Interim Results
H1 2016

8 March 2016

Close Brothers
Modern Merchant Banking

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Agenda

1. **Introduction – Preben Prebensen, Group Chief Executive**
2. Financial review – Jonathan Howell, Group Finance Director
3. Business update – Preben Prebensen, Group Chief Executive
4. Q&A

Introduction

Solid performance in more challenging market conditions

- Continued to **generate strong returns** and **growth in earnings,** AEPS +5% to 61.1p
  - Maintained **prudent underwriting** and **strong financial position**

- **Banking performed well**, in line with expectations at this stage of the cycle
  - Loan book +4% with **growth across our markets**
  - **Strong returns** above the long-term average
  - **Ongoing investment** in current and future growth opportunities

- **Securities continued to trade profitably** in difficult market conditions

- **Asset Management** delivered **good net inflows** and **increased profits** despite tough market conditions

- **19.0p interim dividend, +6%**
  - Progressive dividend policy

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Financial highlights

Solid performance

£ million	H1 2016	H1 2015[1]	% change
Banking	108.4	106.4	2%
Securities	6.8	10.3	(34%)
Asset Management	8.4	5.1	65%
Group	(12.4)	(13.2)	(6%)
Adjusted operating profit	**111.2**	**108.6**	**2%**
Adjusted EPS	**61.1p**	**58.2p**	**5%**
RoE	**17.9%**	**18.8%**	
Dividend per share	**19.0p**	**18.0p**	**6%**

- **AOP up 2% to £111 million**
  - **Continued growth in Banking**
  - **Securities** impacted by difficult market conditions
  - Continued progress in **Asset Management**
- **Adjusted EPS +5%** to **61.1p**
- Maintained **strong RoE** at 17.9%
- **DPS up 6%** to 19.0p

Note:
1 Continuing operations.

Income statement

Continued earnings growth and ongoing investment

£ million	H1 2016	H1 2015	% change
Adjusted operating income	**341.0**	**330.4**	**3%**
Adjusted operating expenses	(213.1)	(202.5)	5%
Impairment losses	(16.7)	(19.3)	(13%)
Adjusted operating profit	**111.2**	**108.6**	**2%**
Tax	(20.1)	(22.2)	(9%)
Profit attributable to shareholders (continuing operations)	**88.6**	**84.1**	**5%**
Profit from discontinued operations[1]	-	11.2	
Basic EPS (continuing operations)	59.7p	56.9p	5%
Basic EPS (inc discontinued operations)	59.7p	64.5p	(7%)

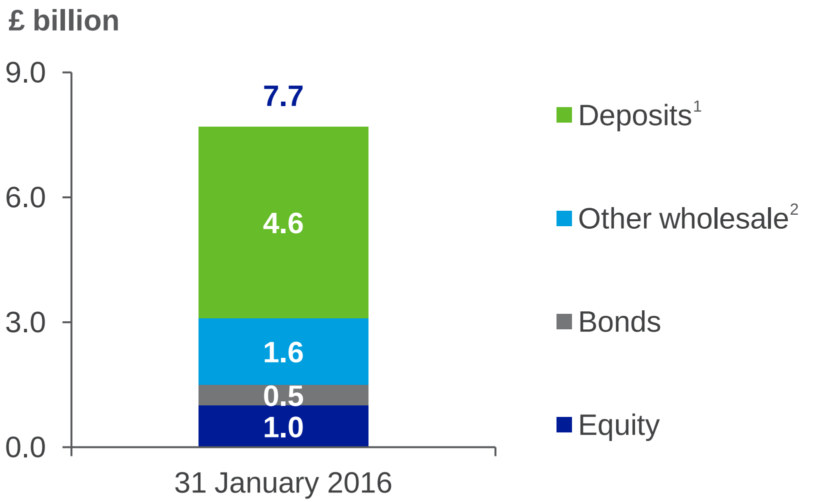
Note:
1 Per completion accounts, profit from discontinued operations includes profit from disposal of £10.3 million and profit after tax of £0.9 million from Seydler up to the date of disposal (5 January 2015).

- **Revenues +3%** to £341 million
  - Continued growth in Banking and Asset Management
- **5% increase in expenses** with ongoing investment in the businesses
- **Impairments** at long-term low
  - Continue to benefit from benign credit environment
- **18.5% effective tax rate**
  - Benefit from write-up of deferred tax assets

Conservative funding and liquidity

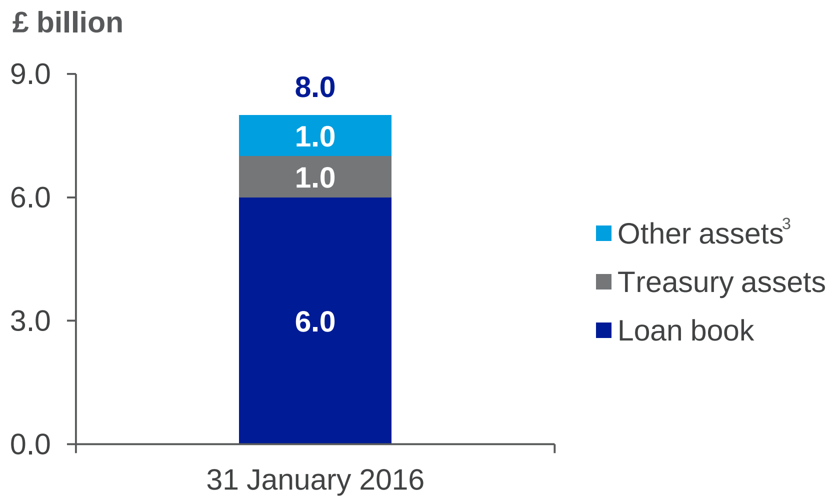
Maintain prudent position

Diverse funding sources



- £7.7 billion total **funding**
  - **Maintained diversity** and covers 129% of our loan book
- **Borrow long, lend short**
  - **67% loan book** covered by **term funding** with average maturity of 30 months

High quality asset base



- £6.0 billion **high quality loan book**
  - **Predominantly secured** (c.90%)
  - **Short-term maturity** of 14 months
- **Strong liquidity position** with £1.0 billion treasury assets
  - Majority held in **high quality liquid assets**
  - £0.2 billion certificates of deposit

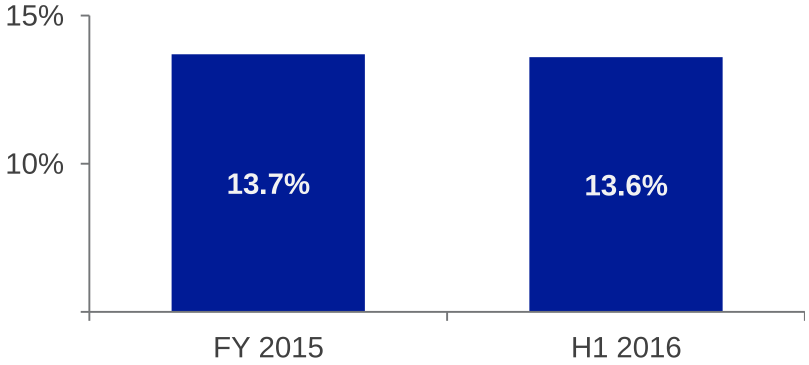
Notes:
1 Includes both retail and corporate deposits.
2 Includes securitisations, subordinated debt and Funding for Lending.
3 Other assets include securities assets and other assets.

Close Brothers

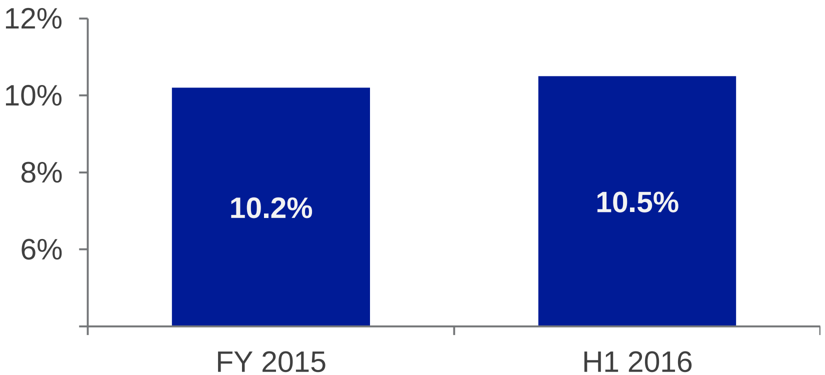
Prudent capital position

Strong CET1 maintains flexibility

Group CET1 ratio



Group leverage ratio[1]



Notes:
1 The leverage ratio is calculated as tier 1 capital as a percentage of total balance sheet assets, adjusting for certain capital deductions, including intangible assets, and off balance sheet exposures.

£ million	31 January 2016	31 July 2015	% change
Common equity tier 1 capital	846	813	4%
Total regulatory capital	870	848	3%
Risk weighted assets	6,218	5,932	5%

- **Capital position remains strong**
  - **CET1** ratio **13.6%** and **leverage ratio 10.5%**
- **Generating capital** though strong profitability
- **RWAs +5%** reflecting loan book growth
- **Maintained flexibility** for growth and changing regulatory requirements

Banking

Delivering strong returns

£ million	H1 2016	H1 2015	% change
Adjusted operating income	**258.1**	**244.8**	**5%**
Adjusted operating expenses	(133.0)	(119.1)	12%
Impairment losses	(16.7)	(19.3)	(13%)
Adjusted operating profit	**108.4**	**106.4**	**2%**
Return on net loan book[1]	**3.7%**	**4.0%**	
RoE	25%	28%	
Expense/income ratio	52%	49%	

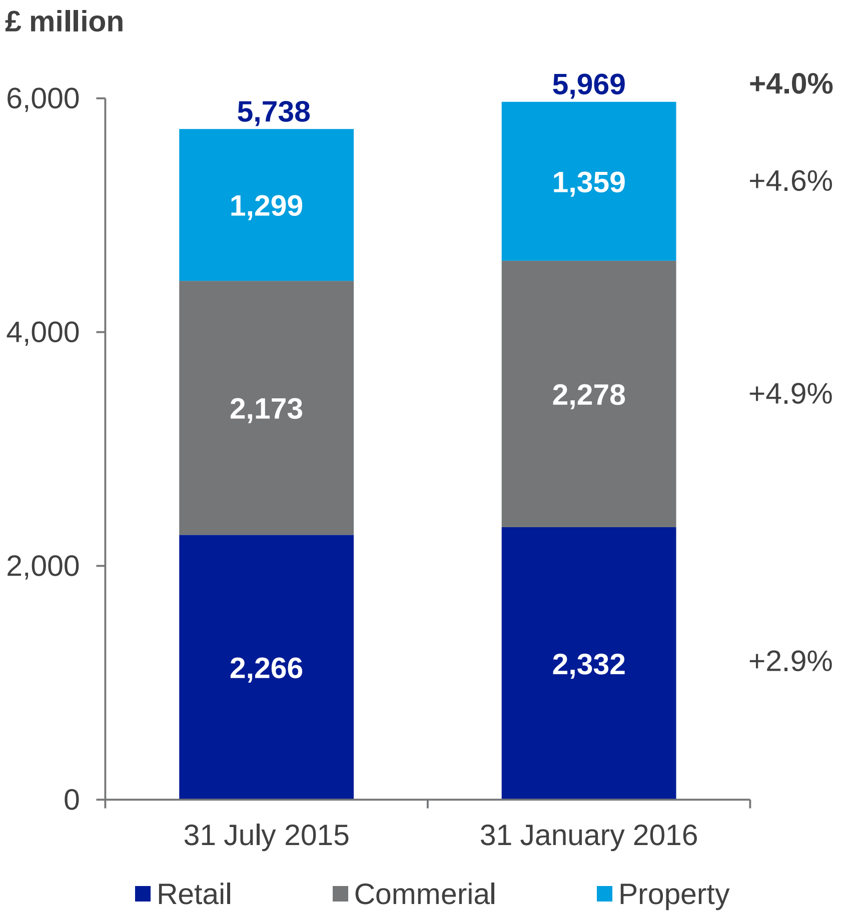
- **Income** up **5%** to **£258 million**
  - Growth across most businesses
- £133 million **expenses up 12%**
  - Ongoing investment in growth initiatives
- **Bad debt** reduced further in benign market conditions
- **3.7% RoNLB** remains ahead of 10 year average

Note:
1 Adjusted operating profit on average net loans and advances to customers.

Banking

Solid growth

Loan book size by business unit

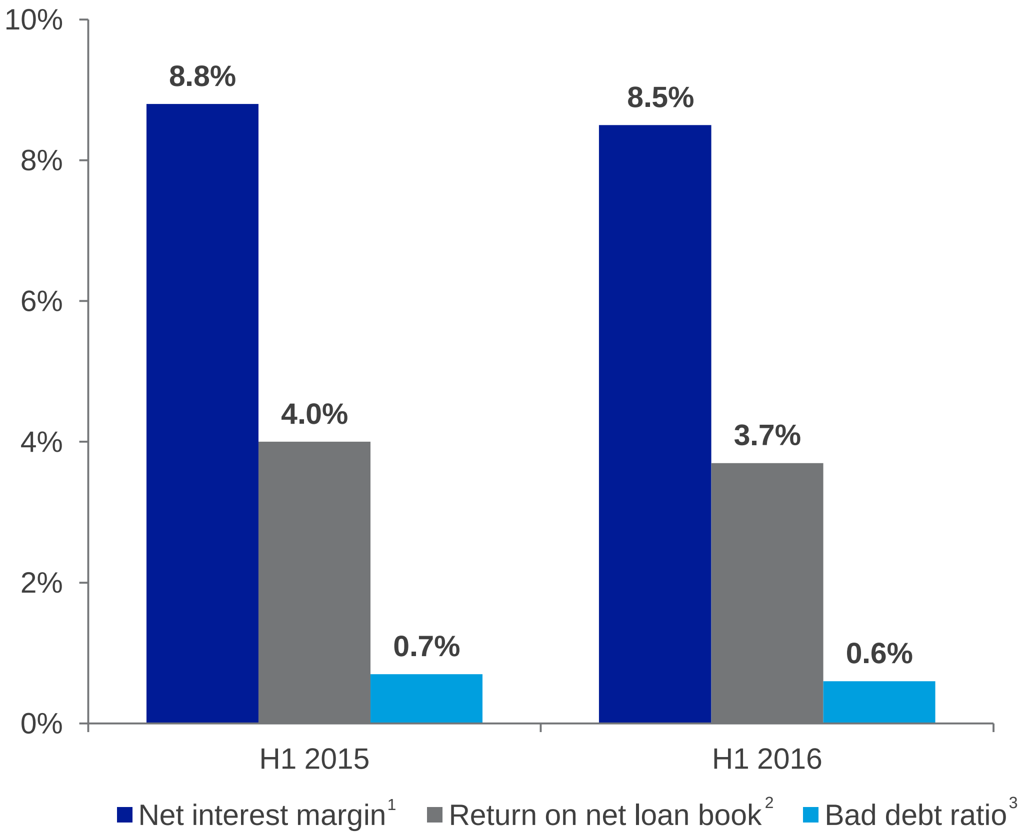


- **4.0% loan book growth to £6.0 billion**
  - With **good demand** across our markets
- **Retail increased 2.9%**
  - Continued growth in motor finance with **strong market volumes**
  - Premium growth driven by **new broker relationships**
- **Commercial increased 4.9%**
  - **Good levels of new business** continue in asset finance
- **Property increased 4.6%**
  - **Robust demand** for residential development finance

Banking

Key ratios remain strong

Performance ratios



Notes:
1 Net interest and fees on average net loan book.
2 Adjusted operating profit on average net loan book.
3 Impairment losses on average net loan book.

- **0.6% bad debt ratio** a long-term low
  - **Favourable economic environment** and **long-term credit quality**
- **Net interest margin of 8.5%**
  - Remains strong despite continued price competition
- **Strong returns maintained**
  - **3.7% RoNLB** benefits from lower impairments

Securities

Continued profitability despite challenging market conditions

Winterflood results

£ million	H1 2016	H1 2015	% change
Adjusted operating income[1]	**35.2**	**41.9**	**(16%)**
Adjusted operating expenses	(28.4)	(31.6)	(10%)
Adjusted operating profit[1]	**6.8**	**10.3**	**(34%)**
Average bargains per day	51k	55k	
Operating margin	19%	25%	
RoE	14%	21%	
Loss days	13	10	

- **Difficult market conditions** in the first half
  - Falling equity markets, increased volatility and lower activity
- **£35 million income,** down 16%
  - **Trading income** reduced due to tough markets conditions
- **£28 million expenses,** down 10%
  - Reflects **flexible cost base**
- **£7 million AOP**
  - Continued to **trade profitably**
  - Includes £1.9 million benefit from remaining Euroclear disposal
- Maintained **leading market position**

Notes:
1 *Income and adjusted operating profit include proceeds from the disposal of shares in Euroclear of £3.7 million (2015: £6.7 million) and £1.9 million (2015: £3.4 million) respectively.*

Asset Management

Continued progress

£ million	H1 2016	H1 2015	% change
Adjusted operating income	**47.0**	**43.3**	**9%**
Income on client assets	44.9	42.9	5%
Advice and other services	16.7	17.2	(3%)
Investment management	28.2	25.7	10%
Other income	2.1	0.4	
Adjusted operating expenses	(38.6)	(38.2)	1%
Adjusted operating profit[1]	**8.4**	**5.1**	**65%**
RoE	29%	23%	
Operating margin	18%	12%	
Revenue margin[2]	90bps	86bps	

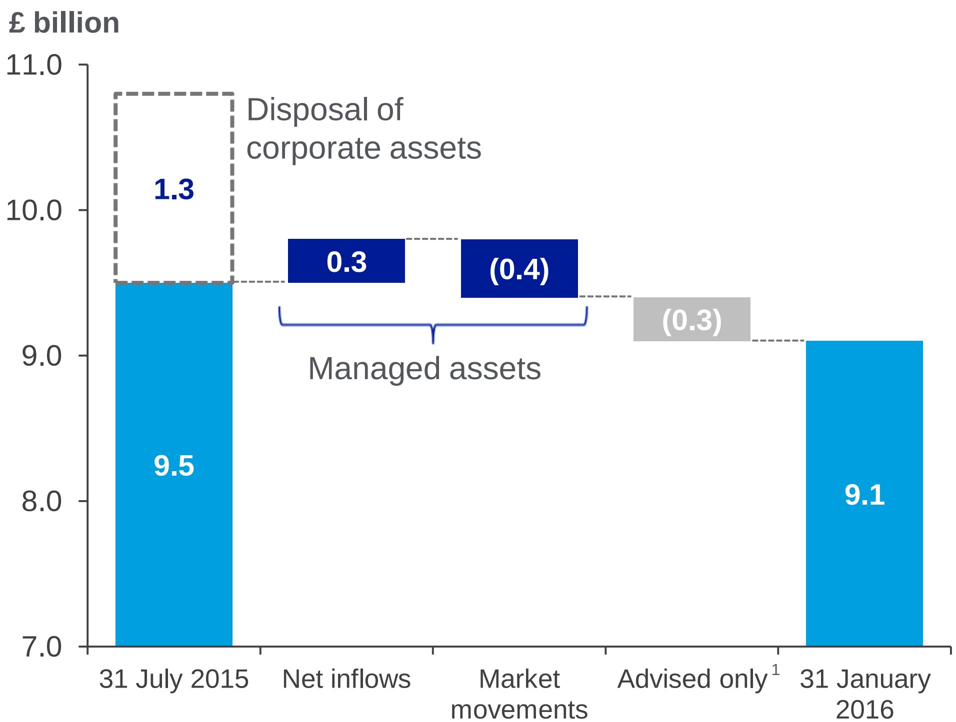
- **Income** up 9% to **£47 million**
  - 10% increase in **investment management** income
- **Revenue margin increase** to 90bps
  - **Reflecting disposal** of lower margin corporate assets
- **Expenses broadly stable** at £39 million
  - Reflects good **operating leverage**
- **18% operating margin**
  - Includes benefit of disposal (£2 million)

Notes:
1 Adjusted operating profit includes £1.9 million profit on disposal and £0.4 million trading profit in the period (2015: trading loss £0.4 million) relating to the corporate business.
2 Income on client assets over average total client assets.

Asset Management

Good net inflows

Total Client Assets



£ billion	31 Jan 2016	31 July 2015	Change £bn	Change %
Total managed	7.2	8.0	(0.8)	(9%)
Advised only	1.9	2.8	(0.9)	(33%)
Total client assets	**9.1**	**10.8**	**(1.7)**	**(15%)**

- **Good net inflows** £0.3 billion / 8% managed assets[2]
- **Total client assets reduced** to £9.1 billion
  - Disposal £1.3 billion corporate assets **completed** in the period
- **£7.2 billion managed assets** down 9% in first half
  - Primarily reflecting **impact of disposal** (£0.7 billion managed assets)
  - Net inflows offset by **negative market movements**

Notes:
1 Includes both net flows and market movements in relation to advised only assets.
2 Calculated on an annualised basis.

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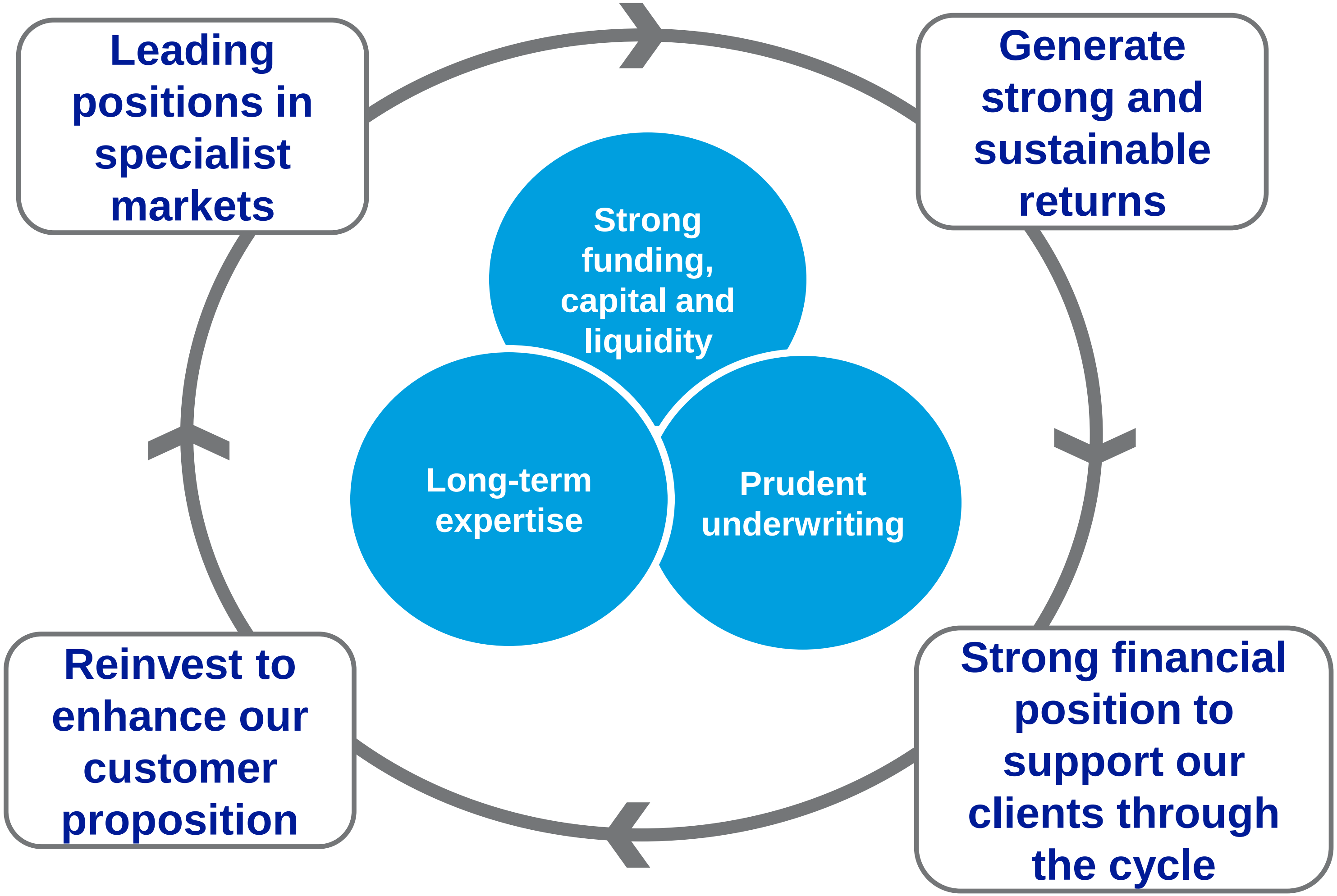
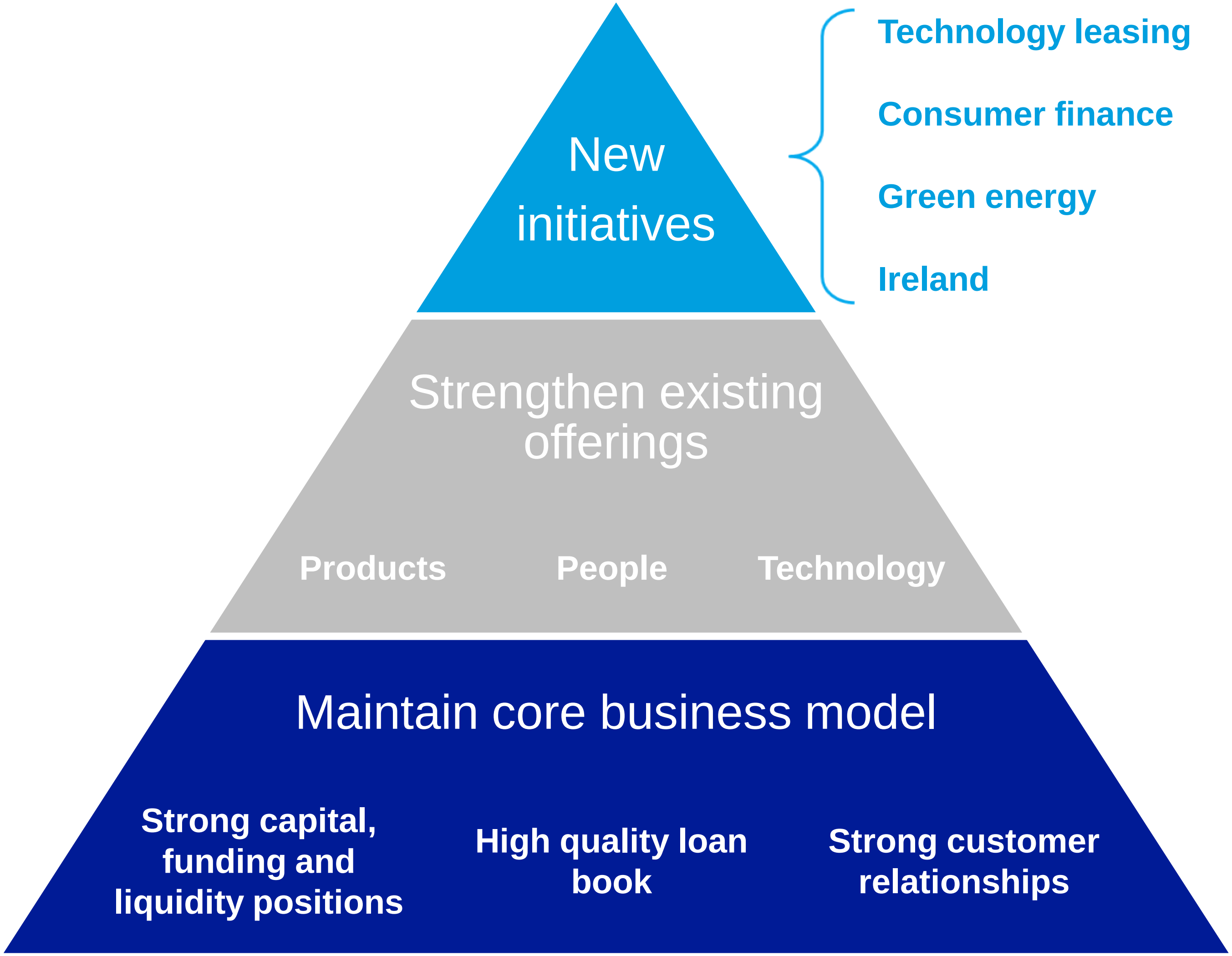
Overview

Well positioned for the long-term



Banking

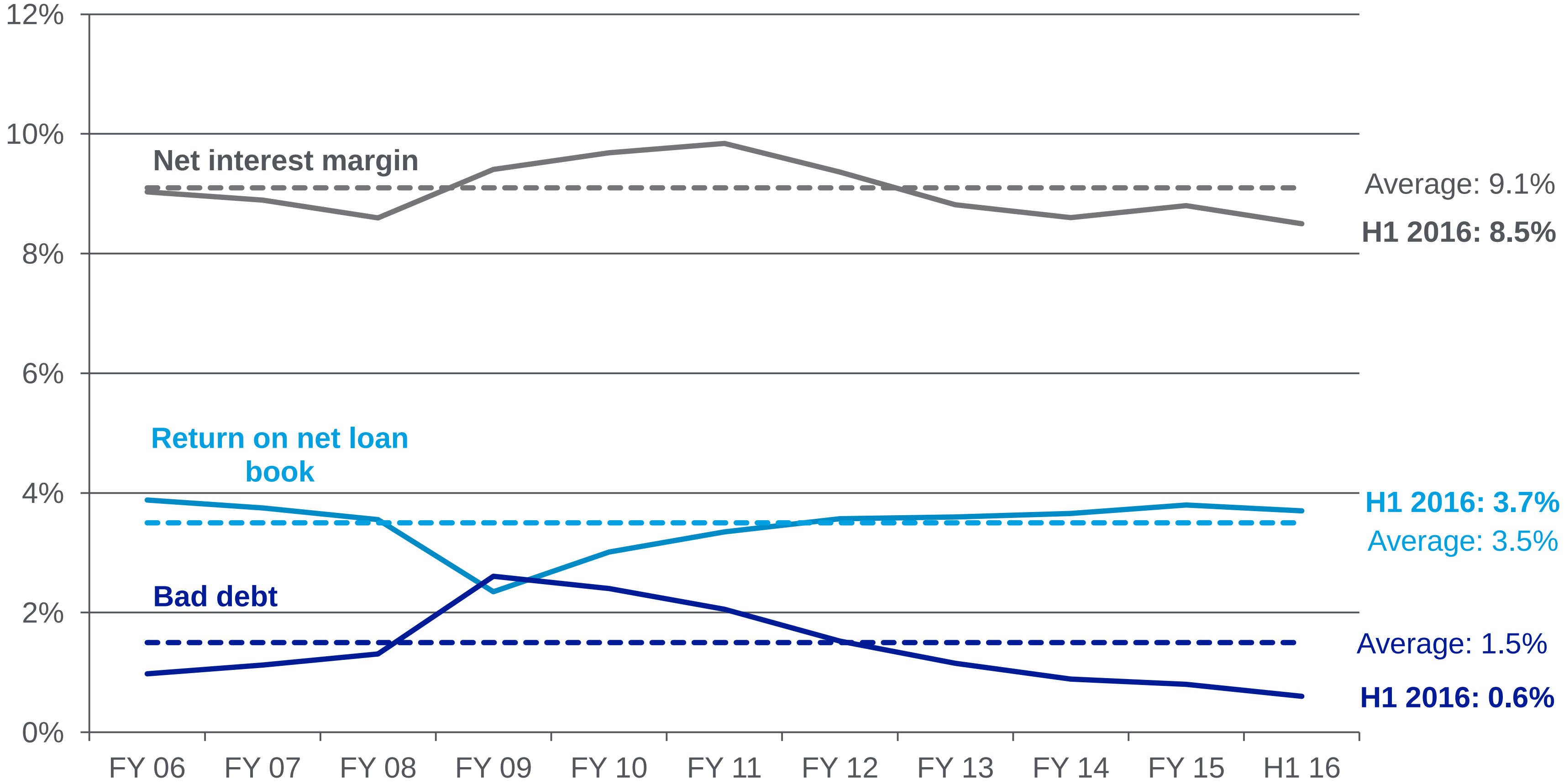
Strong profitability generates opportunity for investment



Banking

Track record of strong returns through the cycle

Long-term trends



Winterflood

Well positioned in difficult markets

Difficult market conditions

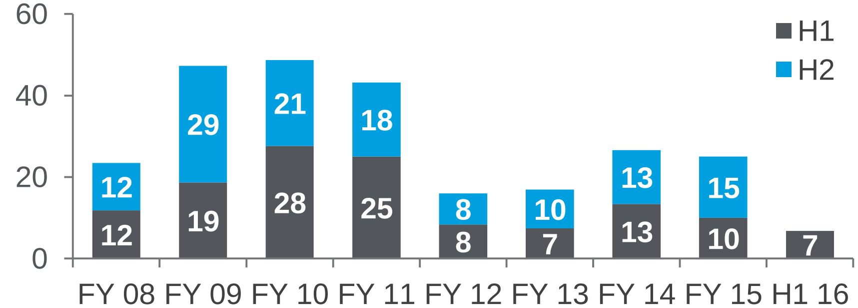
- **Falling equity markets** and **lower levels of activity**
  - Market retail volumes down 10% in the first half

Well positioned

- **Strong brand and trusted trading partner**
  - Bespoke, efficient and flexible trading solution offered by expert traders
- **Strong proprietary technology**
  - Electronic platform allows large volume of trades and price requests to be handled
- **Largest UK market maker** for retail brokers dealing in over 15,000 securities

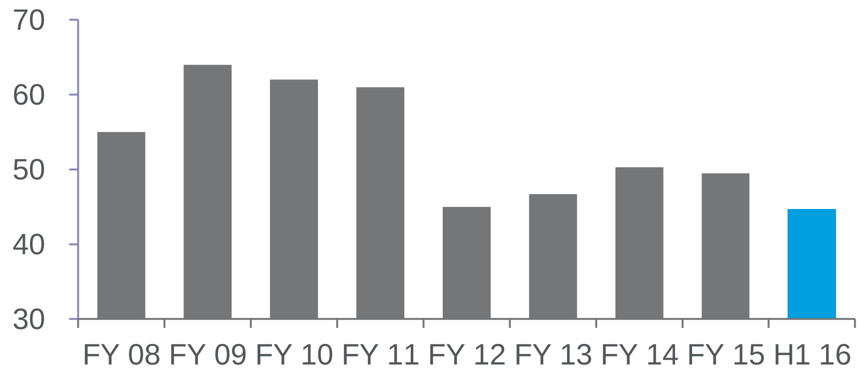
Adjusted operating profit

£ million



	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	H1 16
Loss days	14	7	4	1	13	8	4	14	13

UK retail trading volumes[1]



Note:
[1] Average daily volumes in respect of UK equity trading on a 'principal to agent' basis across the LSE and ISDX.

Asset Management

Continued progress

Well positioned

- **Integrated approach**
  - Financial advice and investment management
- **Client focused**
  - Long-term relationships
- **Range of funds** and investment managers

Ongoing development

1. **Adviser force**
   Recruitment
   Training
   Acquisitions
2. **Distribution**
   Seminar activity
   Migrations
   IFAs
3. **Products**
   Integrated retirement solution

Continued progress

- **Good net inflows**
  - Breadth of distribution
- **Increasing profit**
  - Operating leverage
- **Industry awards**

Conclusion

Well positioned for the long term

- **Long track record of growth and profitability** throughout the cycle

- Businesses remain **well positioned**

  - Continued **growth opportunities** for Banking in existing and new markets
    - **Investing** to extend and protect our **successful business model**
    - Maintaining **prudent underwriting** and **strong returns**

  - Winterflood is **sensitive** to market conditions but remains **well positioned**

  - Expect **continued net inflows** and **progress** in Asset Management

- Expect **satisfactory outcome** for the full year

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H1 2016

Appendix

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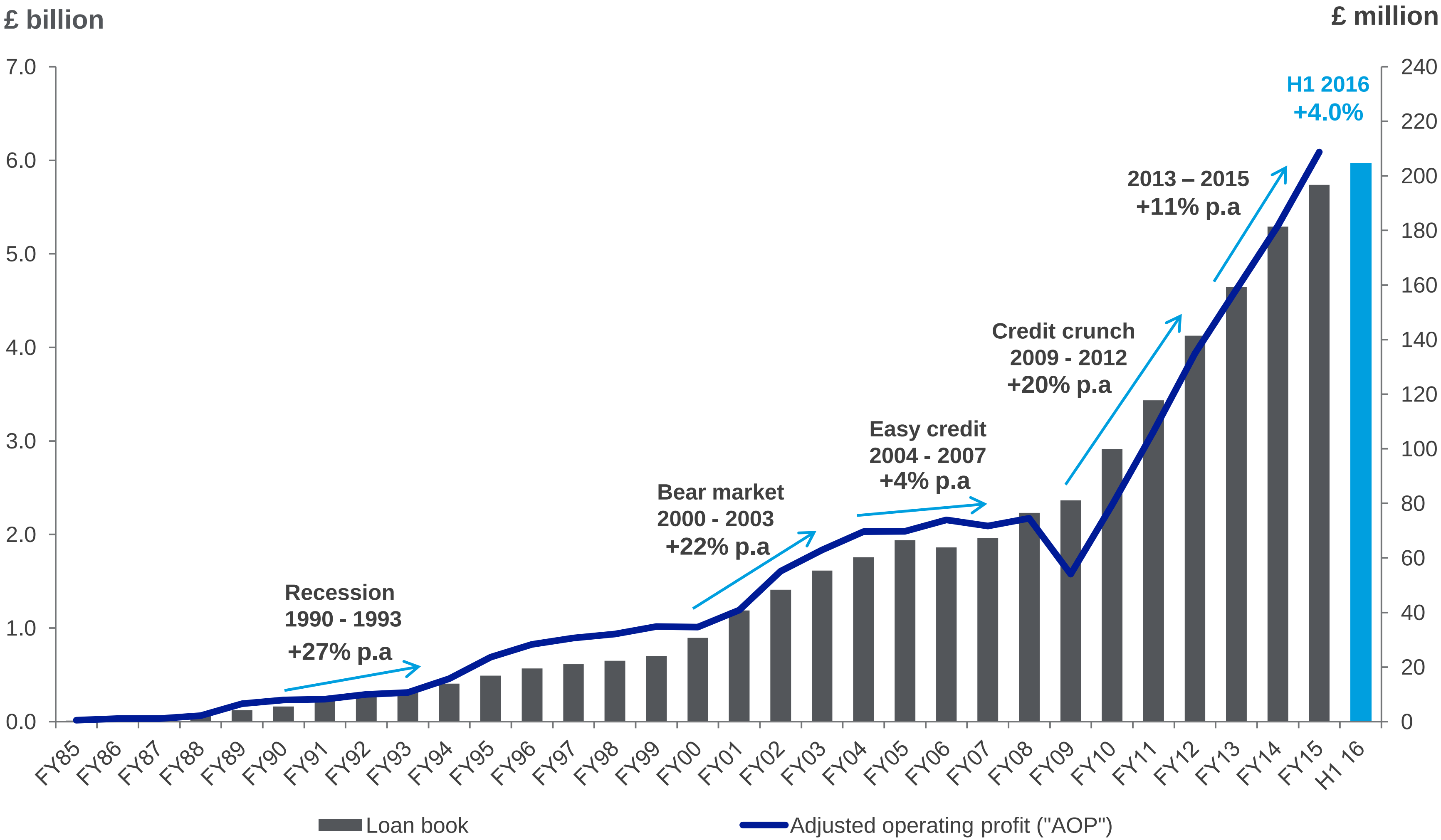
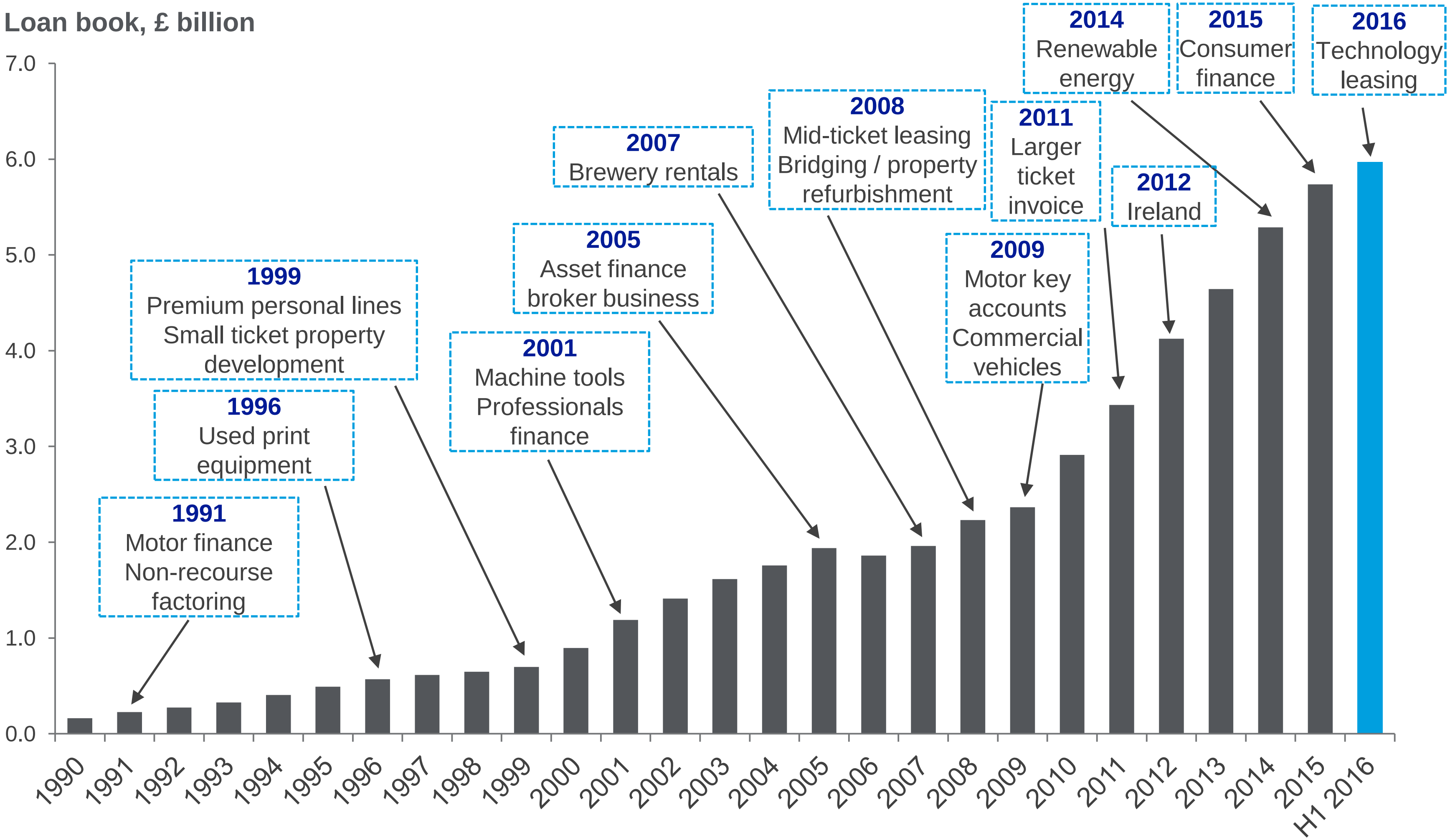
Proven track record

Long history of profitable growth through the cycle



New growth initiatives

Long history of developing new products and entering adjacent markets



Banking

Loan book and lending statistics by business

	Closing loan book (£m)	H1 2016 loan book growth	Typical LTV[1]	Average loan size[2]	Typical loan maturity[3]	Number of customers
Motor finance	1,633.3	2.1%	75 – 85%	£6k	2 – 3 years	300k
Premium finance	699.0	5.0%	90%	£500	10 months	1.9m
Asset finance	1,905.9	6.1%	85 – 90%	£35k	40 months	27k
Invoice finance	372.4	(1.1%)	80%	£300k	2 – 3 months	1.1k
Property finance	1,358.2	4.6%	50 - 60%	£1.2m	6 – 18 months	800

Notes: Lending statistic figures are for illustrative purposes only.
[1] Typical LTV on new business. Motor Finance is based on the retail price of the vehicle financed. Premium finance LTV based on premium advanced.
[2] Approximations at 31 January 2016.
[3] Typical loan maturity for new business on a behavioural basis.

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Close Brothers Group plc
10 Crown Place
London EC2A 4FT

020 7655 3100

enquiries@closebrothers.com
www.closebrothers.com