

Close Brothers Group

Preliminary results 2009

29 September 2009

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Agenda

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



Agenda

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Financial highlights

Summary income statement, continuing operations⁽¹⁾

£ million, year to 31 July	2009	2008	% change
Adjusted operating income	502.1	452.7	11%
Adjusted operating expenses	(328.5)	(297.7)	10%
Impairment losses on loans and advances	(59.9)	(27.5)	118%
Adjusted operating profit	113.7	127.5	(11%)
<i>of which:</i>			
<i>Banking</i>	54.0	74.5	(28%)
<i>Asset Management</i>	12.0	32.6	(63%)
<i>Securities</i>	64.9	38.7	68%
<i>Group</i>	(17.2)	(18.3)	(6%)
Expense / income ratio ⁽²⁾	68%	67%	
Compensation ratio ⁽³⁾	42%	43%	

Notes:

(1) Results from continuing operations for 2008 and 2009 exclude both the trading result and gain on sale of the Corporate Finance division, the sale of which completed on 1 July 2009

(2) Adjusted operating expenses on adjusted operating income, excluding associate income

(3) Total staff costs excluding exceptional items on adjusted operating income, excluding associate income



Financial highlights

Summary income statement, continuing operations (continued)

£ million	2009	2008	% change
Adjusted operating profit	113.7	127.5	(11%)
Exceptional items and other adjustments			
<i>of which:</i>			
<i>Exceptional expenses</i>	<i>(6.0)</i>	<i>(9.1)</i>	
<i>Impairment of goodwill</i>	<i>(19.0)</i>	-	
<i>Amortisation of intangibles on acquisition</i>	<i>(0.4)</i>	-	
Operating profit before tax	88.3	118.4	(25%)
Tax	(26.1)	(32.1)	
Minority interests	(0.3)	(1.0)	
Profit attributable to shareholders – continuing operations	61.9	85.3	(27%)
Basic EPS (continuing operations)	43.6p	58.3p	(25%)
Adjusted EPS⁽¹⁾ (continuing operations)	60.5p	63.7p	(5%)
Ordinary dividend per share	39.0p	39.0p	-

Note:

(1) Before exceptional items, impairment losses on goodwill and amortisation of intangible fixed assets on acquisition



Discontinued operations – Corporate Finance

Sale completed in July 2009, net cash consideration £67 million

£ million	2009	2008	% change
Trading (loss) / profit after tax	(2.0)	6.3	
Non taxable gain on disposal	12.4	-	
Profit from discontinued operations	10.4	6.3	
Minority interests	(0.6)	(1.6)	
Profit attributable to shareholders – discontinued operations	9.8	4.7	
Profit attributable to shareholders – continuing and discontinued operations	71.7	90.0	(20%)
Basic EPS from continuing and discontinued operations	50.5p	61.5p	(18%)



Financial highlights

Summary balance sheet

£ million	31 July 2009	31 July 2008	Change
Assets			
Cash and loans and advances to banks	198.2	309.3	(111.1)
Settlement balances, long trading positions and loans to money brokers	728.9	656.8	72.1
Loans and advances to customers	2,364.9	2,232.2	132.7
Non trading debt securities ⁽¹⁾	2,261.3	2,098.9	162.4
Intangible assets	107.6	134.4	(26.8)
Other assets	358.4	321.1	37.3
Total assets	6,019.3	5,752.7	266.6
Liabilities			
Settlement balances, short trading positions and loans from money brokers	590.7	556.9	33.8
Deposits by banks	48.0	298.2	(250.2)
Deposits by customers	2,919.6	2,641.7	277.9
Borrowings	1,436.9	1,241.5	195.4
Other liabilities	326.4	294.0	32.4
Total liabilities	5,321.6	5,032.3	289.3
Equity	697.7	720.4	(22.7)
Total liabilities and equity	6,019.3	5,752.7	266.6

Note:

(1) Excludes long trading positions in debt securities



Funding and liquidity

Remain soundly funded

Funding position as at 31 July 2009

- **Diversified** funding model by raising longer term **retail deposits** for increased resilience and flexibility
- Core **corporate deposit** base has proven its **resilience** in financial market turmoil
- **Wholesale** facilities average maturity of 24 months, with £1.4 billion over 12 months

£ million	31 July 2009	31 July 2008	Change
Drawn facilities ⁽¹⁾	1,409.7	1,227.3	182.4
Undrawn facilities	392.6	588.0	(195.4)
Deposits by customers > 12 months	888.8	36.6	852.2
Deposits by customers < 12 months ⁽²⁾	2,029.7	2,605.1	(575.4)
Equity	697.7	720.4	(22.7)
Total available funding	5,418.5	5,177.4	241.1

Notes:

A detailed maturity profile is provided in the Appendix

(1) Drawn facilities exclude £27.2 million (2008: £14.2 million) of non-facility overdrafts included in total borrowings in the preliminary results announcement

(2) Excludes £1.1 million of deposits (2008: £nil) held within the Securities division



Capital

Strong capital position maintained

£ million	31 July 2009	31 July 2008
Core tier 1 capital	581.9	547.2
Total regulatory capital	651.6	613.6
Risk weighted assets (notional) ⁽¹⁾	3,936.8	3,804.0
Core tier 1 capital ratio	14.8%	14.4%
Total capital ratio	16.6%	16.1%

Note:

(1) Notional risk weighted assets include a notional adjustment for Pillar 1 operational and market risk requirements



Banking

Key figures

£ million	2009	2008	% change
Adjusted operating income	235.5	207.1	14%
Adjusted operating expenses	(121.6)	(105.1)	16% ⁽¹⁾
Impairment losses on loans and advances	(59.9)	(27.5)	118%
Adjusted operating profit	54.0	74.5	(28%)
Closing loan book	2,365	2,232	6%
Bad debt ratio	2.6%	1.3%	
KFRs			
Operating margin	23%	36%	
Expense / income ratio	52%	51%	
Compensation ratio	28%	30%	
Return on net loan book ⁽²⁾	2.3%	3.6%	
Return on opening capital	12%	18%	

Notes:

(1) Increase in adjusted operating expenses includes £11 million impact of acquisitions made in 2008 and 2009

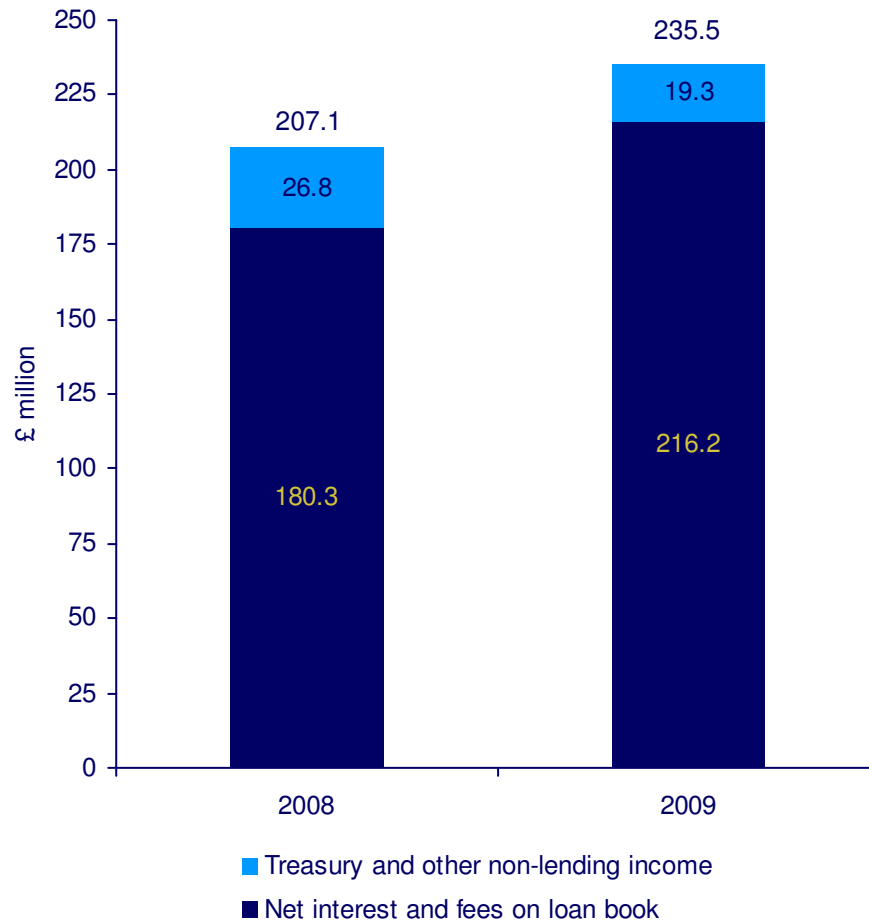
(2) Banking division adjusted operating profit before tax on the average net loan book



Banking

Income analysis

Adjusted operating income by type



Key metrics

- **Net interest and fees on loan book** increased 20% to £216 million
 - **Average loan book** increased 10% to £2,299 million (2008: £2,097 million)
 - Maintained a **strong net interest margin⁽¹⁾** of 9.4% (2008: 8.6%) despite increase in funding costs
- **Treasury and other non-lending income** reduced by 28% to £19 million impacted by lower interest income on deposits and higher funding costs

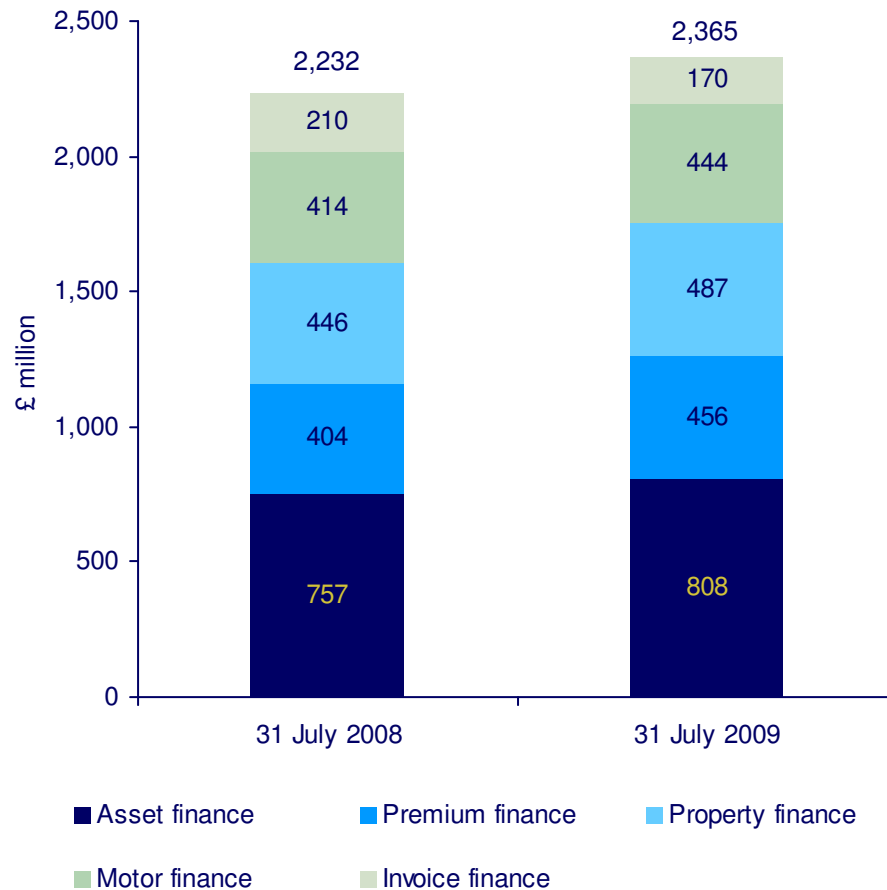
Note:

(1) Net interest and fees on average net loans and advances to customers



Banking

Loan book analysis

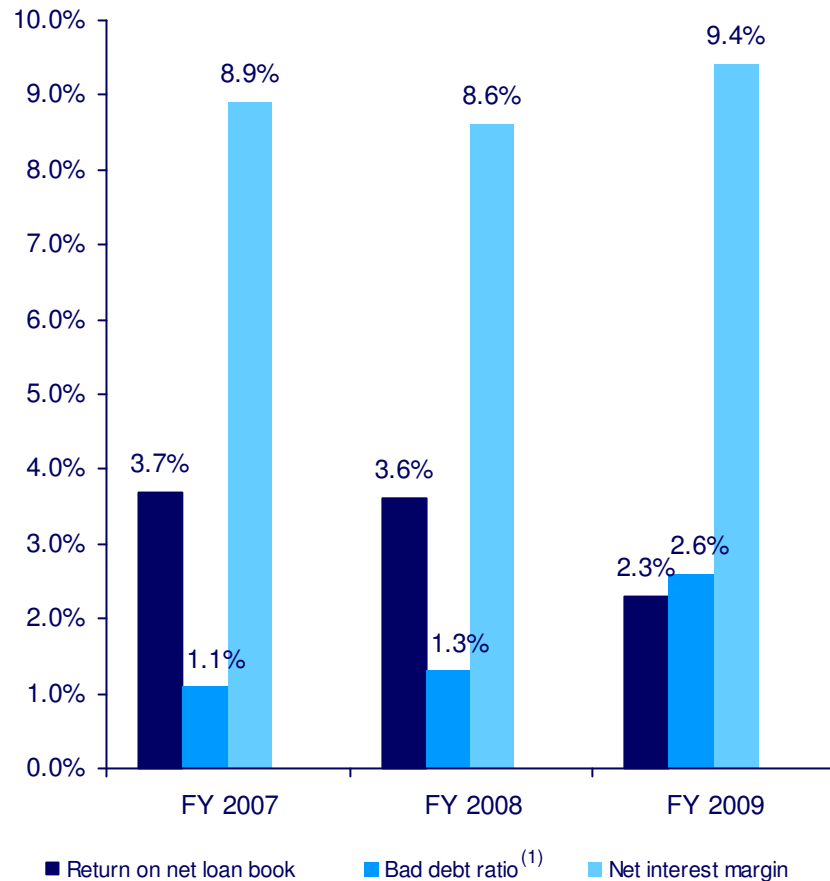


- **6% growth** in loans and advances to customers to £2.4 billion (2008: £2.2 billion)
 - £80 million premium finance loan book acquired in August 2008
 - **2% organic growth**
- **Good demand** in asset, motor and property finance
- **Have maintained cautious approach** to new lending in difficult economic environment



Banking

Bad debt analysis



- Bad debt ratio of **2.6%** (2008: 1.3%)
 - Impact of **difficult economic environment** on borrowers
 - Higher bad debts **across the loan book**
 - **Property** remains a significant contributor
- Benefit from **secured** lending model, high quality **collateral** and **prudent** lending criteria
- Despite increase in bad debts to 2.6%, we had a **return on net loan book of 2.3%**

Note:

(1) Impairment losses on average net loans and advances to customers



Asset Management

Key figures

£ million	2009	2008	% change
Adjusted operating income	95.0	133.5	(29%)
Adjusted operating expenses	(83.0)	(100.9)	(18%)
Adjusted operating profit	12.0	32.6	(63%)
Closing FuM	6,839	8,195	(17%) ⁽¹⁾
KFRs			
Operating margin ⁽²⁾	13%	24%	
Expense / income ratio	87%	76%	
Compensation ratio	57%	48%	
Return on opening capital ⁽³⁾	6%	17%	

Notes:

(1) Includes £708 million (9%) impact of deconsolidation of Close Brothers Private Equity, Close Ventures Limited and Close Growth Capital

(2) Excludes associate income, exceptional items, impairment losses on goodwill and amortisation of intangible fixed assets on acquisition

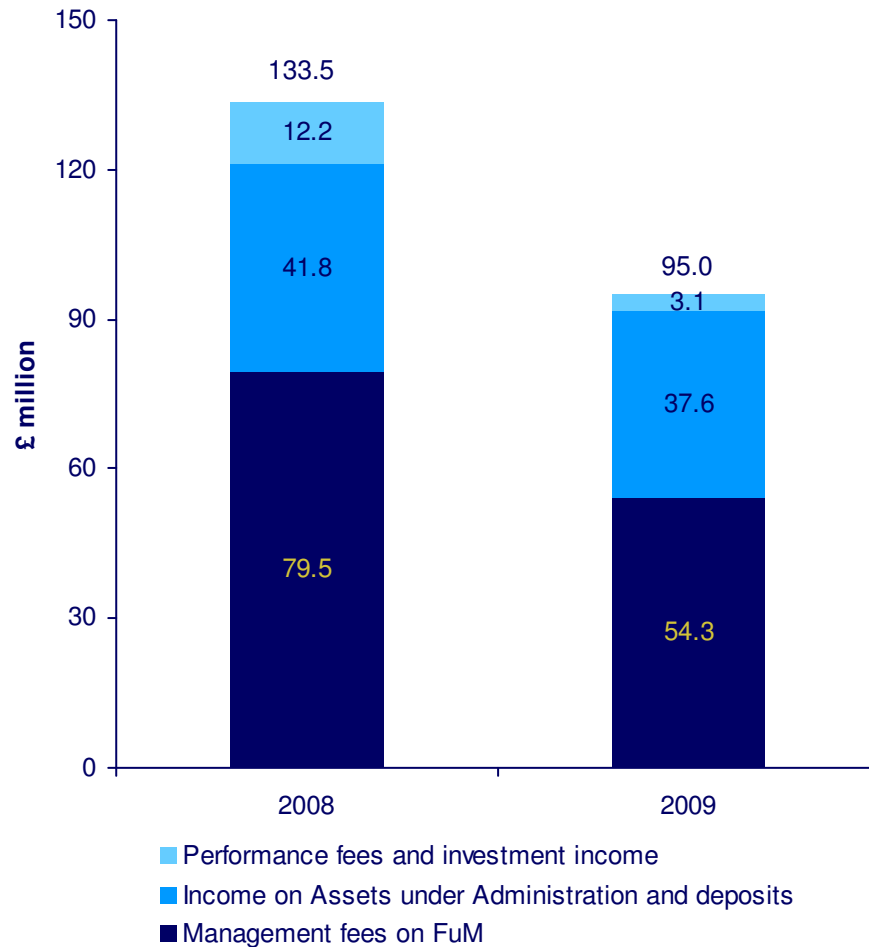
(3) Adjusted operating profit after tax and minority interests on opening total equity



Asset Management

Income analysis

Adjusted operating income by type



- **Management fees** reduced 32% to £54 million
 - **Average FuM** 13% lower at £7.5 billion (2008: £8.7 billion)
 - **Revenue margin⁽¹⁾** 72 bps (2008: 92 bps)
 - Reflects **changes in mix** of FuM including deconsolidation of private equity businesses
- **Income on AuA and deposits** reduced 10%, affected by lower interest rate environment
- **Performance fees and investment income** of £3 million (2008: £12 million) reflects **changing mix** and smaller private equity contribution

Note:

(1) Management fees on FuM / average FuM



Asset Management

Funds under Management

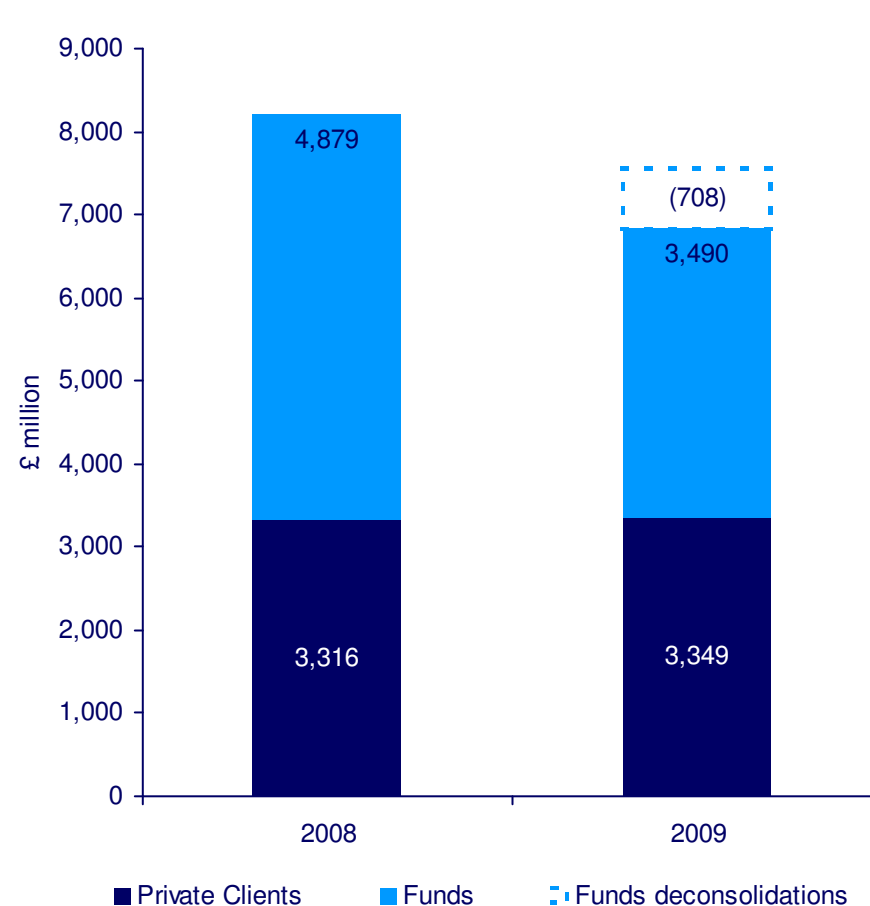
Movement in FuM

£ million	Private Clients	Funds	Total
1 August 2008	3,316	4,879	8,195
<i>New funds raised</i>	533	625	1,158
<i>Redemptions, realisations and withdrawals</i>	(372)	(806)	(1,178)
Net new funds	161	(181)	(20)
Market movement	(128)	(500)	(628)
Deconsolidations ⁽¹⁾	-	(708)	(708)
31 July 2009	3,349	3,490	6,839
% change	1%	(28%)	(17%)
<i>Net new funds % of FuM</i>	5%	(4%)	-
<i>Market movement % of FuM</i>	(4%)	(10%)	(8%)
<i>Deconsolidations % of FuM</i>	-	(15%)	(9%)
<i>FTSE100</i>			(15%)

Note:

(1) Deconsolidations relate to Close Brothers Private Equity, Close Ventures Limited and Close Growth Capital

FuM



Securities

Key figures

£ million	2009	2008	% change
Adjusted operating income	167.8	110.0	53%
Adjusted operating expenses	(102.9)	(71.3)	44%
Adjusted operating profit	64.9	38.7	68%
<i>of which:</i>			
<i>Winterflood</i>	47.3	23.5	101%
<i>Seydler⁽¹⁾</i>	1.5	8.0	(81%)
<i>Mako⁽²⁾</i>	16.1	7.2	124%
KFRs			
Operating margin	32%	31%	
Expense / income ratio	68%	69%	
Compensation ratio	46%	45%	
Return on opening capital	35%	25%	

Notes:

(1) 2008 includes £4.1 million benefit of a provision reversal

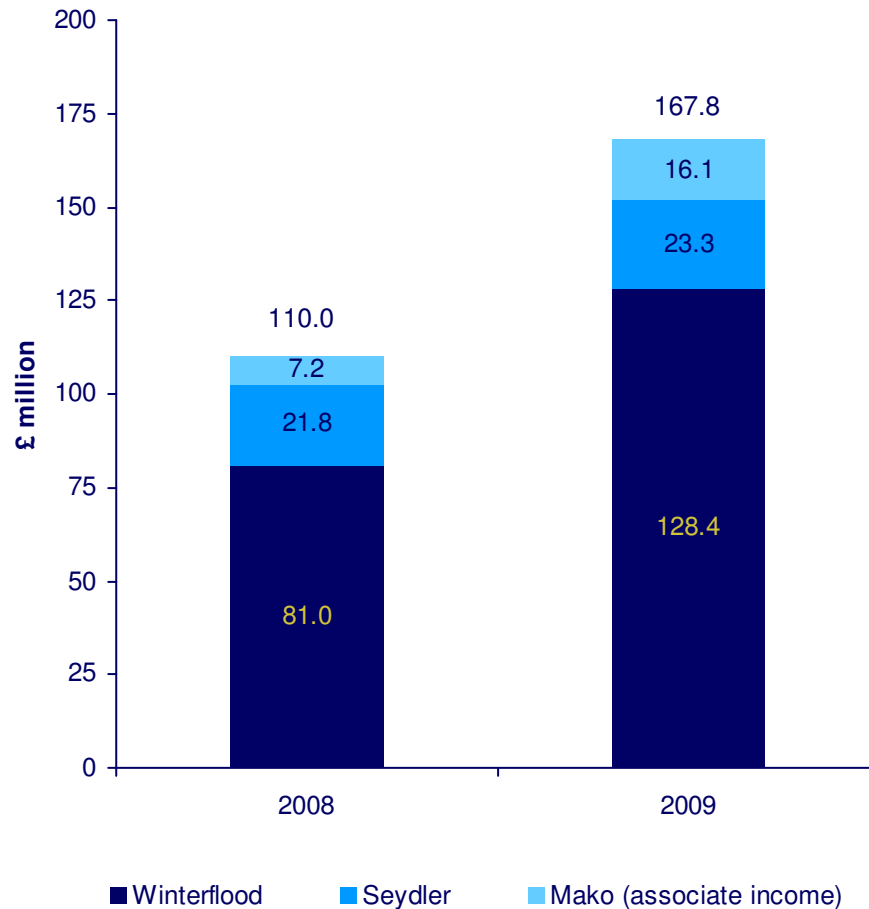
(2) 2008 relates to 10 months from 1 October 2007



Securities

Income analysis

Adjusted operating income by business



- **Winterflood** income increased 59% to £128 million
 - **Bargains / day** up 54% to 42k (2008: 27k)
 - **Income / bargain** broadly stable at £11.98 (2008: £11.58)
 - **7 loss days** out of 253 trading days (2008: 14 out of 254)
- **Seydler** income increased 7% to £23 million, but reduced 7% on constant currency basis
 - **Continued difficult market environment** and write-down on investment assets
- **Mako** associate income of **£16 million**
 - High **volatility** and interest rate movements in H1 09



Outlook

2010 financial year

- In **Banking** division, see good demand for lending services but expect bad debts to remain high
- In **Asset Management**, outlook for fund flows remains uncertain but we continue to invest in new business initiatives
- In **Securities**, strong start to the year at Winterflood but division's performance will remain sensitive to market conditions
- Overall, market conditions **remain uncertain** but confident strong businesses will allow a **resilient performance**



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Business overview

Strategic priorities

- **Focus** activities around **three core divisions - Banking, Asset Management and Securities**
 - Sale of **Corporate Finance** division completed July 2009
- **Strengthening capabilities** and processes at the centre
 - Enhanced **reporting, transparency** and **communications**
 - **New hires** in corporate development, general counsel and human resources
- Identify **growth opportunities** in each business area
 - Work with the businesses on **strategy development**
 - **Expand** and **build on** existing strategies



Business overview

Banking

- **Strong** and **distinctive** business model focused on **specialist, secured, short term** lending
- Explore **growth opportunities** to extend existing model
- New **organisational structure** to evaluate growth opportunities more effectively
 - **Retail** – intermediated lending (Motor and Premium finance)
 - **Commercial** – lending to SMEs (Asset and Invoice finance)
 - **Property** – short term residential development lending
 - **Treasury** – funding for lending operations
- Explore opportunities **within and outside current niches** while maintaining customer proposition



Business overview

Asset Management

- Focus on three core areas of **Private Clients**, **Funds** and **Banking and Administration**
- Ongoing process of **strategy development** and **investment**
- Opportunities to **grow Private Client** business
 - Leverage **brand** and offering to mid-high net worth clients
 - Alignment to **key changes** in the industry
 - **Broadening distribution** – direct and via IFAs
- Potential to leverage specialist investment capabilities in **Funds**
- Continue to develop offshore **Banking and Administration** capabilities



Business overview

Securities

- Three strong and distinct businesses
 - **Winterflood** – leading market-maker in the UK
 - **Close Brothers Seydler** – German floor specialist and designated sponsor
 - **Mako** – market-maker in exchange traded derivatives
- **Winterflood** – Strong **internal capabilities** and **consistent performance**
 - Strength of **client relationships**
 - **Experienced** team working together
 - **Transparency** of trading book in real time
 - **Diversified** business with 26 trading books
 - **Independence** of business
- Ongoing work to **expand franchise** and identify opportunities for structural growth



Conclusion

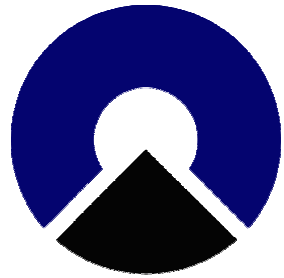
- A **more focused** organisation with three core business areas
- Prioritise **building on the strengths** of each business
- **More capable** at the group centre
- Better position to look at **growth opportunities**



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Appendix

- Segmental analysis
- Funding maturity profile
- Banking division – loan book supplementary information
- Banking division – new business units
- Re-presentation of financial statements



Segmental analysis

Summary income statement

£ million	Banking	Asset Management	Securities	Group	Continuing operations
Year ended 31 July 2009					
Adjusted operating income	235.5	95.0	167.8	3.8	502.1
Adjusted operating expenses	(121.6)	(83.0)	(102.9)	(21.0)	(328.5)
Impairment losses on loans and advances	(59.9)	-	-	-	(59.9)
Adjusted operating profit	54.0	12.0	64.9	(17.2)	113.7
Exceptional items ⁽¹⁾	-	(4.4)	(0.9)	(0.7)	(6.0)
Impairment of goodwill	-	(19.0)	-	-	(19.0)
Amortisation of intangibles on acquisition	(0.4)	-	-	-	(0.4)
Operating profit before tax	53.6	(11.4)	64.0	(17.9)	88.3
Year ended 31 July 2008					
Adjusted operating income	207.1	133.5	110.0	2.1	452.7
Adjusted operating expenses	(105.1)	(100.9)	(71.3)	(20.4)	(297.7)
Impairment losses on loans and advances	(27.5)	-	-	-	(27.5)
Adjusted operating profit	74.5	32.6	38.7	(18.3)	127.5
Exceptional items ⁽²⁾	(0.3)	(2.1)	(1.3)	(5.4)	(9.1)
Operating profit before tax	74.2	30.5	37.4	(23.7)	118.4

Notes:

- (1) Exceptional items in FY 2009 comprised £6.0 million of restructuring costs
 (2) Exceptional items in FY 2008 comprised £5.0 million of advisers' fees and £4.1 million of restructuring costs



Segmental analysis

Summary balance sheet as at 31 July 2009

£ million	Banking	Asset Management	Securities	Group	Total
Cash and loans and advances to banks	27.9	145.3	24.3	0.7	198.2
Settlement balances, long trading positions and loans to money brokers	-	-	728.9	-	728.9
Loans and advances to customers	2,352.6	12.3	-	-	2,364.9
Non trading debt securities ⁽¹⁾	1,999.5	257.4	4.4	-	2,261.3
Intangible assets	24.4	53.9	29.3	-	107.6
Other assets	189.1	56.5	17.2	95.6	358.4
Intercompany balances	(332.6)	379.7	(27.6)	(19.5)	-
Total assets	4,260.9	905.1	776.5	76.8	6,019.3
Settlement balances, short trading positions and loans from money brokers	-	-	590.7	-	590.7
Deposits by banks	33.0	15.0	-	-	48.0
Deposits by customers	2,241.9	676.6	1.1	-	2,919.6
Borrowings	1,417.6	1.1	18.2	-	1,436.9
Other liabilities	186.1	50.0	69.7	20.6	326.4
Intercompany balances	91.6	21.5	0.3	(113.4)	-
Total liabilities	3,970.2	764.2	680.0	(92.8)	5,321.6
Equity	290.7	140.9	96.5	169.6	697.7
Total liabilities and equity	4,260.9	905.1	776.5	76.8	6,019.3

Note:

(1) Excludes long trading positions in debt securities



Segmental analysis

Summary balance sheet as at 31 July 2008

£ million	Banking	Asset Management	Corporate Finance	Securities	Group	Total
Cash and loans and advances to banks	42.0	226.8	16.3	23.6	0.6	309.3
Settlement balances, long trading positions and loans to money brokers	-	-	-	656.8	-	656.8
Loans and advances to customers	2,220.0	12.2	-	-	-	2,232.2
Non trading debt securities ⁽¹⁾	1,752.2	338.3	-	8.4	-	2,098.9
Intangible assets	29.9	62.7	11.5	30.3	-	134.4
Other assets	120.1	60.2	23.9	19.5	97.4	321.1
Intercompany balances	(283.9)	348.4	6.7	(26.7)	(44.5)	-
Total assets	3,880.3	1,048.6	58.4	711.9	53.5	5,752.7
Settlement balances, short trading positions and loans from money brokers	-	-	-	556.9	-	556.9
Deposits by banks	288.2	10.0	-	-	-	298.2
Deposits by customers	1,855.0	786.7	-	-	-	2,641.7
Borrowings	1,108.2	-	-	2.5	130.8	1,241.5
Other liabilities	104.5	78.7	28.5	52.9	29.4	294.0
Intercompany balances	218.9	21.7	16.7	1.0	(258.3)	-
Total liabilities	3,574.8	897.1	45.2	613.3	(98.1)	5,032.3
Equity	305.5	151.5	13.2	98.6	151.6	720.4
Total liabilities and equity	3,880.3	1,048.6	58.4	711.9	53.5	5,752.7

Note:

(1) Excludes long trading positions in debt securities



Funding maturity profile

As at 31 July 2009

£ million	Total	<3 months	3-12 months	1-2 years	2-5 years	>5 years
Loans and overdrafts from banks ⁽¹⁾	1,314	-	200	1,004	110	-
Promissory notes	21	-	-	-	-	21
Subordinated loan capital	75	-	-	-	-	75
Drawn facilities	1,410	-	200	1,004	110	96
Undrawn facilities	393	-	178	-	215	-
Deposits by customers ⁽²⁾	2,919	1,684	346	815	74	-
Total available funding - 31 July 2009	4,721	1,684	724	1,819	399	96
Total available funding - 31 July 2008	4,457	2,425	938	407	532	155

Notes:

(1) Drawn facilities exclude £27.2 million (2008: £14.2 million) of non-facility overdrafts included in total borrowings in the preliminary results announcement

(2) Excludes £1.1 million (2008: £nil) of deposits < 12 months held within the Securities division



Banking division

Loan book supplementary information

Typical lending statistics by business

	Typical LTV %	Average loan size ⁽¹⁾	Typical loan maturity
Asset finance	70-80%	£18.6k	2-3 yrs
Premium finance	90%	£0.6k	10 mths
Property finance	50-60%	£857.7k	12-18 mths
Motor finance	75%	£4.1k	2-3 yrs
Invoice finance	80%	£163.3k	2-3 mths

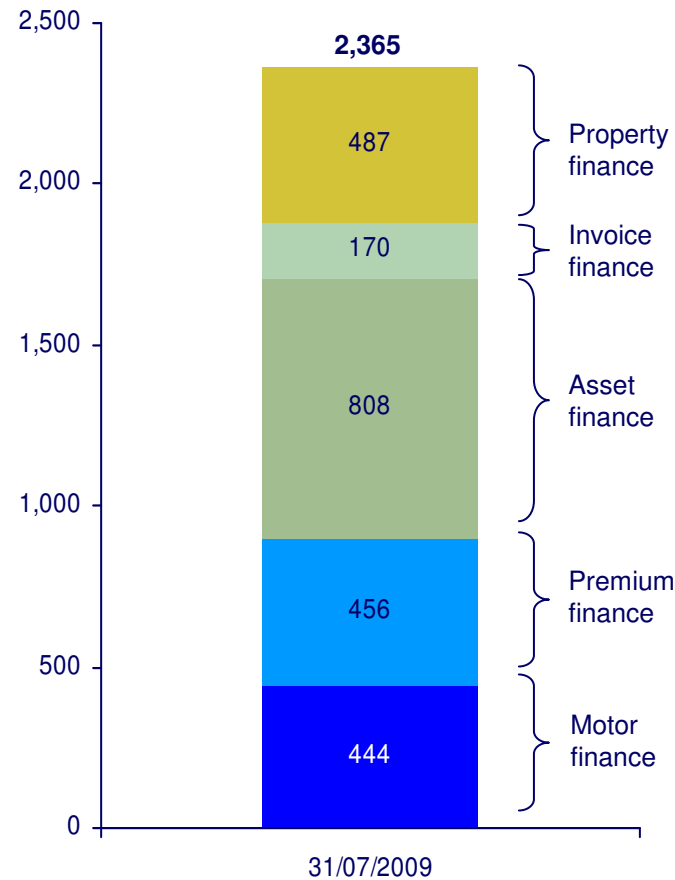
*Note: Figures are for illustrative purposes only
(1) At 31 July 2009*



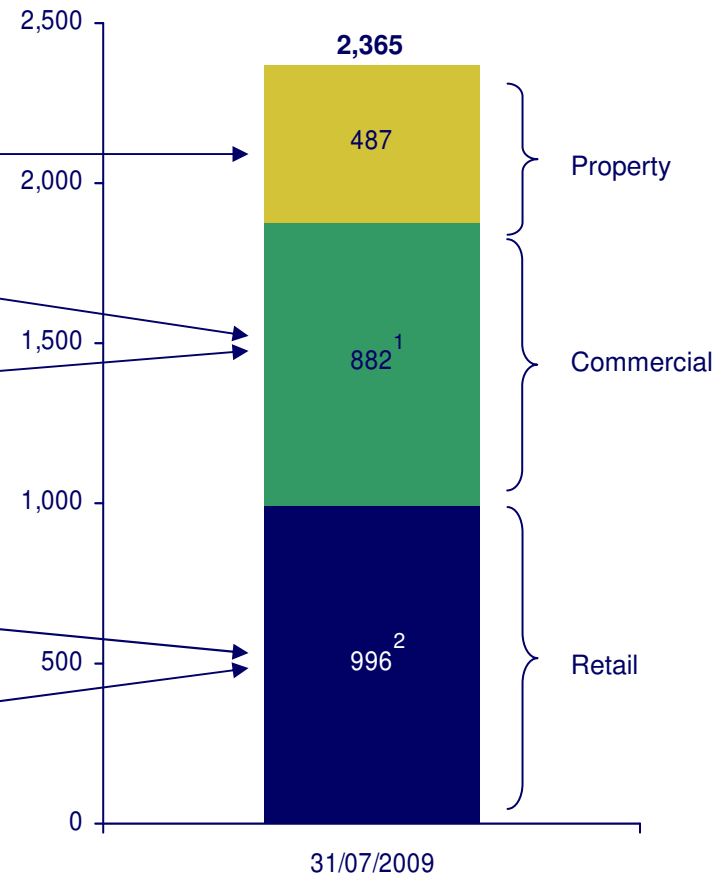
Banking division

New business units

Current loan book split (£ million)



New loan book split (£ million)



Notes:

(1) Excluding Close finance Channel Islands (£96 million)

(2) Includes Close finance Channel Islands (£96 million) previously reported in Asset finance



Re-presentation of financial statements

- On the face of the **balance sheet**, some line items have been combined to simplify presentation with full breakdown provided in the notes
- In the **income statement**, certain fee and interest income and expense lines have also been re-presented. This does not affect operating income, profit, or any reported KFRs or key drivers⁽¹⁾

Old presentation		New presentation
Debt securities: long trading positions ⁽²⁾	}	Debt securities
Certificate of deposits classified as loans and receivables		
FRN's held to maturity and available for sale ⁽³⁾		
Gilts and government guaranteed debt ⁽⁴⁾		
Equity shares valued at fair value	}	Equity shares
Equity shares: long trading positions ⁽²⁾		
Equity shares classified as available for sale ⁽³⁾		
Intangible assets: goodwill	}	Intangible assets
Intangible assets: other		
Prepayments and accrued income	}	Prepayments, accrued income and other assets
Other receivables		
Settlement accounts	}	Settlement balances and short positions
Debt securities and equity shares: short trading positions		
Other liabilities	}	Accruals, deferred income and other liabilities
Current tax liabilities		
Accruals and deferred income		

Notes:

- (1) These changes have resulted in a £16.7 million increase in 2008 interest income and a £1.2 million increase in 2008 interest expense with a decrease in fee and commission income of £29.2 million, and a decrease in fee and commission expense of £13.7 million
- (2) Combined in 2008 Annual Report & Accounts as debt securities and equity shares: long trading positions. For breakdown see notes 11 and 12 in 2009 preliminary results announcement
- (3) As disclosed in note 11 in 2008 Annual Report & Accounts
- (4) Purchased in FY 2009 (31 July 2008: £nil)

