of arrangement affecting the Company then awards will vest at the relevant date subject to achievement of the performance target as adjusted to reflect the earlier date of vesting on a time pro rated basis to reflect the proportion of time from the grant date to the normal vesting date which has elapsed by the date of such change of control, or in respect of such greater number of shares as the Committee may determine. In making any determination, the Committee will consider the nature of the transaction (e.g. whether it is recommended), the additional value created for shareholders, the Company's performance against the performance targets over the period to the date of the relevant event and the estimated performance against such targets over the full performance period.

In the event of a change of control of the Company, participants may, with the agreement of the acquiring company, surrender their awards in return for substitute awards over shares in the acquiring company.