

Close Brothers Group

Preliminary results 2008

29 September 2008

Disclaimer

Certain information included in this presentation is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by forward-looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Group's plans and objectives for future operations, including, without limitation, discussions of expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this presentation are based upon information known to the Group on 29 September 2008. The Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Group's forward-looking statements to be incorrect or that could otherwise have a material adverse effect on our future operations or results.



Agenda

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



2008 Highlights

- Resilient performance in a difficult environment
- Record profits in the Banking division with good growth in the loan book
- Non-lending businesses affected by adverse market conditions
- Funding and liquidity position remains solid
- Proposed total dividend up 5% to 39.0p per share

£ million, year to 31 July	2008	2007	% change
Adjusted operating income ⁽¹⁾	509.2	585.7	(13%)
Adjusted operating profit ⁽²⁾	137.5	172.8	(20%)
Basic earnings per share	61.5p	90.4p	(32%)
Adjusted earnings per share ⁽³⁾	67.3p	82.8p	(19%)
Proposed ordinary dividend per share	39.0p	37.0p ⁽⁴⁾	5%

Notes:

(1) Operating income before exceptional items

(2) Operating profit before exceptional items, goodwill impairment and tax

(3) Pre exceptional items, tax effect of exceptional items, and impairment losses on goodwill

(4) A special dividend of 25p was also declared in 2007



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Financial highlights

Summary income statement

£ million, year to 31 July	2008	2007	% change
Adjusted operating income⁽¹⁾	509.2	585.7	(13%)
Adjusted operating expenses ⁽²⁾	(344.2)	(391.4)	(12%)
Impairment losses on loans and advances	(27.5)	(21.5)	28%
Adjusted operating profit⁽³⁾	137.5	172.8	(20%)
<i>of which:</i>			
<i>Asset Management</i>	32.6	56.6	(42%)
<i>Banking</i>	74.5	71.7	4%
<i>Corporate Finance</i>	10.0	22.5	(56%)
<i>Securities</i>	38.7	44.1	(12%)
<i>Group</i>	(18.3)	(22.1)	(17%)
Expense / income ratio ⁽⁴⁾	69%	67%	

Notes:

(1) Operating income before exceptional items

(2) Total operating expenses excluding impairment losses on loans and advances, exceptional expenses and impairment losses on goodwill

(3) Operating profit before exceptional items, goodwill impairment and tax

(4) Adjusted operating expenses/adjusted operating income; excludes associate income



Financial highlights

Summary income statement (continued)

£ million, year to 31 July	2008	2007	% change
Adjusted operating profit⁽¹⁾	137.5	172.8	(20%)
Exceptional items and goodwill impairment⁽²⁾	(10.0)	17.4	
<i>of which:</i>			
<i>Adviser fees</i>	(5.0)	-	
<i>Restructuring costs</i>	(5.0)	-	
<i>Investment gains and performance fees</i>	-	21.1	
<i>Goodwill impairment</i>	-	(3.7)	
Operating profit before tax	127.5	190.2	(33%)
Tax	(34.9)	(53.5)	(35%)
Minority interests	(2.6)	(3.8)	(32%)
Profit attributable to shareholders	90.0	132.9	(32%)
Basic EPS	61.5p	90.4p	(32%)
Adjusted EPS⁽³⁾	67.3p	82.8p	(19%)
Proposed ordinary dividend per share	39.0p	37.0p⁽⁴⁾	5%

Notes:

(1) Operating profit before exceptional items, goodwill impairment and tax

(2) Refer to slide 33 in the Appendix for a breakdown of exceptional items by division

(3) Pre exceptional items, tax effect of exceptional items, and impairment losses on goodwill

(4) A special dividend of 25.0p was also declared in 2007



Financial highlights

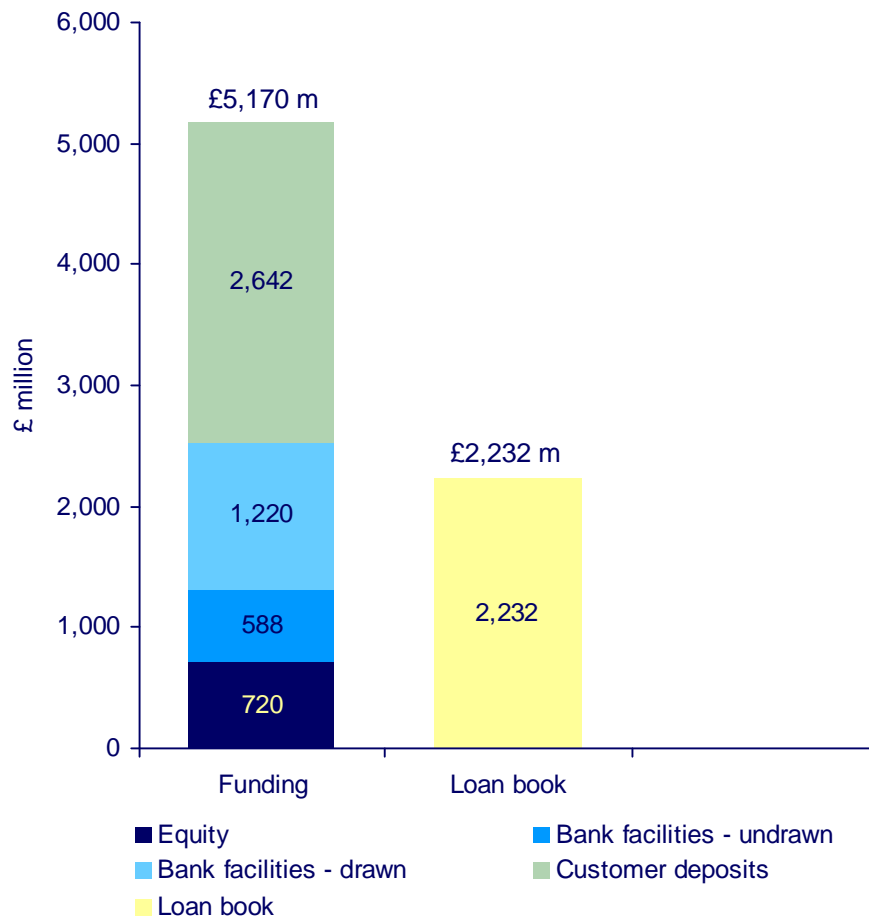
Summary pro forma balance sheet

£ million, as at 31 July	2008	2007	YoY change	
Assets				
Cash and cash equivalents	2,384.8	2,149.4	235.4	+11%
Loans and advances to customers	2,232.2	1,962.5	269.7	+14%
Settlement accounts, long trading positions and stock lending	656.8	855.9	(199.1)	
Intangible assets	134.4	120.5	13.9	
Other assets	344.5	286.6	57.9	
Total assets	5,752.7	5,374.9	377.8	
Liabilities				
Deposits by customers	2,641.7	2,302.7	339.0	+15%
Deposits by banks	298.2	160.6	137.6	
Borrowings	1,241.5	1,035.8	205.7	+20%
Settlement accounts, short trading positions and stock borrowing	556.9	736.5	(179.6)	
Other liabilities	294.0	386.7	(92.7)	
Total liabilities	5,032.3	4,622.3	410.0	
Equity	720.4	752.6	(32.2)	
Total liabilities and equity	5,752.7	5,374.9	377.8	



Funding and liquidity

Loan book more than twice covered



- **£2.2 billion** loan book funded by equity, bank facilities and deposits
- Recent developments
 - **15%** deposit growth to **£2.6 billion**
 - Extended range of committed facilities
- Prudent liquidity management
 - Borrow long and lend short with committed borrowing terms up to **5 years**
 - Average term of **30 months** on facilities compared to 12 months for the loan book
 - **£588 million** of undrawn, committed facilities

Note: All data as of 31 July 2008.



Capital

Basel II – no material impact on capital requirement

£ million	31 July 2008 Basel II Pro forma	31 July 2007 Basel II Pro forma	31 July 2007 Basel I Pro forma
Risk Weighted Assets	3,804.0 ⁽¹⁾	3,449.5 ⁽¹⁾	2,776.6
Tier 1 capital	547.2	618.0	618.0
Total capital	613.6	702.1	702.1
Tier 1 capital ratio	14.4%	17.9%	22.3%
Total capital ratio	16.1%	20.4%	25.3%

Note:

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



Asset Management

Key figures

£ million	2008	2007	% change
Adjusted operating income⁽¹⁾	133.5	177.5	(25%)
Adjusted operating expenses ⁽¹⁾	(100.9)	(120.9)	(17%)
Adjusted operating profit^{(1) (2)}	32.6	56.6	(42%)
Closing FuM	8,195	9,148	(10%)
Average FuM	8,672	8,680	-
Net new funds / opening FuM	(4.0%)	4.4%	
Operating margin ⁽¹⁾	24%	32%	
Expense / income ratio ⁽¹⁾	76%	68%	
Compensation ratio ⁽¹⁾	48%	48%	

Notes:

(1) Before exceptional items

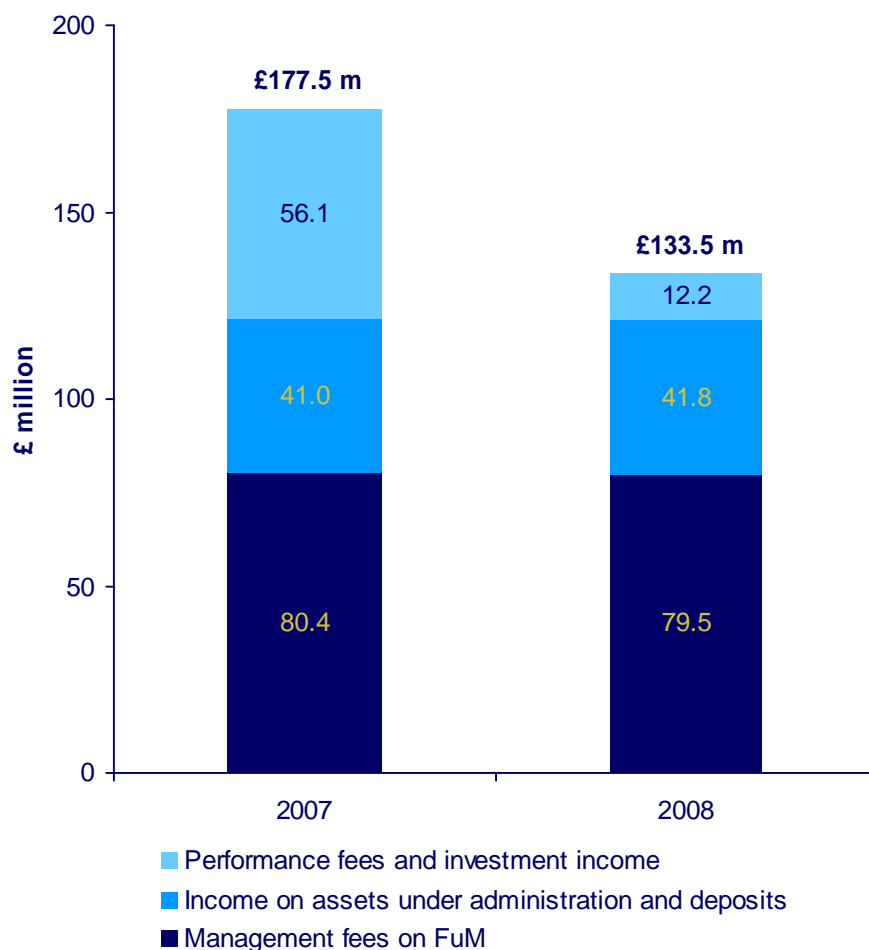
(2) 2007 operating profit includes £43 million investment gains and private equity performance fees of which £21.1 million are treated as exceptional



Asset Management

Income analysis

Adjusted operating income⁽¹⁾ by type



Note:

(1) Before exceptional items (£21.1 million in 2007)

Key metrics

- Adjusted operating income⁽¹⁾ down 25% to **£134 million**
- **Management fees** broadly stable at £80 million
 - Average FuM stable at £8.7 billion
 - Management fees / average FuM down 1 bp to 92 bps
- **Income on assets under administration and deposits** increased 2% to £42 million
- **Performance fees and investment income** declined by 78% to £12 million after an exceptionally strong contribution from private equity in 2007

Fund performance

- Majority of high net worth portfolios outperformed respective APCIMS indices
- Over 80% of hedge fund, specialist and structured products FuM outperformed relevant benchmarks



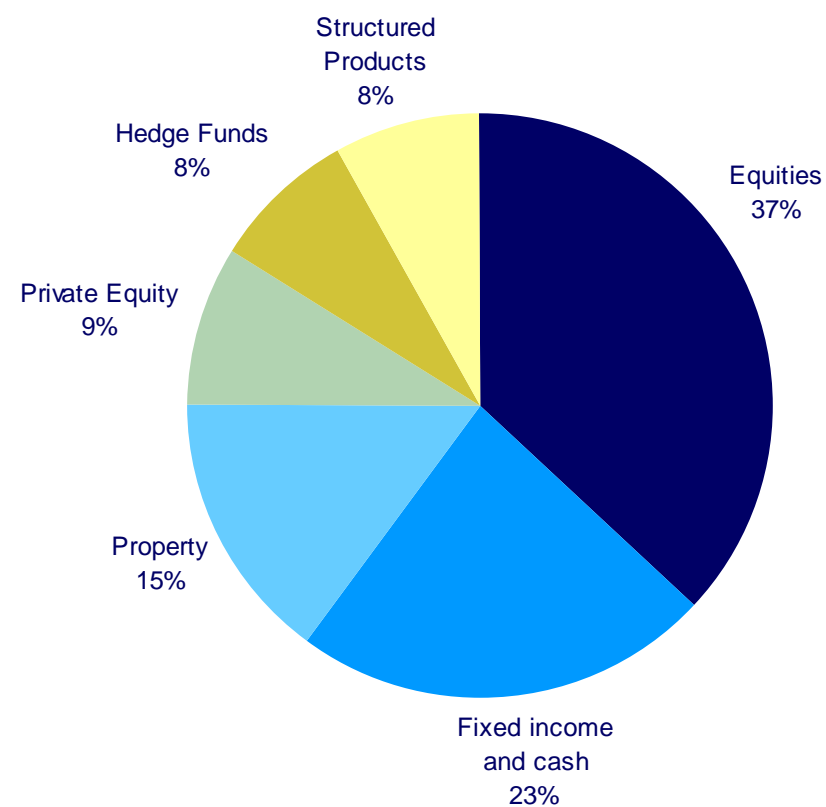
Asset Management

Funds under Management

Movement in FuM

£ million	Private Clients	Funds	Total
1 August 2007	3,588	5,560	9,148
New funds raised	436	742	1,178
Redemptions, realisations and withdrawals	(481)	(1,064)	(1,545)
Net new funds	(45)	(322)	(367)
Market movement	(227)	(359)	(586)
31 July 2008	3,316	4,879	8,195
% change	(8%)	(12%)	(10%)

Breakdown of FuM by asset class



Banking

Key figures

£ million	2008	2007	% change
Adjusted operating income⁽¹⁾	207.1	197.8	5%
Adjusted operating expenses ⁽²⁾	(105.1)	(104.6)	-
Impairment losses on loans and advances	(27.5)	(21.5)	28%
Adjusted operating profit⁽¹⁾	74.5	71.7	4%
Customer loan book	2,232.2	1,962.5	14%
Bad debt ratio ⁽³⁾	1.3%	1.1%	
Return on net loan book ⁽⁴⁾	3.6%	3.7%	
Return on opening capital ⁽⁵⁾	18%	20%	
Operating margin ⁽¹⁾	36%	36%	
Expense / income ratio ⁽²⁾	51%	53%	
Compensation ratio ⁽¹⁾	30%	30%	

Notes:

(1) Before exceptional items

(2) Before exceptional items and excluding impairment losses on loans and advances

(3) Impairment losses on loans and advances / average net loan book

(4) Banking division adjusted operating profit before tax (including non-lending income) / average net loan book

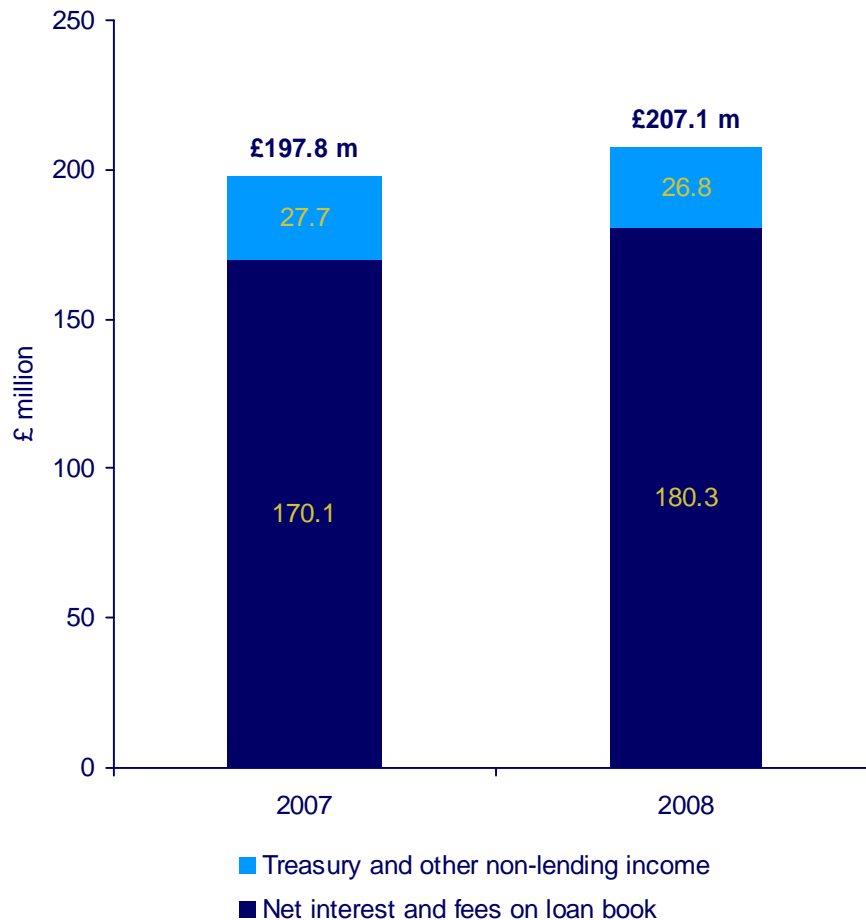
(5) Adjusted operating profit after tax and minority interests / opening division equity



Banking

Income analysis

Adjusted operating income by type



Note:

(1) Net interest and fees on loan book / average net loan book

Key metrics

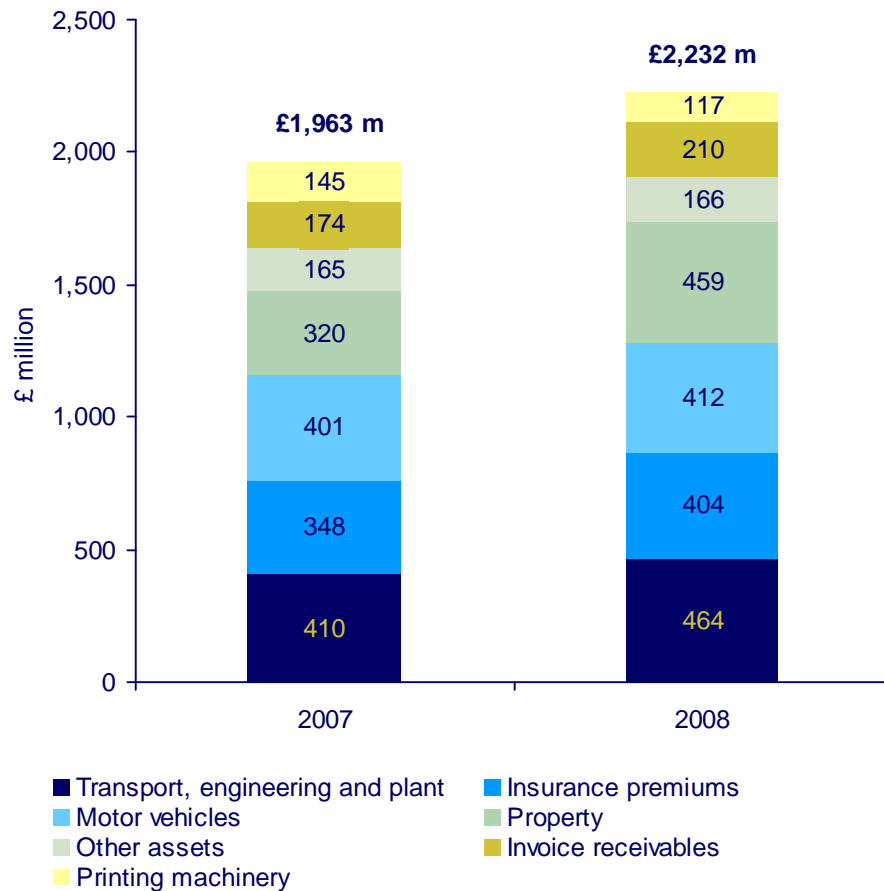
- Adjusted operating income up 5% to **£207 million**
- **Net interest and fees on loan book** increased 6% to £180 million
- Net loan book increased 14% to **£2.2 billion** as of 31 July 2008
 - 6% organic growth
 - £145 million contribution from Amber Credit and Commercial Acceptances
 - Average net loan book up 10% to £2.1 billion
- Net interest margin⁽¹⁾ slightly down at 8.6%
- **Treasury and other non-lending income** down 3% to £26.8 million



Banking

Loan book analysis

Loan book composition



Bad debt analysis

- Bad debt provisions **1.3%** of net loan book, up from 1.1% in 2007
 - Property bad debt ratio 2.2% of net loan book
 - No material increase in other asset classes, and no other asset class above 2%
- Anticipate period of higher bad debt
- Remain **on guard** for further potential increases in bad debts
- Retain prudent and consistent criteria to both new lending decisions and loan book provisioning



Corporate Finance

Key figures

£ million	2008	2007	% change
Adjusted operating income ⁽¹⁾	56.5	77.2	(27%)
Adjusted operating expenses ⁽¹⁾	(46.5)	(54.7)	(15%)
Adjusted operating profit ⁽¹⁾	10.0	22.5	(56%)
Operating margin ⁽²⁾	17%	28%	
Expense / income ratio ⁽²⁾	83%	72%	
Compensation ratio ⁽²⁾	60%	57%	

Notes:

(1) Before exceptional items

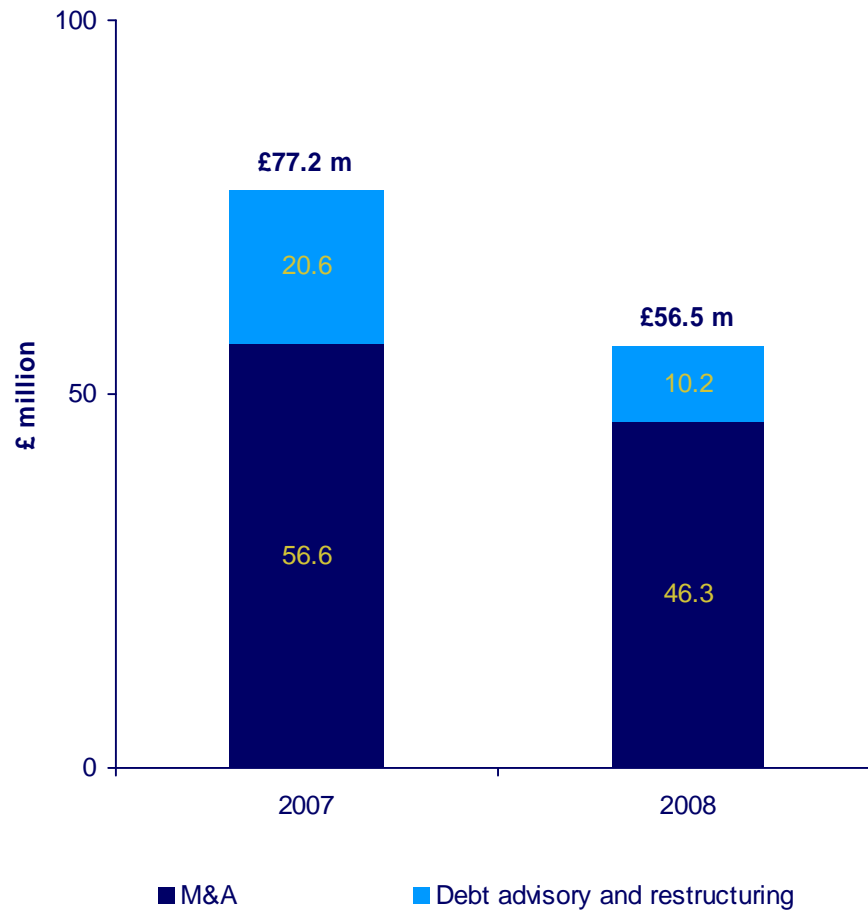
(2) Before exceptional items and associate income (minority stakes in Madrid and Milan operations)



Corporate Finance

Income analysis

Adjusted operating income by type



Key metrics

- Adjusted operating income down 27% to **£57 million**
 - Number of transactions 23% lower at 89
 - Lower income/transaction as return to normal pricing environment
- Performance impacted by weak market conditions in the UK (47% of total)
 - Strong contribution from French (36% of total) and German (17% of total) businesses
- **M&A** 82% of adjusted operating income
- **Debt advisory and restructuring** 18% of adjusted operating income
 - Debt advisory and restructuring declined from £20.6 million to £10.2 million as a result of a quiet restructuring market



Securities

Key figures

£ million	2008	2007	% change
Adjusted operating income⁽¹⁾	110.0	128.0	(14%)
Adjusted operating expenses ⁽¹⁾	(71.3)	(83.9)	(15%)
Adjusted operating profit⁽¹⁾	38.7	44.1	(12%)
<i>of which:</i>			
<i>Winterflood</i>	23.5	40.1	(41%)
<i>Seydler⁽²⁾</i>	8.0	4.0	100%
<i>Mako⁽³⁾</i>	7.2	-	
Operating margin ⁽⁴⁾	31%	34%	
Expense / income ratio ⁽⁴⁾	69%	66%	
Compensation ratio ⁽⁴⁾	45%	35%	

Notes:

(1) Before exceptional items

(2) Includes £4.1 million provision to cover a potential industry wide regulatory levy released in 2008 originally charged in the prior two years

(3) 49.9% stake acquired October 2007, accounted for as associate income

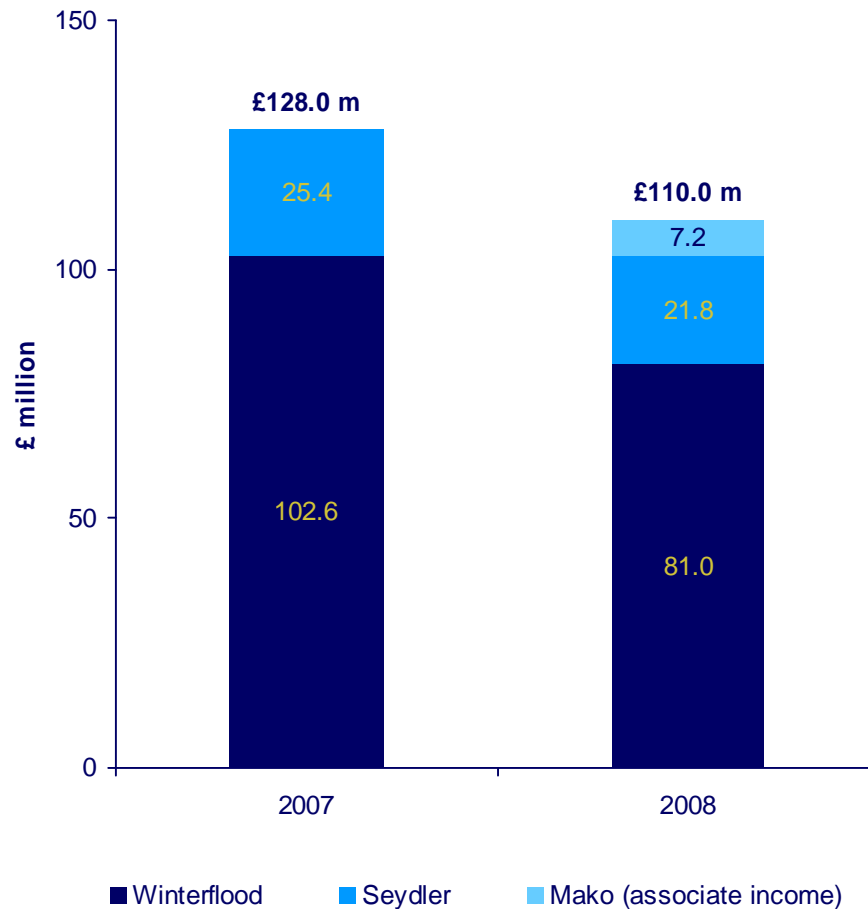
(4) Before exceptional items and associate income (Mako)



Securities

Income analysis

Adjusted operating income by business



Key metrics

- Adjusted operating income down 14% to **£110 million**
 - Performance impacted by volatile trading conditions
- **Winterflood** income declined 21% to £81 million
 - Number of bargains/day broadly stable year on year at 27,437 (2007 = 27,407)
 - › 7.0 million total bargains in 2008
 - Income per bargain declined 22% to £11.58
- **Seydler** income declined 14% to £22 million
- Initial contribution of £7.2 million of associate income from **Mako**
 - 49.9% stake acquired October 2007



Summary of performance

- A **resilient** overall performance in a challenging year
- Each of our divisions traded robustly in **difficult conditions**
- Retained a **strong capital position** and remain **well funded**
- Achieved **strong growth** in customer **loan book** and **deposits**



Agenda

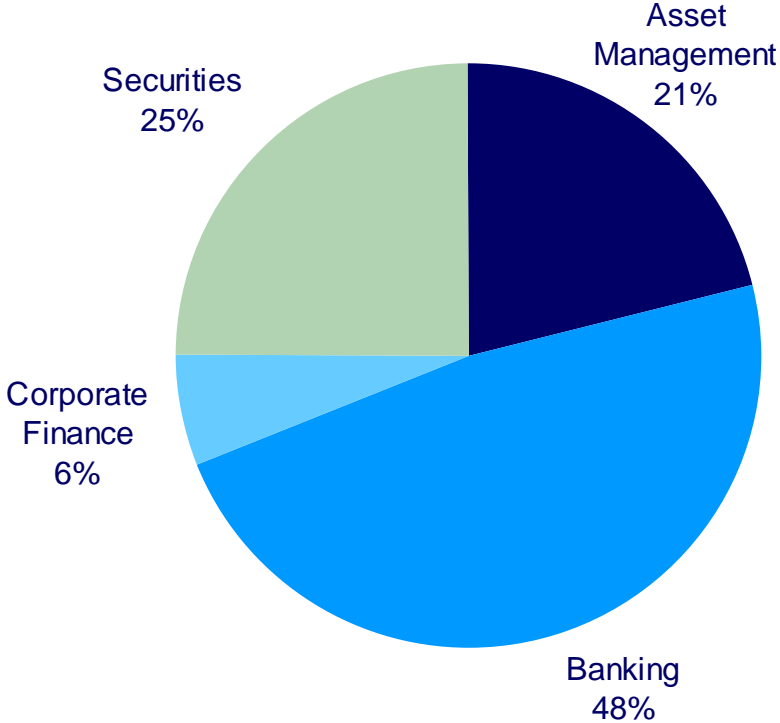
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Close Brothers Group

Business overview

Divisional contribution to adjusted operating profit⁽¹⁾



Group – Strong management team with extensive experience in growing the business organically and via acquisitions

Asset Management – Strong asset management business with good performance and opportunity to realise value from integration and expansion

Banking – A specialist, high-margin lending business with sustainable high quality earnings – conservatively funded and with growth potential

Corporate Finance – Independent European mid-market corporate finance and restructuring practice

Securities – Leading UK retail market-making business, German broker dealer and UK based derivatives market-maker

Note:
(1) Before group expenses



Business overview

A year of change and a year of action

- Short term **growth** focus in **Banking** – loan book up 14%
- **Balance sheet strength** to capitalise on opportunities
- Management changes
- Reorganised and refocused **Asset Management** and reduced costs
- **Corporate Finance** – European focus and some cost reduction
- **Securities** – cost reduction, focus on retail platform and more into higher growth areas
- Capital structure



Asset Management

Business overview

- Focus on core **UK business**
 - Mix of clients: **private, intermediary, and institutional**
 - **Direct** and **intermediary** distribution
 - Emphasis on **multi-asset, multi-manager** and **alternatives**
- Opportunities for selective **international distribution**
- Seek to expand **complementary businesses**
 - Fund administration
 - Trust
 - Banking
- Improve **operational efficiency** and **reduce complexity**



Banking division

Business overview

- Current conditions **favour** our Banking division
 - Credit crunch
 - Market reassessment of risk and reward
 - **Margins** and **volumes** are resilient BUT **bad debts** may increase in an economic downturn
 - Opportunities for further value-enhancing acquisitions and organic growth
- **Acquisitions** – recent examples
 - **Amber Credit** – insurance premium finance acquired in March 2008
 - **Commercial Acceptances Group** – specialist property bridge loans acquired in March 2008
 - **Kaupthing Singer & Friedlander Premium Finance** – insurance premium finance acquired in August 2008
- **Acquisitions** – what are we looking for?
 - Growth potential
 - High margin
 - Barriers to entry
 - Infill or add-on



Corporate Finance

Business overview

- Continue to **consolidate** our UK and European **mid market franchise**
 - Acquired remaining management held minority in French business in April 2008
 - Acquired remaining 55% share of Spanish Associate (Atlas Capital) in September 2008 (post year-end)
- Ongoing **focus on controlling costs** and on selective hiring
- Well positioned to take advantage of opportunities in **debt advisory** and **restructuring**



Securities

Business overview

- **Winterflood**

- Retain position as **leading retail service provider** in the UK
- Capitalise on retail platform and liquidity to enter **higher growth areas**
 - › Direct market access for institutions
 - › Algorithmic trading
 - › Executing corporate share schemes on a market making basis

- **Seydler**

- Focus on cost and retaining market leadership in **designated sponsorship**
- Established Seydler UK, marketing small and mid-cap German securities to UK investors

- **Mako**

- 49.9% stake acquired in October 2007
- Leading market maker in exchange-traded equity, fixed income and index derivatives



Outlook

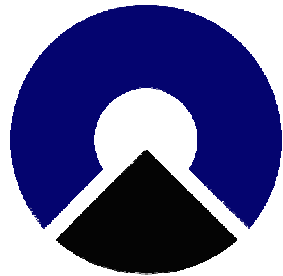
- **Difficult market conditions** continue to affect the group's performance in 2009
- **Asset Management** affected by volatile market conditions and weak market sentiment, with some offsetting benefit from cost reductions
- Good opportunities for loan book growth in **Banking** division, although bad debts may increase further
- **Corporate Finance** performance affected by overall levels of mid-market M&A activity
- **Securities** division reflects overall direction, volume and volatility of financial markets
 - **Winterflood** has seen a satisfactory start to the year
 - **Seydler** dependent on recovery in German retail market volumes
- Looking further out, our **strong market** and **robust financial positions** mean we are well placed to take advantage of better conditions when financial markets recover



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Appendix

- Segmental analysis
- Banking division supplementary information



Segmental analysis

Income statement

£ million	Asset Management	Banking	Corporate Finance	Securities	Group	Total
Year ended 31 July 2008						
Adjusted operating income	133.5	207.1	56.5	110.0	2.1	509.2
Adjusted operating expenses	(100.9)	(132.6)	(46.5)	(71.3)	(20.4)	(371.7)
Adjusted operating profit	32.6	74.5	10.0	38.7	(18.3)	137.5
Exceptional items: adviser's fees in respect of potential offers for the group	-	-	-	-	(5.0)	(5.0)
Exceptional items: restructuring costs	(2.1)	(0.3)	(0.9)	(1.3)	(0.4)	(5.0)
Operating profit before tax	30.5	74.2	9.1	37.4	(23.7)	127.5
Year ended 31 July 2007						
Adjusted operating income	177.5	197.8	77.2	128.0	5.2	585.7
Adjusted operating expenses	(120.9)	(126.1)	(54.7)	(83.9)	(27.3)	(412.9)
Adjusted operating profit	56.6	71.7	22.5	44.1	(22.1)	172.8
Exceptional items: investment gains and private equity performance fees	21.1	-	-	-	-	21.1
Impairment losses on goodwill	-	-	-	-	(3.7)	(3.7)
Operating profit before tax	77.7	71.7	22.5	44.1	(25.8)	190.2



Segmental analysis

Pro forma balance sheet as at 31 July 2008

£ million	Asset Management	Banking	Corporate Finance	Securities	Group	Total
Cash and cash equivalents	544.9	1,799.4	16.3	23.6	0.6	2,384.8
Settlement accounts	-	-	-	450.0	-	450.0
Loans and advances to customers	12.2	2,220.0	-	-	-	2,232.2
Debt securities and equity shares: long trading positions	-	-	-	100.0	-	100.0
Loans to money brokers	-	-	-	106.8	-	106.8
Intangible assets	62.7	29.9	11.5	30.3	-	134.4
Other assets and receivables ⁽¹⁾	80.4	114.9	23.9	27.9	97.4	344.5
Intercompany balances	348.4	(283.9)	6.7	(26.7)	(44.5)	-
Total assets	1,048.6	3,880.3	58.4	711.9	53.5	5,752.7
Settlement accounts	-	-	-	451.4	-	451.4
Deposits by customers	786.7	1,855.0	-	-	-	2,641.7
Deposits by banks	10.0	288.2	-	-	-	298.2
Borrowings	-	1,108.2	-	2.5	130.8	1,241.5
Debt securities and equity shares: short trading positions	-	-	-	38.5	-	38.5
Loans from money brokers	-	-	-	67.0	-	67.0
Provisions and other payables	78.7	104.5	28.5	52.9	29.4	294.0
Intercompany balances	21.7	218.9	16.7	1.0	(258.3)	-
Total liabilities	897.1	3,574.8	45.2	613.3	(98.1)	5,032.3
Equity	151.5	305.5	13.2	98.6	151.6	720.4
Total liabilities and equity	1,048.6	3,880.3	58.4	711.9	53.5	5,752.7

Note:

(1) Includes interests in associates



Segmental analysis

Pro forma balance sheet as at 31 July 2007

£ million	Asset Management	Banking	Corporate Finance	Securities	Group	Total
Cash and cash equivalents	584.5	1,532.4	10.1	22.3	0.1	2,149.4
Settlement accounts	-	-	-	624.9	-	624.9
Loans and advances to customers	9.3	1,953.2	-	-	-	1,962.5
Debt securities and equity shares: long trading positions	-	-	-	116.7	-	116.7
Loans to money brokers	-	-	-	114.3	-	114.3
Intangible assets	64.3	17.6	6.2	32.4	-	120.5
Other assets and receivables ⁽¹⁾	88.5	122.8	20.4	27.5	27.4	286.6
Intercompany balances	310.4	(238.3)	35.1	(26.3)	(80.9)	-
Total assets	1,057.0	3,387.7	71.8	911.8	(53.4)	5,374.9
Settlement accounts	-	-	-	484.5	-	484.5
Deposits by customers	779.2	1,523.5	-	-	-	2,302.7
Deposits by banks	2.1	158.5	-	-	-	160.6
Borrowings	-	1,026.2	-	9.6	-	1,035.8
Debt securities and equity shares: short trading positions	-	-	-	67.0	-	67.0
Loans from money brokers	-	-	-	185.0	-	185.0
Provisions and other payables	105.7	133.3	43.2	73.2	31.3	386.7
Intercompany balances	18.1	251.1	0.3	0.3	(269.8)	-
Total liabilities	905.1	3,092.6	43.5	819.6	(238.5)	4,622.3
Equity	151.9	295.1	28.3	92.2	185.1	752.6
Total liabilities and equity	1,057.0	3,387.7	71.8	911.8	(53.4)	5,374.9

Note:

(1) Includes interests in associates



Banking division

Loan book supplementary information

Typical lending statistics by asset class

Asset	Typical LTV %	Average loan size ⁽¹⁾	Typical loan maturity
Transport, engineering and plant	80%	£30 k	2-3 yrs
Property	60-65%	£1,300 k	12-18 mths
Property – bridge loans	70%	£330 k	6-12 mths
Insurance premiums	90%	£1 k	10 mths
Invoice receivables	80%	£180 k	2-3 mths
Motor vehicles	75-80%	£4 k	2-3 yrs

*Note: Figures are for illustrative purposes only.
(1) At 31 July 2008*

