Close Brothers Group

Banking Division

Presentation to investors and analysts

30 June 2008

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Past performance cannot be relied upon as a guide to future performance.

Agenda for the afternoon

4.00 pm	**Welcome and introduction to the Group**
	• Colin Keogh, Group Chief Executive Officer
	Banking Division
	• Stephen Hodges, Group MD, Head of the Banking Division
	• James Heath, Head of Finance, Banking Division
	Q&A
5.30 pm	**Drinks**

Close Brothers Group

Colin Keogh

- Group Chief Executive Officer

Close Brothers Group

Group	• Strong management team with extensive experience in growing the business organically and via acquisitions
Asset Management	• Strong range of niche asset management businesses with good performance and opportunity to realise value from integration and expansion
Securities	• Leading UK retail market-making business, German broker dealer and UK based derivatives market-maker
Corporate Finance	• Independent European corporate finance and restructuring practice
Banking	

Introduction

- Our Banking Division is **high margin** and **well capitalised**
- Typically accounts for **40-50% of group operating profit**
- Current market environment creates exciting opportunities to build **medium-term growth**
- **A key component of our overall group strategy:**

“actively to manage our distinctive, diverse, specialist and soundly financed businesses with a view to generating growth in profit, dividends and long term shareholder value”

Banking Division

Stephen Hodges

- Group Managing Director and Head of the Banking Division

James Heath

- Head of Finance, Banking Division

Banking Division

"A specialist banking business with sustainable, high quality earnings – conservatively funded – with growth potential"

A specialist, highly profitable banking business

- High quality of earnings, consistent and above average returns through the economic cycle
- Robust relationship between profit and bad debt charge
- Disciplined lending approach
  - resilience during the recent credit boom
- Strong niche businesses
  - high barriers to entry
- Experienced, specialist management team
- Well positioned to take advantage of a tougher post-credit crunch market

What we do

Specialist secured lending to SMEs, professionals and consumers

- Commercial asset finance
  - Transport and engineering
  - Printing machinery
  - Healthcare
- Consumer asset finance
  - Motor vehicles including light commercial and motorbikes
- Insurance premium finance
- Property finance
- Invoice discounting and factoring

Central treasury operations

- Deposit taking
- Foreign exchange
- Funding for lending operations
- Committed facilities

Other

- Mortgage broking
- Commercial debt collection

Current market conditions favour Close

Until July 2007

- Banks hungry for assets
- “Easy credit” conditions
- Market mispricing risk

Since July 2007

- Credit crunch
- Major reassessment of risk / reward
- Banking Division well positioned for future growth
- Our margins and volumes resilient

Income statement

(£m)	2005	2006	2007	2008 H1
Revenue	185.2	198.8	197.8	99.8
Expenses	95.2	106.2	104.6	52.5
Bad debt charges	20.3	18.6	21.5	9.6
Profit before tax	69.7	74.0	71.7	37.7
Loan book	1,939	1,862	1,962	2,006

Note:
Income includes treasury operations and non-lending activities

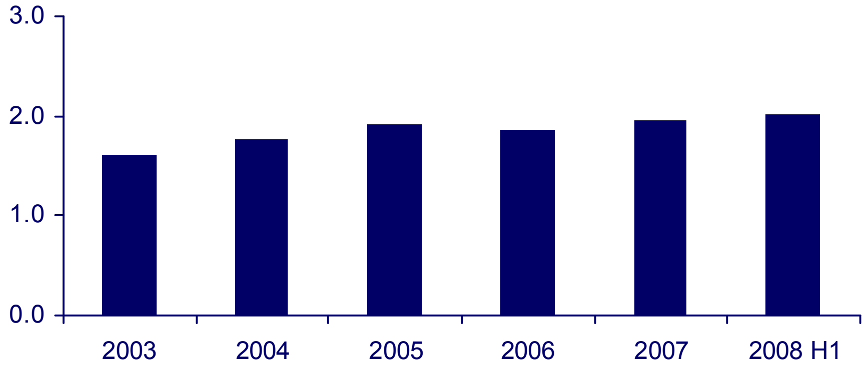
Key performance indicators

	2003	2004	2005	2006	2007	2008 H1
Operating income / average loans	10%	10%	10%	10%	10%	10%
Cost / income ratio	45%	47%	52%	53%	53%	53%
Bad debt charge / average loans	1.5%	1.4%	1.1%	1.0%	1.1%	1.0%
Return on loan book	4.2%	4.0%	3.7%	3.8%	3.7%	3.8%

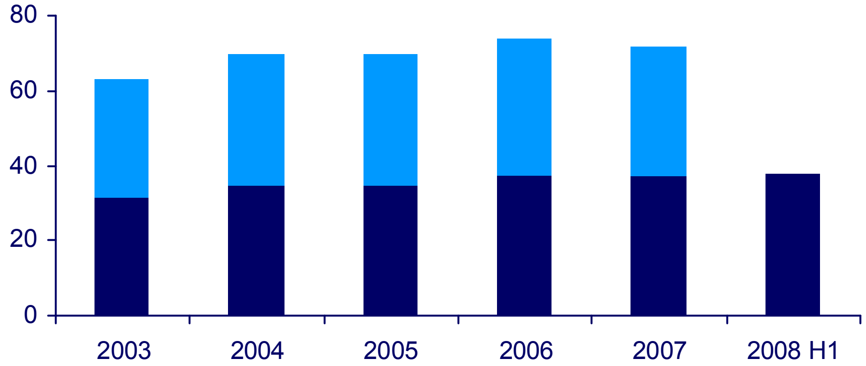
Note:
Income includes treasury operations and non-lending activities

Resilient performance based on disciplined lending approach

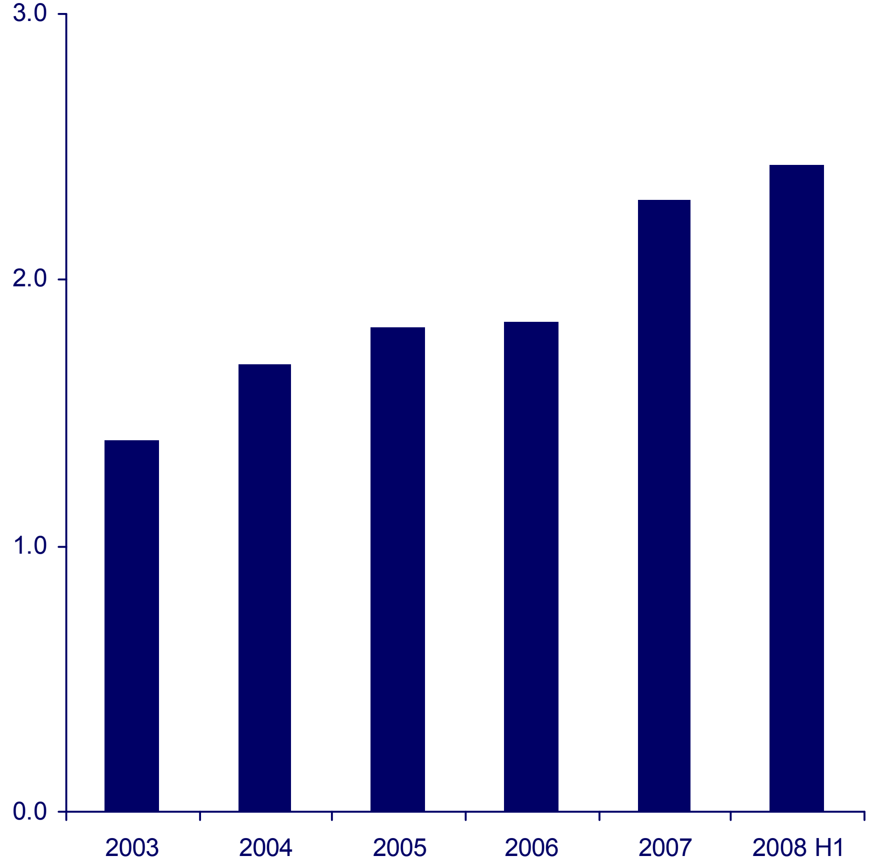
Loans (£bn)



Profit before tax (£m)



Customer deposits (£bn)

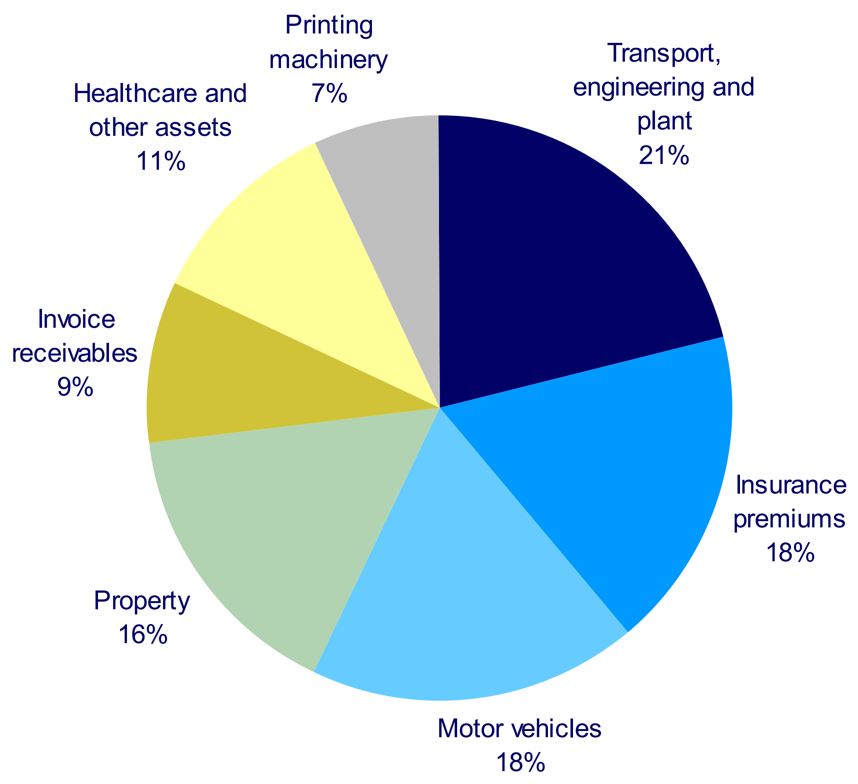


Source: All charts, CBG. Years to 31 July, before exceptional items. Years to 2005 in UK GAAP, IFRS thereafter

Diverse loan book

- Reduces concentration risk
- 465,000 borrowers
- Average loan size of £4,200

Analysis by asset class



Source: CBG, £2.0bn loan book, as at 31 July 2007

Quality of earnings

For every £100,000 that we lend…

10,100	=	10.1%	income after finance costs
(5,300)	=	5.3%	salaries / overheads
4,800	=	4.8%	profit before bad debt
(1,100)	=	1.1%	bad debt
3,700	=	3.7%	pre-tax return on loan book

- Favourable and robust relationship between profit and bad debt charge

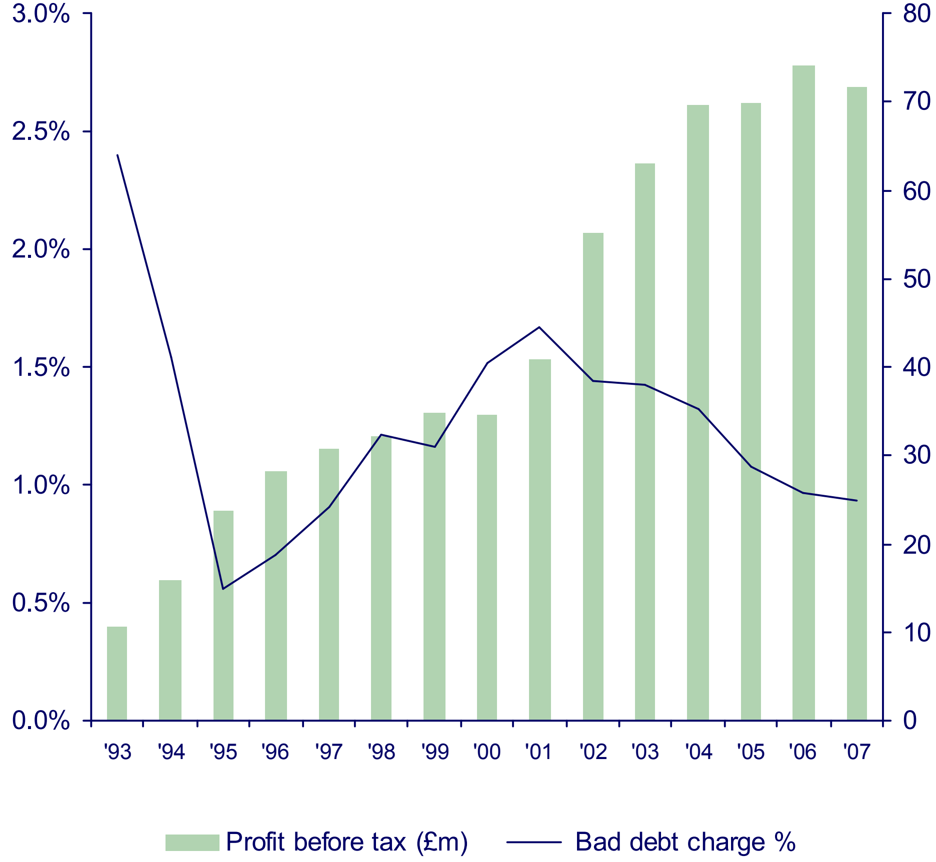
Source: CBG figures, year ended 31 July 2007

Quality of earnings

Comment

- Excellent bad debt record
- Six years of benign conditions
- Expecting bad debt to increase

Bad debt charge, % of gross loans



Source: CBG

Robust business model

Specialist independent businesses

Disciplined lending approach

Underwriting and arrears management

Specialist independent businesses

What do we mean by this?

- Expert teams – experienced specialists
- Long-term, consistent senior and divisional management
- Market knowledge – products and competition
- Acquisition experience
- Separate management, premises, systems etc.

What does this achieve?

- **Quality** of assets and earnings
- **Focus** on underwriting and margin
- **Barriers to entry**
  - people
  - customers
  - bespoke systems
  - distribution and supplier relationships
- In-fill **acquisition** opportunities
- Higher cost base but keeps **net margins high**

Disciplined lending approach

- Focus on **high margin** business rather than chasing volume
- **Secured** lending with low default rates
- **Diversified** and **balanced** loan book with limited exposure to any given asset or sector
- Risk appetite by activity is **consistent** throughout the cycle

Underwriting and arrears management

- Local underwriting responsibility
- Knowledge of asset / repossession value
- Security – margin of advance
- Debt – **not** mezzanine
- Short term
- Actively managed arrears

Soundly financed

CBL balance sheet

	£m
Shareholders funds	355
Customer deposits	2,435
Borrowings	1,137
Bank deposits	213
Other liabilities	306
Total liabilities	**4,446**
Loan book	2,006
Cash	392
Floating rate notes	777
Certificates of deposit	1,108
Other assets	163
Total assets	**4,446**

Note:
As at 31 January 2008. Customer deposits includes £797m of offshore banks' deposits which are included within the Asset Management division for segmental reporting

- No exposure to MBSs
- No exposure to CDOs
- No exposure to SIVs

Floating rate notes (FRNs)

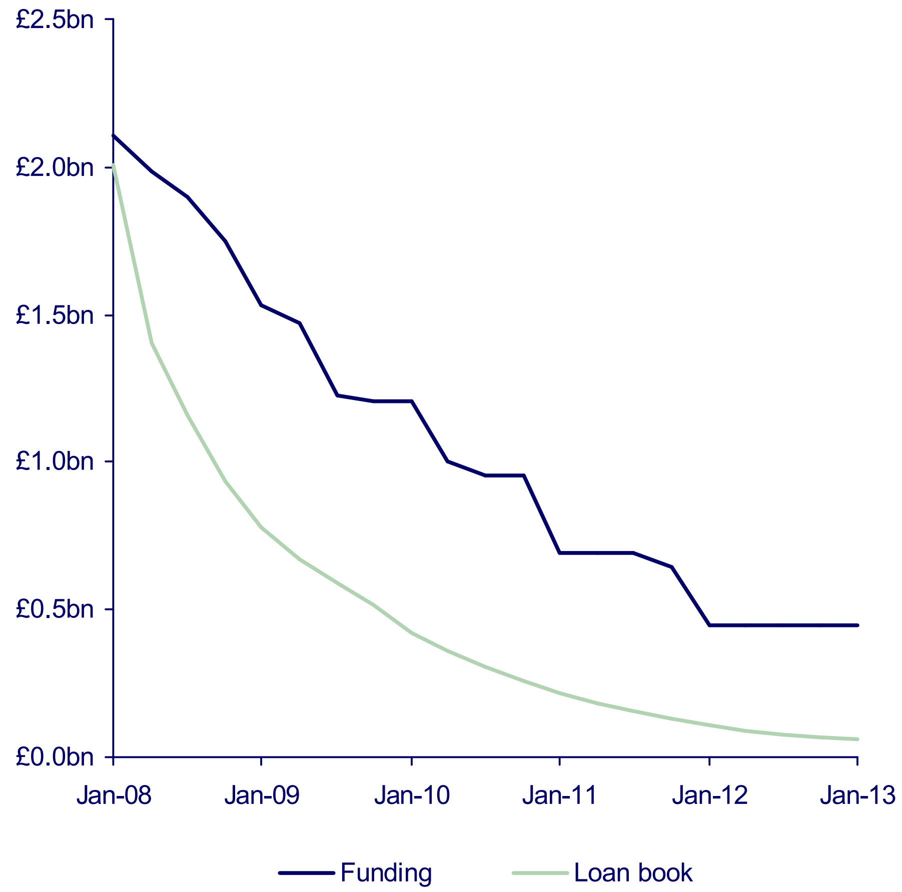
- High quality (almost exclusively AA) bank FRNs
- Intention and ability to hold to maturity
- Net mark to market adjustment circa £8m(1), 1% of portfolio, through equity **not** P&L

Note:
(1) At 31 January 2008

Highly liquid

- Borrow long / lend short
- Repayment of liabilities as they fall due

Funding vs. run off of loan book

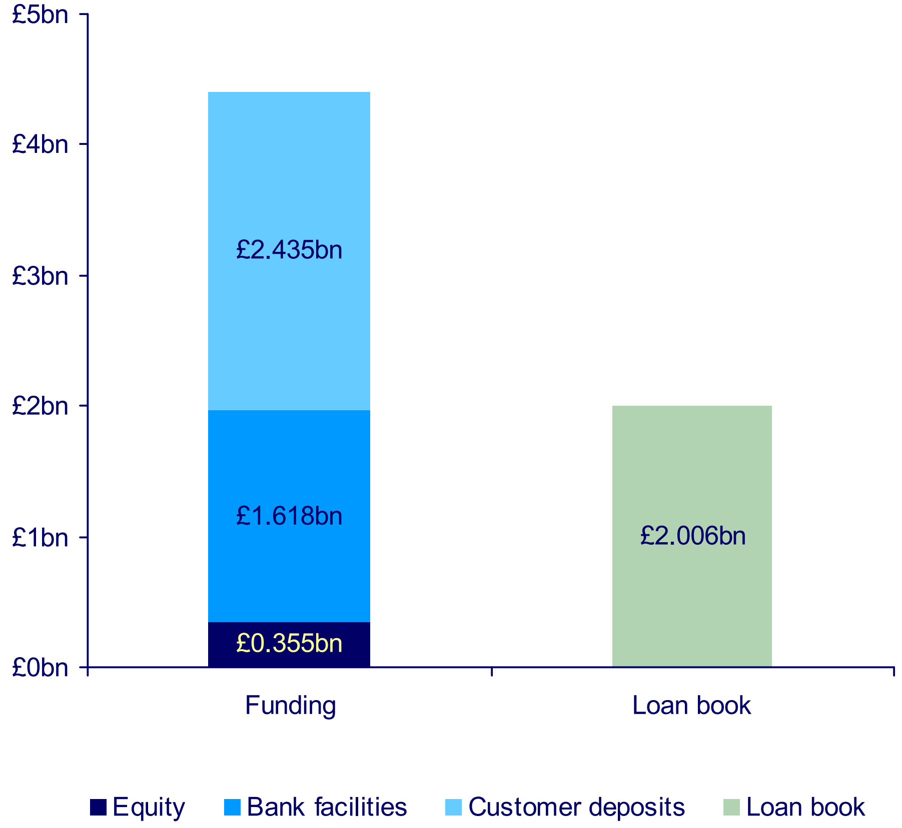


Source: CBG, as at 31 January 2008

Depth of funding

- **Long term** committed funding
  - Long standing banking relationships
  - Syndicated
  - Bilateral
  - Securitisation
  - Private Placements
  - MTN programme
- Deposit base
  - Stable and growing
  - Stress tested
- New facilities put in place but cost of funding will increase

Loan book more than twice covered



Source: CBG, as at 31 January 2008

Note:
Customer deposits includes £797m of offshore banks' deposits which are included within the Asset Management division for segmental reporting

Regulatory capital and ratings

Bank soundly capitalised

- Total capital ratio at 14%[(1)]
- Room for growth
- Basel 2

Note:
(1) As at 31 July 2007

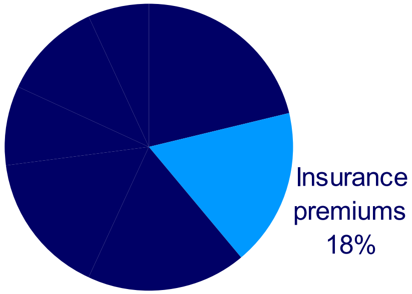
Strong ratings

	Long term	Short term	Outlook
Moody's	A2	P1	Stable
Fitch	A	F1	Stable

Source: Moody's, Fitch

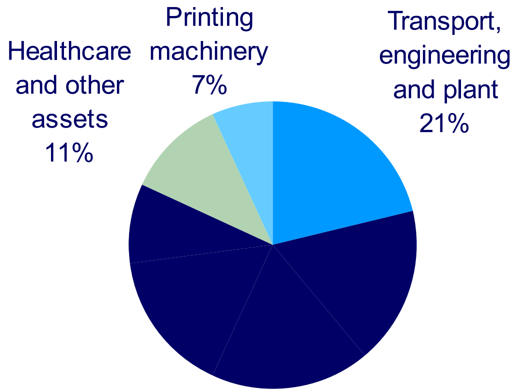
Insurance premiums

- Commercial and personal insurance
- Spreads payments over 10 months
- On-line automated transaction processing
- Security over underlying policy
- Affected by insurance cycle
- Premium deflation continues to slow
- Resilience in downturn



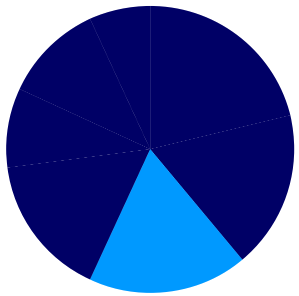
Commercial asset finance

- Transport, contractors' plant, print, machine tools/engineering
- 11 regional UK offices
- Specialist expertise in asset classes and markets
- Reduced involvement in new print market
- Regular addition of new specialist teams



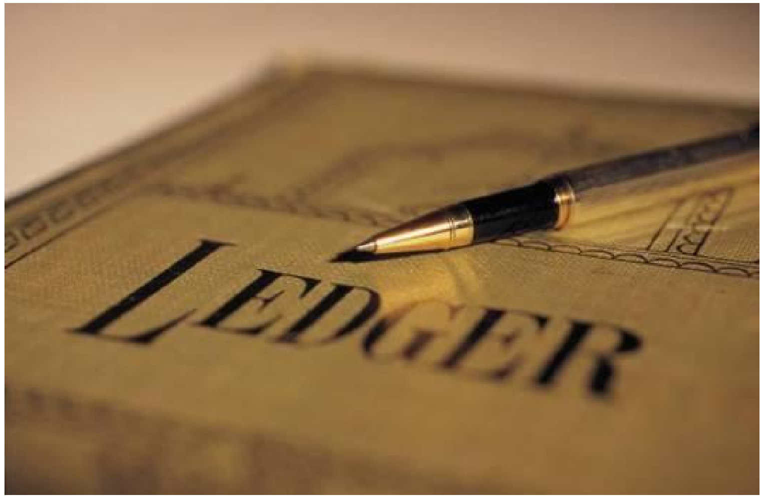
Consumer asset finance

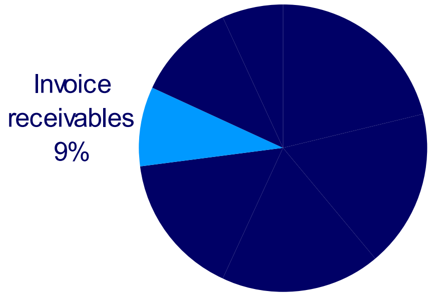
- Cars and motorbikes
- 12 regional UK offices
- Distribution through dealer network
- Loans to professionals
- Increasing regulation



Invoice finance

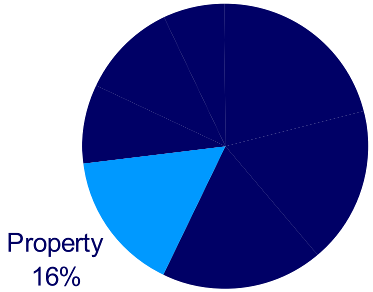
- Invoice discounting and factoring
- High return on assets
- Innovative technology
- Fraud risk inherent in industry
- Presence in Ireland and Germany
- Voted best invoice discounter for last three years by Business Moneyfacts





Property

- Primarily UK residential development
- Specialist team
- Short term lending
- Established over 30 years ago
- Typical LTV 65%
- Well spread by region, type and size of development



Banking – Highlights

Quality

- Sustainability and quality of earnings
- High margin – return on loan book of 3.7%

Conservative

- In our approach to capital adequacy and liquidity

Growth

- Well positioned for growth
  - through acquisitions
  - organically

Appendix

Banking – senior management experience

- Stephen Hodges
  - Joined Close Brothers in 1985 and was appointed Managing Director of the bank in 1990
  - Executive Chairman of Close Brothers Limited since 2002
- Mike Barley, Chief Executive Close Asset Finance
  - Joined Close Brothers in 1999 having previously been Chief Executive of Wagon Finance
- Bob Golden, Chief Executive Close Premium Finance since 1999
  - Previously Operations Director of the joint venture between Royal Bank of Scotland and Tesco
- Martin Orkin, Group Treasurer
  - At Close Brothers for 20 years
- Frank Pennal, Chief Executive of Close Property Finance
  - Over 20 years' experience in the Property Finance industry, the last 10 at Close Brothers
- David Thomson, Chief Executive Close Invoice Finance
  - Over 20 years' experience of the invoice discounting and factoring industry. Joined Close Brothers in 2001
- James Heath, Head of Finance
  - Joined Close Brothers in 1996 after four years at NM Rothschild