



Close Brothers Group plc

2007 Annual Results

Agenda

Overview

Financial Review

Divisional Review

- Asset Management
- Corporate Finance
- Securities
- Banking

Outlook





OVERVIEW

Highlights and Overview

2007 Results

➤ A successful year – making good progress

• PBT	£190m*	up 21%
• EPS	90.4p	up 22%
• Ordinary Dividend	37.0p	up 14%

* after £4m goodwill

➤ £43m investment gains and performance fees

➤ PBT excluding gains and goodwill £151m (2006 : £148m)

➤ Special dividend 25p per share



Highlights and Overview (cont'd)

2007 Results

➤ **Asset Management** – a strong year

- PBT £78m (+105%) FuM £9.1bn (+11%)
- Significant investment gains and related performance fees (£43m)
- Underlying growth (from £29m to £35m) on target at 20%
- A busy year

➤ **Securities** – competitive environment

- PBT down 8% to £44m
- Steady in the UK and dealing margins slightly up
- Quieter in Germany



Highlights and Overview (cont'd)

2007 Results

- **Corporate Finance** – another record year
 - PBT £22m, up 29%
 - M&A very strong
 - Busy in all 3 main centres
- **Banking** – recent market crisis vindicates our prudent approach
 - PBT slightly down to £72m
 - Maintained margin and loan quality
 - Bad debts remain well controlled



Highlights and Overview (cont'd)

2007 Results

➤ Capital position

- Group remains well capitalised and soundly financed
- Expect no material impact from Basle II
- We estimate £150m – £200m of excess capital
- Intend to retain strong balance sheet and flexibility in changing climate

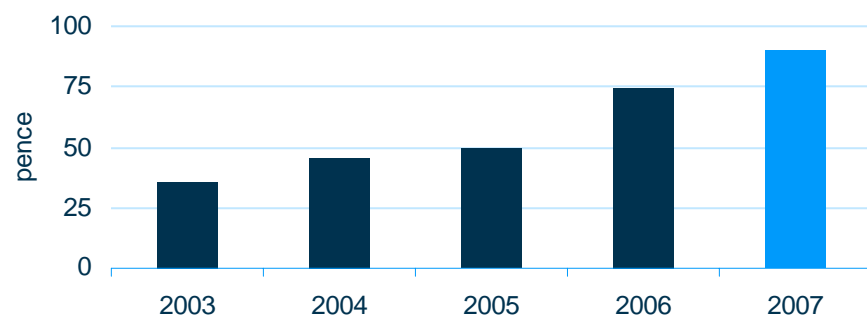


Highlights and Overview (cont'd)

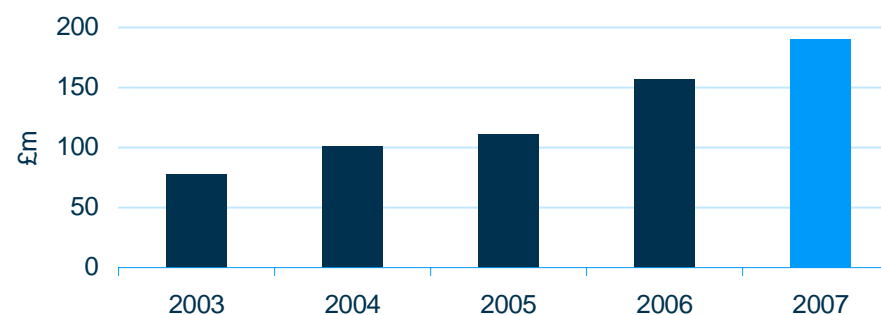
July 2007

Solid growth record

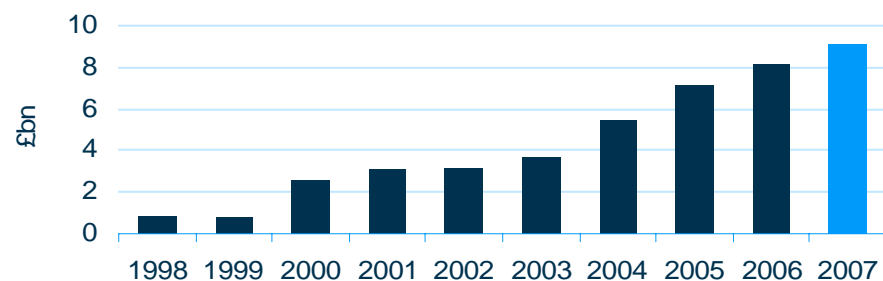
Earnings per share



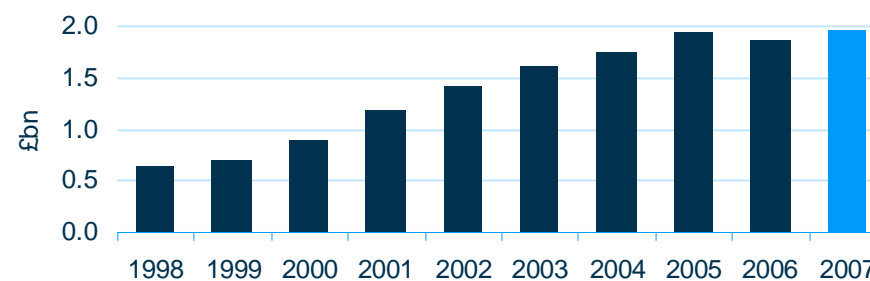
Profit before tax



Funds under management



Loan book



Highlights and Overview (cont'd)

Diversity of Activity and Income

	2006	2007
Profit by Activity	%	%
Asset Management	22	36
Corporate Finance	9	10
Securities	27	21
Banking	<u>42</u>	<u>33</u>
	<u>100</u>	<u>100</u>
Income by Type		
Interest	27	24
Fees	47	51
Dealing	23	19
Other	<u>3</u>	<u>6</u>
	<u>100</u>	<u>100</u>



Core Strategy



Growth and diversity





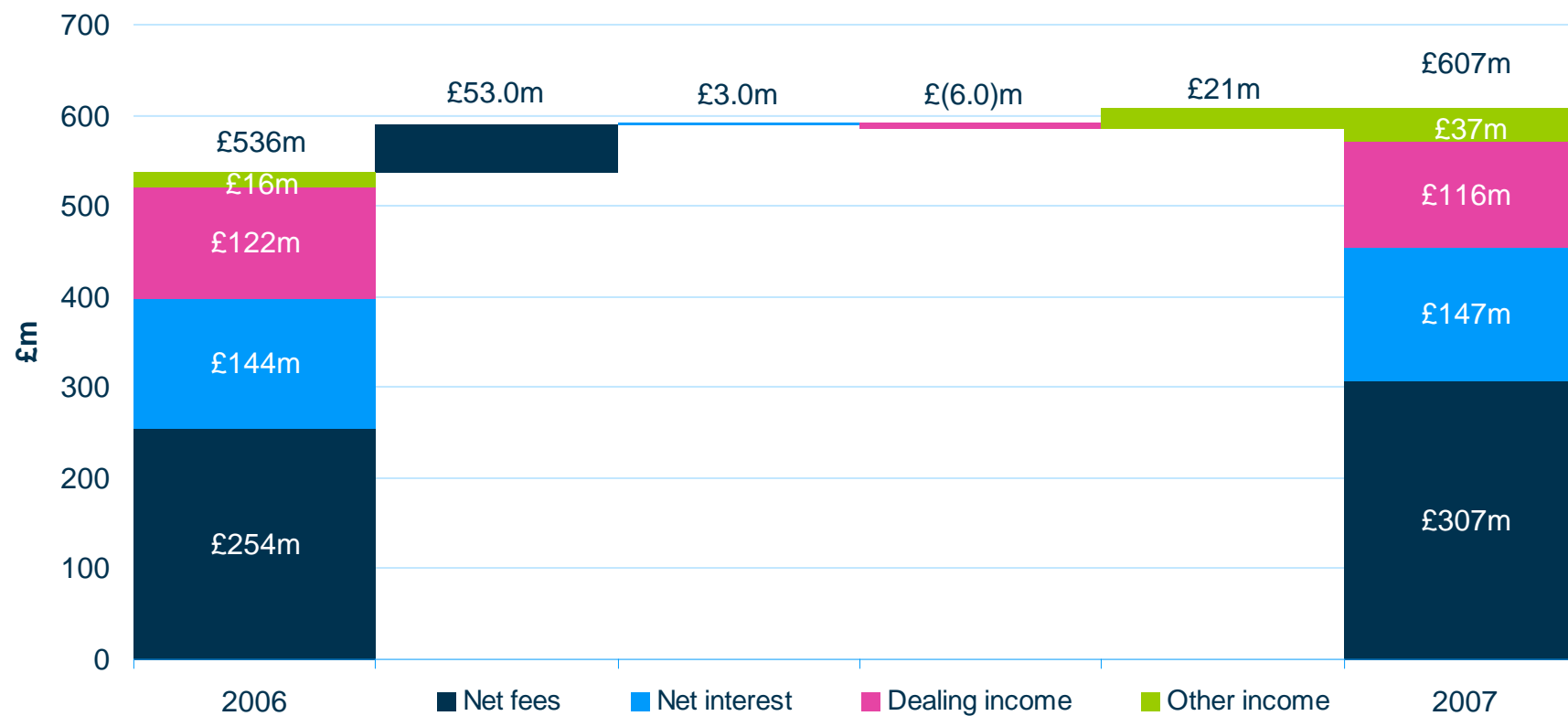
FINANCIAL REVIEW

Results Highlights

£m	2006	2007	Change
Income Statement			
Operating income	536	607	+13%
Pre-tax profit	157	190	+21%
Adjusted pre-tax profit	148	151	+2%
EPS (p)	74.1	90.4	+22%
Ordinary dividend (p)	32.5	37.0	+14%
Special dividend (p)	—	25.0	—
Balance Sheet			
Total assets	4,813	5,375	+12%
Customer loans	1,862	1,962	+5%
Equity	662	753	+14%



Income Development



Strong growth in fees and other income



Income Statement

£m	2006	2007
Operating income (net)		
Interest	144	147
Fees	254	307
Dealing	122	116
Other	16	37
Total operating income	<u>536</u>	<u>607</u>
Administrative expenses	(346)	(376)
Depreciation, amortisation and goodwill	(14)	(19)
Bad debts	(19)	(22)
Total operating costs	<u>(379)</u>	<u>(417)</u>
Pre-tax profit	<u>157</u>	<u>190</u>
Tax and minority interest	(48)	(57)
Post-tax profit	<u>109</u>	<u>133</u>



Balance Sheet

July (£m)	2006	2007
Liabilities		
Equity	662	753
Subordinated loan capital	75	75
Deposits by customers	1,843	2,303
Funds from banks	532	618
Non-recourse borrowings	150	150
Debt securities in issue	358	353
Securities trading liabilities	807	736
Other liabilities	386	387
	<u>4,813</u>	<u>5,375</u>
Assets		
Cash and equivalents	1,658	2,178
Loans and advances	1,862	1,962
Securities trading assets	901	856
Fixed assets and investments	100	89
Other assets	182	177
Goodwill	110	113
	<u>4,813</u>	<u>5,375</u>



Financial Highlights: KPIs

	2006	2007
Operating margin	29%	31%
Expense/income ratio	67%	65%
Compensation ratio	43%	42%
Return on opening capital (pre tax)	27%	29%
Bad debt charge/avg loans	1.0%	1.1%



Robust & Diverse

£m	2006	2007	2006	2007
	Operating Income		Operating Profit	
Asset Management	140	199	38	78
Corporate Finance	61	77	17	22
Securities	134	128	48	44
Banking	199	198	74	72
Group	2	5	(20)	(26)*
	536	607	157	190

* including £4m goodwill





DIVISIONAL REVIEW



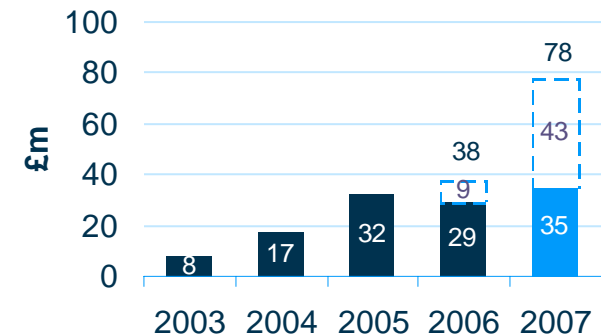
ASSET MANAGEMENT

Asset Management

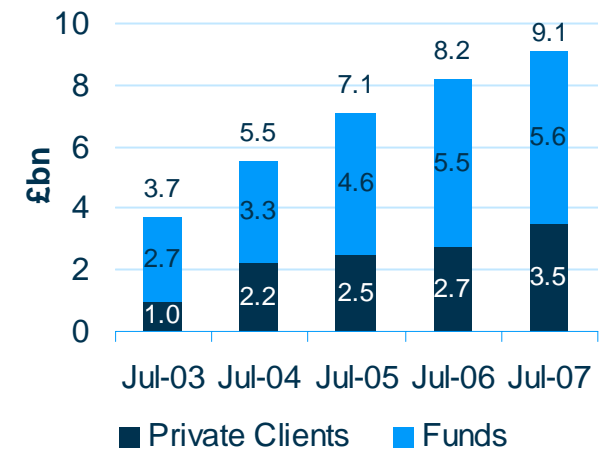
Highlights

- A strong year
 - profit £78m +105%
 - exceptional investment gains and performance fees £43m
 - another year of progress
- Underlying growth 20% (£29m – £35m)
- FUM £9.1bn up 11% with broad spread
- Strong growth in private clients
- Funds
 - acquired Aon Asset Management
 - specific outflows
- Record year for private equity as realisations accelerated

Asset Management Profit



Funds under Management



Asset Management

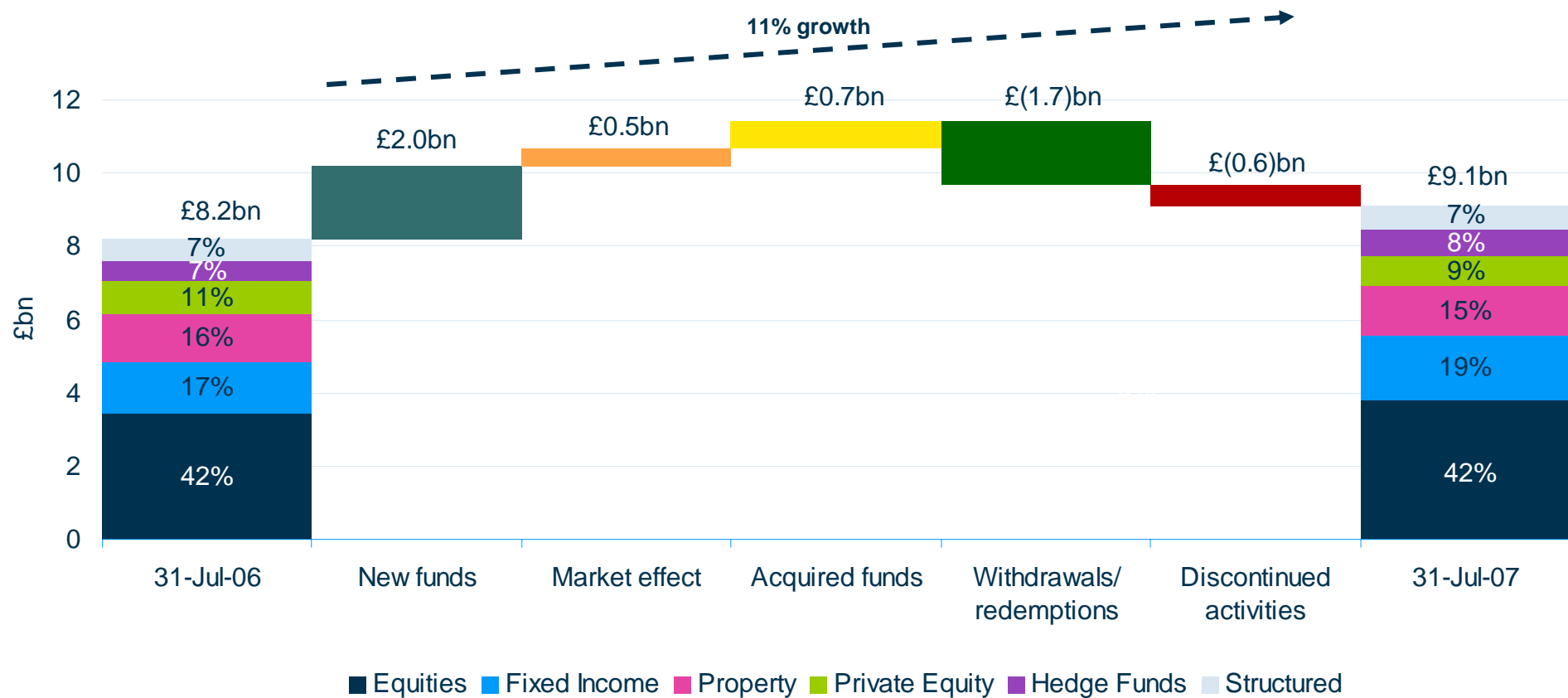
Key Numbers

	2006	2007	Change
Operating income (£m)	140	199	+42%
Costs (£m)	<u>102</u>	<u>121</u>	+19%
Pre-tax profit (£m)	<u>38</u>	<u>78</u>	+105%
<i>PBT excluding exceptional gains & fees (£m)</i>	29	35	+20%
Operating margin	27%	39%	
Expense/income ratio	73%	61%	
Compensation ratio	46%	43%	



Asset Management

Funds under Management



Diversity & growth



Asset Management

Asset Gathering

- Good performance – two thirds of funds above benchmark or median
- Strong private client inflows
- Specific fund outflows

£m	FuM at 31/07/06	FY 2007			Acquisitions	Discontinued	Market Movement	FuM at 31/07/07	Net inflows / Opening FuM
		In	Out	Net					
Private Clients	2,684	1,073	(332)	741	-	-	163	3,588	27.6%
Funds	5,527	975	(1,355)	(380)	679	(630)	364	5,560	(6.9)%
Total	8,211	2,048	(1,687)	361	679	(630)	527	9,148	4.4%
2006	7,057	1,333	(886)	447	419	-	288	8,211	6.3%



Asset Management

Outlook

- Continue to target 20% growth
- Should see integration benefits from 2008
- Scalable platforms in funds & private clients
- Funds
 - property
 - multi manager
 - structured & specialist
 - funds of hedge funds
- Well positioned to exploit fragmented private client space





CORPORATE FINANCE

Corporate Finance

2007 Trading Highlights

➤ A record year:

- revenue £77m +26%
- profit £22m +29%

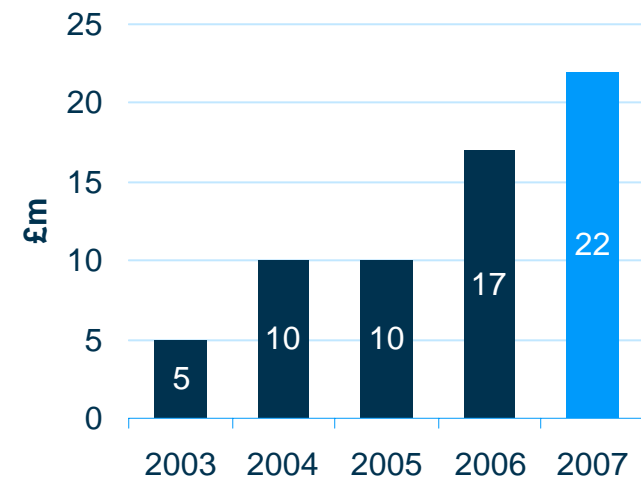
➤ M&A dominant in buoyant market > 70% of income

➤ Increasing international aspect with strong performances in France and Germany

➤ Notable transactions

- Saga Holdings Limited – advice on ownership options leading to £6.2bn merger with AA
- Capital Safety – £280m disposal
- Enterprise plc – £491m takeover

Corporate Finance Profit



Corporate Finance

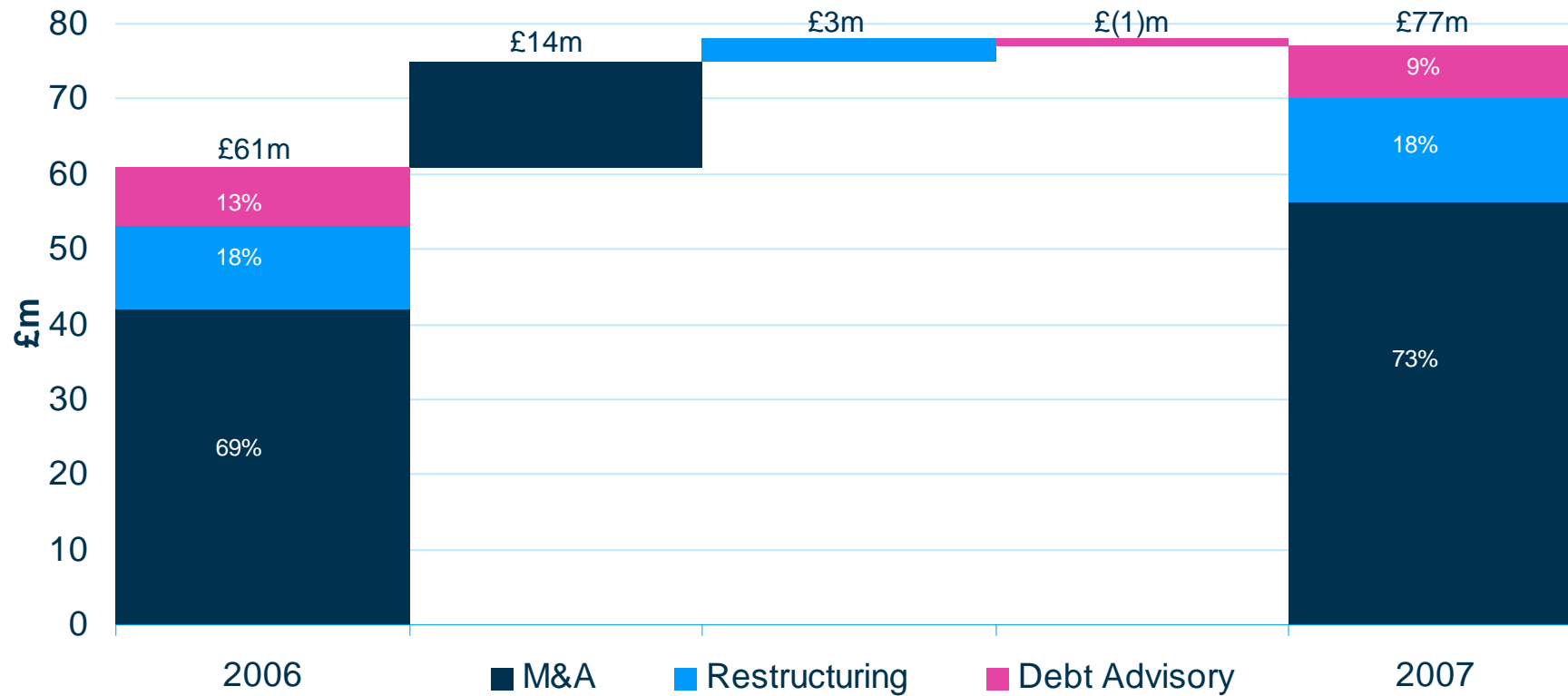
Key Numbers

	2006	2007	Change
Operating income (£m)	61	77	+20%
Costs (£m)	<u>44</u>	<u>55</u>	+25%
Pre-tax profit (£m)	<u>17</u>	<u>22</u>	+29%
Operating margin	28%	29%	
Expense/income ratio	72%	71%	
Compensation ratio	56%	57%	



Corporate Finance

Revenue Analysis



Good growth in M&A



Corporate Finance

Outlook

- Slowdown in M&A is inevitable from high point last year as market uncertainty affects deal flow
- Restructuring and debt advisory are well positioned to fill the gap but likely to be a market time lag
- Greater contribution from international operations
- Robust & scalable business model with good growth prospects





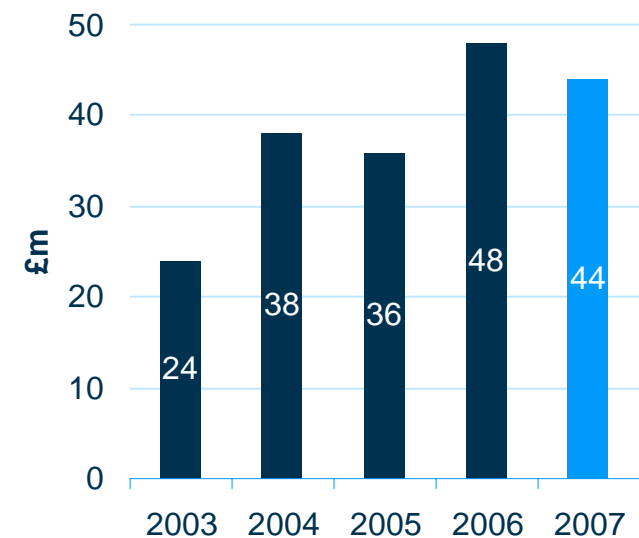
SECURITIES

Securities

Overview

- Markets were generally strong in UK and Germany
- WINS' overall performance very similar to '06
- Seydler had a quieter year
- Significant competitive pressure continues

Securities Profit



Securities

Key Numbers

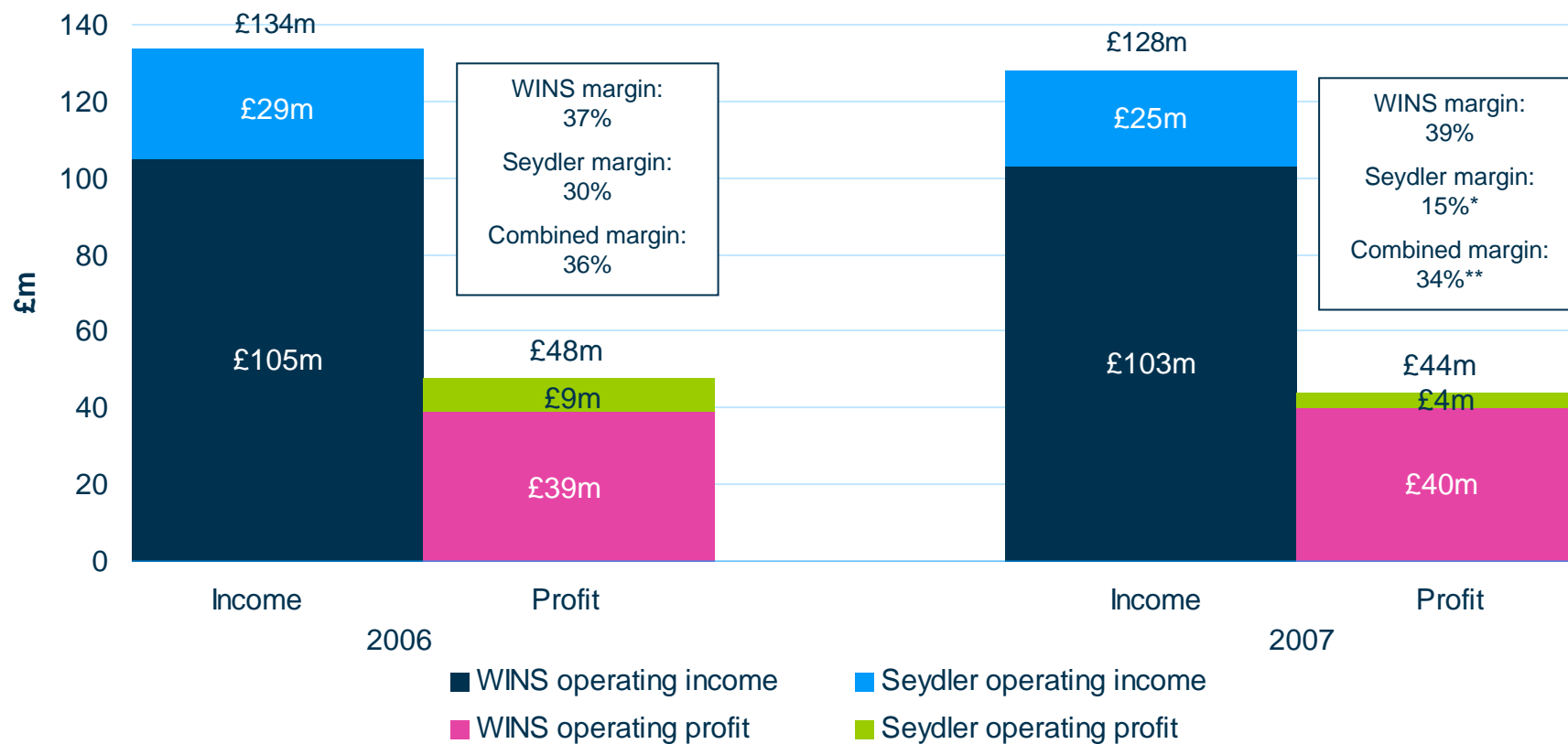
	2006	2007	Change
Operating income (£m)	134	128	-4%
Costs (£m)	<u>86</u>	<u>84</u>	-3%
Pre-tax profit (£m)	<u>48</u>	<u>44*</u>	-8%
Operating margin	36%	34%*	
Expense/income ratio	64%	66%*	
Compensation ratio	40%	35%*	

** includes £3m regulatory provision*



Securities

Key Numbers



*28% before regulatory provision

** 37% before regulatory provision



Securities

WINS – Trading Highlights

- Operating margin strong at 39%
- WINS remains leading RSP
 - ranked No. 1 by volume and value in retail market-making
- Bargain numbers 6.9m – slightly down on '06
- Profit per bargain and fee levels slightly up
- Plus Markets - RIE status obtained
 - good volume growth
 - significant post-MiFID opportunities
- Committed liquidity provider to retail and increasingly to institutional market

See appendix for detail of operations



Securities

Close Brothers Seydler

- Market-making activity remained good
- New issue market much quieter
- Leading designated sponsor with 160 corporate mandates
- Profit 20% down as expected (£7m) but further reduced by one-off £3m provision



Securities

Outlook

- Volatile markets have led to busy, challenging but profitable start for WINS
- Seydler has started better than last year
- Solid platform with strong operating margins
- Growth opportunities in UK & Germany



Mako

Benefits to Close

➤ Mako brings

- Strong management team
- Niche market position
- Good potential for growth
- Diversification benefits

➤ Extends our market making activities into exchange traded derivatives

- Key business lines are derivatives in equity indices, fixed income and interest rate products
- Growth and investment opportunities in commodity options, single stock options, investment management and algorithmic trading

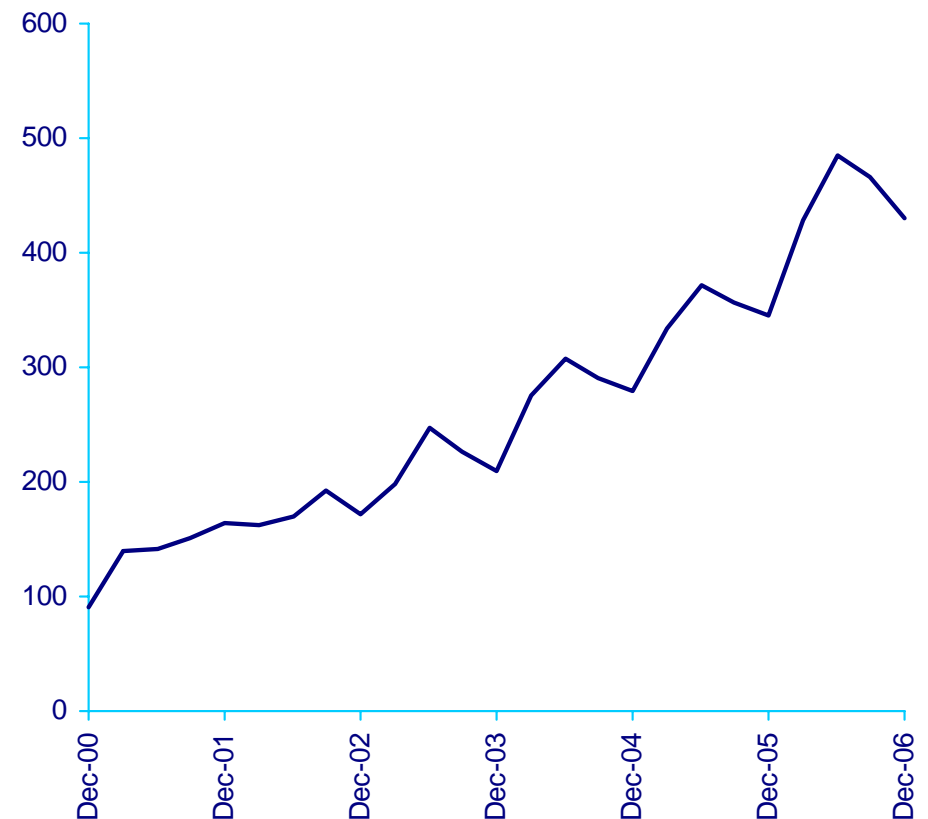


Mako

Market Context

- Exchange traded derivatives are standardised and highly liquid, with counterparty risk lying with the clearing houses. Turnover in the market has grown c. 30% per annum since 2000*
- Bulge bracket banks concentrate on the OTC market; in exchange traded derivatives they are Mako clients as much as Mako competitors
- Mako is a key player in the exchange traded area and is active on Eurex, Euronext.Liffe, CME, CBOT and NYMEX
- Recent market turbulence has seen spreads widen and volumes increase, as well as troubling some of Mako's competitors

Turnover in exchange traded derivatives*



* Derived from data available from the Bank for International Settlements



* Global quarterly turnover in exchange traded derivatives (notional principal in trillion USD)



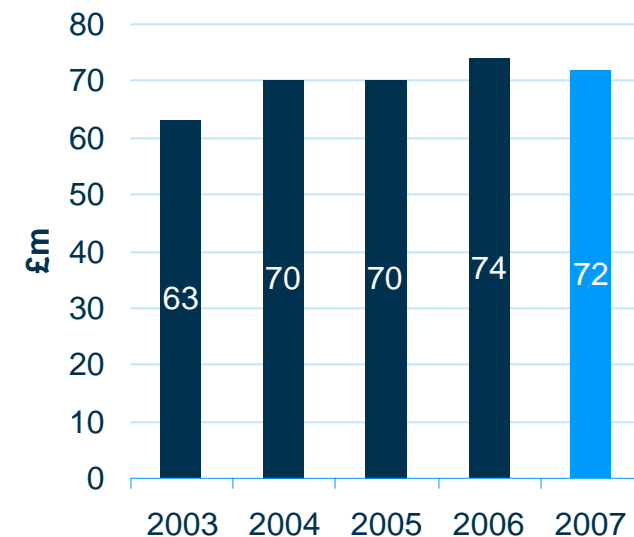
BANKING

Banking

Highlights

- Long established, highly focused asset based lender
- Loan book broadly flat as we declined to sacrifice margin for volume
- Consistent and strong operating margin — 36%
- Good growth in some areas (e.g. property, transport and engineering); tougher conditions in others (e.g. insurance premium)
- Bad debts remained low; at 1.1%, over 4x covered by pre bad debt, pre-tax margin of 4.8%

Banking Profit



Banking

Key Numbers

	2006	2007
Operating income (£m)	199	198
Operating profit (£m)	74	72
Loan book (£m) – year end	1,862	1,962
Bad debt charge (£m)	18.6	21.5
Bad debt % of avg loan book	1.0%	1.1%
Return on average gross loans	3.8%	3.7%
ROC	30%	27%
Operating margin	37%	36%
Expense/income ratio	53%	53%
Compensation ratio	31%	30%



Banking

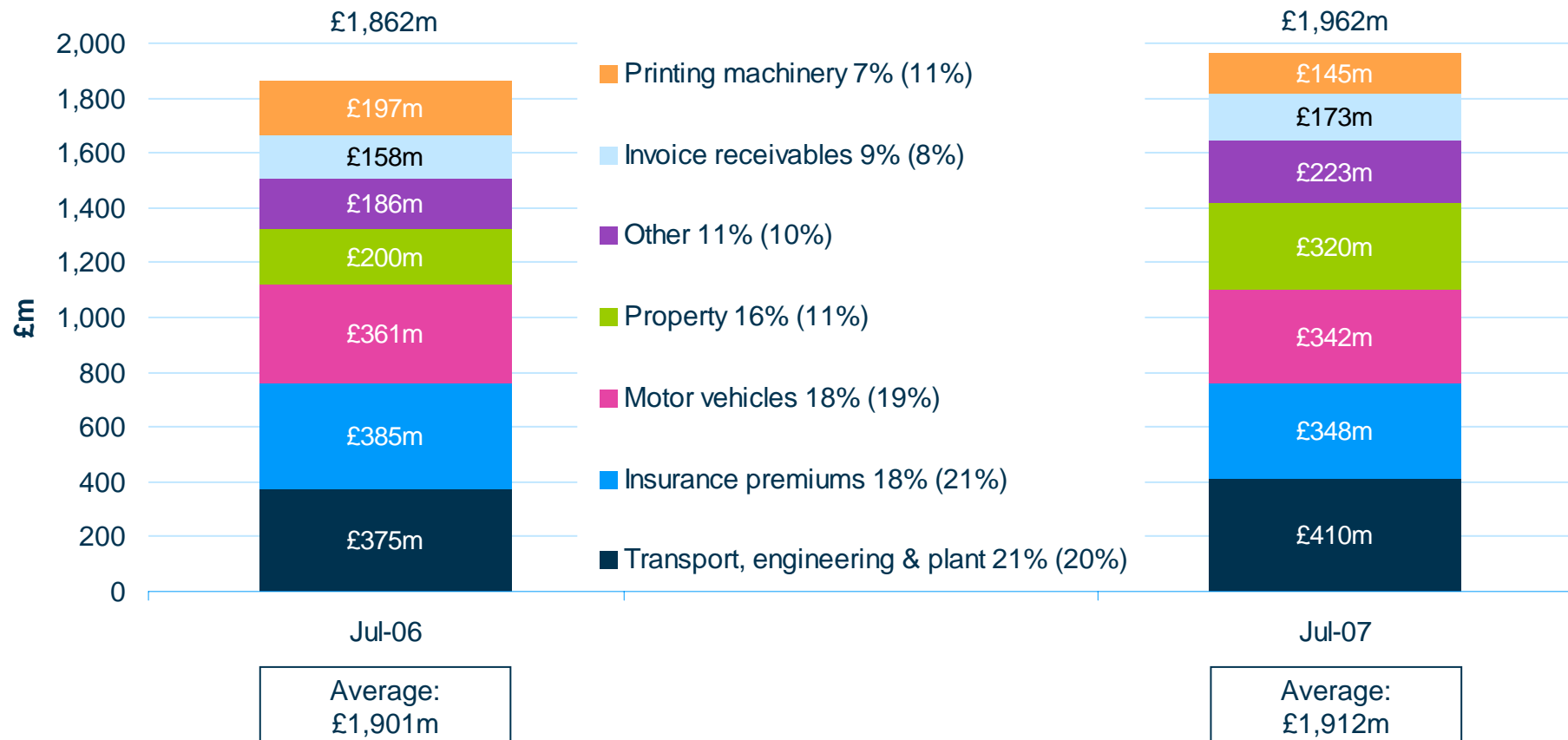
Review

- Flat loan book doesn't tell the whole story of a busy year
 - Insurance premium market remains difficult. Margins and case count held up, but loan book fell 10%
 - Well spread property loan book increased 55%
 - Transport and engineering up 14% as new teams contributed
 - Print loan book fell but profits increased as business refocused
 - Positioning for future growth in the UK and Europe



Banking

Year End & Average Loan Books



Banking

Outlook

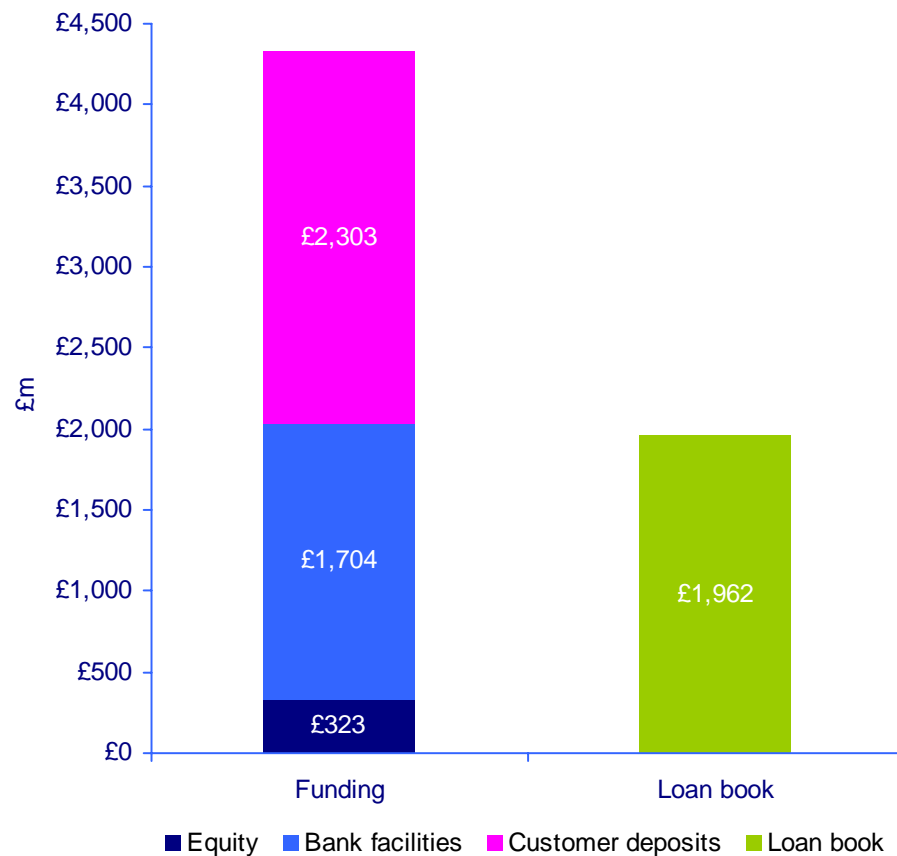
- Our priority remains getting back to long term profit trend
- Well positioned to benefit from end of easy credit
- With our strong margins and consistent return on assets, any loan book growth will translate into profits growth
- Long standing conservative approach to funding and liquidity will stand us in good stead



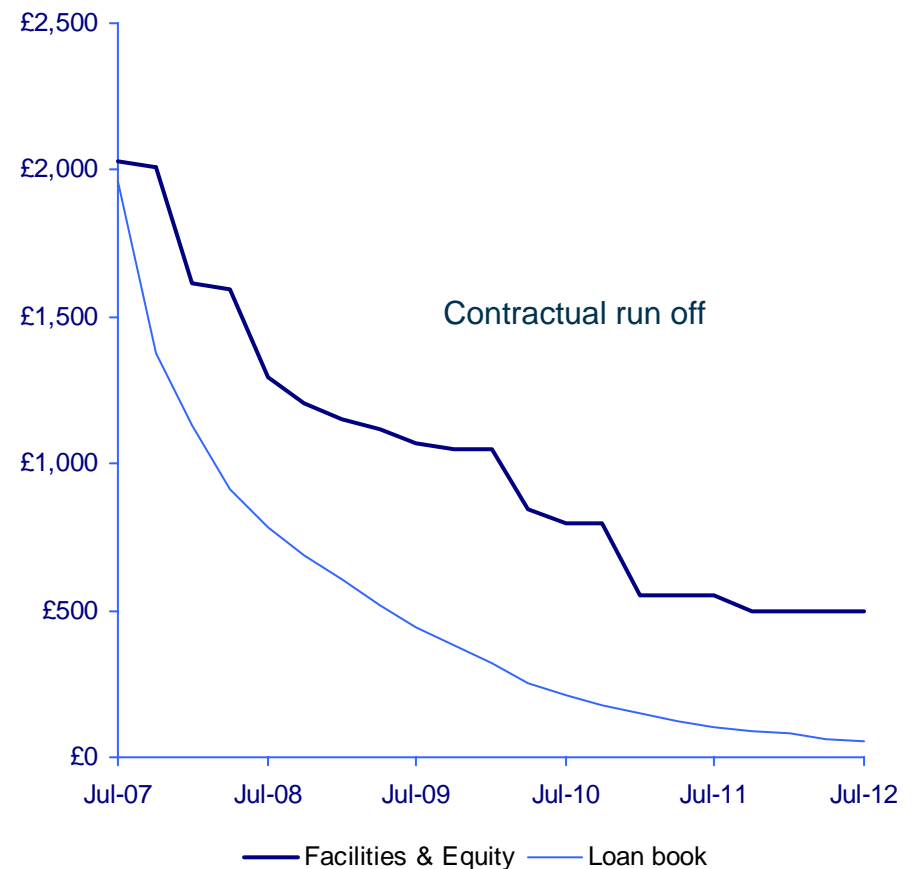
Banking

Liquidity

Group loan book covered more than two times by equity, deposits and bank facilities:



We borrow long and lend short:





OUTLOOK

Group Outlook

- Robust performance: progress in all divisions
- Short term outlook for global markets is uncertain
 - Likely to affect Corporate Finance and Securities
 - Could lead to an increase in acquisition opportunities
- Repricing of risk could benefit our banking business
- Asset Management broadly spread and growth continues
- Strong market positions and broad spread of activities give us confidence in our resilience and long term growth prospects





Appendix – Securities Activities

WINS

Full Service Market-Making



Seydler

Overview of Activities

Designated Sponsoring	Institutional Sales	Fixed Income	Specialist at Frankfurt Floor
<ul style="list-style-type: none"> • Market leader in designated sponsoring • More than 160 mandates • Expert in small and mid caps in Germany • Capital market trans-actions • Full customer support and service • Preparation and execution of IPO's and IPO Lights 	<p>Equities</p> <ul style="list-style-type: none"> • High placing power in European region • Regular daily and weekly publications • Active customer service for institutional investors <p>Brokerage</p> <ul style="list-style-type: none"> • Execution • Spread / block trading 	<ul style="list-style-type: none"> • Support of institutional investors • Trading and placement of all fixed income products • Corporate financing through issue of (pre IPO) convertibles, corporate bonds, profit-sharing certificates • Organisation of road shows in Germany and abroad 	<ul style="list-style-type: none"> • Specialist for more than 40 equities in the open as well as the regulated market • Specialist for 300 European, 700 US and 350 Asian equities in the open market • Specialist for over 500 corporate bonds



Mako

Overview of Activities



An entrepreneurial trading house, Mako is a leading liquidity provider on a number of the world's derivatives exchanges. Trading with the institutional bank and broker community, Mako provides liquidity in a range of fixed income, equity and commodity options contracts in both Europe and the US.

Market Making Equities	Market Making Fixed Income	Sales Trading	Fund Management
<ul style="list-style-type: none"> • Key role in providing liquidity in the EuroStoxx 50 index options contract on Eurex and the FTSE index options contract on Euronext.liffe. • Leading source of liquidity during the last 5 years, servicing the interdealer broker market; business as usual in recent turbulence • Growing market share in a growing market*. • Actively investing in and using algorithmic trading technologies to price and trade a range of new contracts. <p>* DJ EURO STOXX 50 Index Options volumes on Eurex grew by 124% from August 2006 to August 2007, per Eurexchange.com</p>	<ul style="list-style-type: none"> • Servicing the independent broker and institutional bank community with liquidity in vanilla, highly liquid options on European exchanges i.e. Short Sterling, Euribor, Bund options contracts. • Open outcry market making and electronic access to the Chicago Board of Trade for US Treasury options. • Trading a portfolio of correlated products, remaining neutral to directional moves in the underlying market. 	<ul style="list-style-type: none"> • London and New York based sales operations. • Supporting institutional investors with advisory services, arrangement and execution of exchange-listed options trading strategies. • Providing detailed technical analysis of options markets to clients. • Commission based brokerage business. 	<ul style="list-style-type: none"> • The Pelagus Capital Fund is a fixed income relative value fund that seeks to maximise total returns from the opportunities presented by the fixed income markets. These include: <ul style="list-style-type: none"> - arbitrage opportunities (including arbitrage between instruments with similar cashflows and stable funding spreads); - convergence trades subject to a specific asset pricing model; and - relative value trades subject to specific macro scenarios.

