

Press Release

Enhanced Segmental Disclosures

21 February 2017

The group and particularly the Banking division have grown significantly in recent years. Therefore, we now believe it is appropriate to increase the level of financial disclosure for the three operating segments within the Banking division.

This announcement sets out the planned changes and provides comparative figures for these segments in advance of the group's 2017 half year results announcement on 14 March 2017. These enhancements to our reporting do not reflect any changes to the structure of the group and will have no effect on the reported group financial statements or the Banking division as a whole.

The three operating segments in the Banking division are Retail Finance (motor and premium finance), Commercial Finance (asset and invoice finance) and Property Finance (residential development and bridging finance). In addition to existing income disclosure for each of these three operating segments, we will report adjusted operating profit and key performance ratios. The analysis of the loan book by line of business given in previous results announcements will remain unchanged.

The Securities and Asset Management operating segments will remain unchanged.

The following pages set out the comparative figures for the Banking segments for FY 2016 and H1 2016. All figures are before the charge for amortisation of intangible assets on acquisition, and therefore on our normal adjusted basis.

Enquiries

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About Close Brothers

Close Brothers is a leading UK merchant banking group providing lending, deposit taking, wealth management services and securities trading. We employ around 3,000 people, principally in the UK. Close Brothers Group plc is listed on the London Stock Exchange and is a member of the FTSE 250.

BANKING DIVISION TOTAL (Unchanged)

	H1 2016 £m	FY 2016 £m
Operating income	248.7	511.2
Operating expenses	(123.6)	(250.3)
Impairment losses on loans and advances	(16.7)	(37.9)
Operating profit	108.4	223.0
Net interest margin	8.3%	8.2%
Expense/income ratio	50%	49%
Bad debt ratio	0.6%	0.6%
Closing loan book	5,969	6,432
Operating lease assets	140	160
Average loan book and operating leases	5,987	6,226

RETAIL FINANCE

	H1 2016 £m	FY 2016 £m
Operating income	100.4	204.6
Operating expenses	(53.3)	(107.7)
Impairment losses on loans and advances	(8.2)	(17.8)
Operating profit	38.9	79.1
Net interest margin	8.7%	8.6%
Expense/income ratio	53%	53%
Bad debt ratio	0.7%	0.7%
Closing loan book	2,332	2,511
Average loan book	2,299	2,388

COMMERCIAL FINANCE

	H1 2016 £m	FY 2016 £m
Operating income	97.2	202.3
Operating expenses	(57.2)	(116.2)
Impairment losses on loans and advances	(6.5)	(16.5)
Operating profit	33.5	69.6
Net interest margin	8.2%	8.2%
Expense/income ratio	59%	57%
Bad debt ratio	0.6%	0.7%
Closing loan book	2,278	2,463
Operating lease assets	140	160
Average loan book and operating leases	2,359	2,460

PROPERTY FINANCE

	H1 2016 £m	FY 2016 £m
Operating income	51.1	104.3
Operating expenses	(13.1)	(26.4)
Impairment losses on loans and advances	(2.0)	(3.6)
Operating profit	36.0	74.3
Net interest margin	7.7%	7.6%
Expense/income ratio	26%	25%
Bad debt ratio	0.3%	0.3%
Closing loan book	1,358	1,457
Average loan book	1,329	1,378

DEFINITIONS

The following definitions used in this release are unchanged from previous reporting:

Adjusted: adjusted measures are used to increase comparability between periods by excluding amortisation of intangible assets on acquisition, and any goodwill impairments and exceptional items

Expense/income ratio: total adjusted operating expenses on adjusted operating income

Bad debt ratio: impairment losses on average net loans and advances to customers and operating lease assets

Net interest margin: net income generated by lending activities, including net interest income, net fees and commissions and net operating lease income (deducting depreciation), on average net loans and advances to customers and operating lease assets