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Press Release

Re-presentation of key ratios

13 September 2016

Following a review of our financial reporting, we have implemented minor changes to the calculation of key metrics in the Banking division to better represent the contribution of operating lease assets and the role of Treasury. These changes will take effect in the group's forthcoming preliminary results for the 2016 financial year on 27 September 2016, and the 2015 comparatives will be re-presented accordingly. This announcement sets out the changes and provides re-presented historical figures to aid comparability at the time of the preliminary results.

These adjustments do not reflect any changes in the underlying business and will have no effect on adjusted operating profit, operating profit before tax, earnings per share, balance sheet or regulatory capital measures.

Overview

The definition of our net interest margin has been adjusted to take into account operating lease depreciation and operating lease assets on the balance sheet. In addition, all Treasury income will be included in the net interest margin, to reflect Treasury's role solely as a cost centre to provide funding for our lending businesses. In aggregate, these changes will result in a reduction in the 2015 net interest margin to 8.6% (as reported: 8.8%). This is offset by a reduction in the Banking expense/income ratio to 48% (as reported: 50%), with no impact on adjusted operating profit.

The calculation of the bad debt ratio and return on net loan book have also been adjusted to include operating lease assets. The amendment does not result in a material change in either of these ratios.

Depreciation of operating lease assets will now be reported as a cost of sales and included in operating income in the group's consolidated income statement, and the 2015 financial statements will be re-presented to reflect this change.

The following page sets out the changes to previously reported figures and key metrics for both the group and the Banking division for the 2015 financial year and 2016 half year.

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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 over 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.

Key performance indicators – Re-presented

CLOSE BROTHERS GROUP

	As reported £ million	Notes	Re-presented £ million
H1 2016			
Operating income	341.0	(1)	**331.6**
Adjusted operating expenses	(213.1)	(1)	**(203.7)**
Impairment losses on loans and advances	(16.7)		**(16.7)**
Adjusted operating profit	**111.2**		**111.2**
Operating margin	33%		**34%**
Expense/income ratio	62%	(1)	**61%**
FY 2015			
Operating income	689.5	(1)	**672.8**
Adjusted operating expenses	(422.7)	(1)	**(406.0)**
Impairment losses on loans and advances	(41.9)		**(41.9)**
Adjusted operating profit	**224.9**		**224.9**
Operating margin	33%		**33%**
Expense/income ratio	61%	(1)	**60%**

BANKING DIVISION

	As reported £ million	Notes	Re-presented £ million
H1 2016			
Operating income	258.1	(1)	**248.7**
Adjusted operating expenses	(133.0)	(1)	**(123.6)**
Impairment losses on loans and advances	(16.7)		**(16.7)**
Adjusted operating profit	**108.4**		**108.4**
Net interest margin	8.5%	(1)(2)(3)	**8.3%**
Expense/income ratio	52%	(1)	**50%**
Bad debt ratio	0.6%	(2)	**0.6%**
Return on net loan book	3.7%	(2)	**3.6%**
Average loan book and operating lease assets		(2)	**5,986.8**
FY 2015			
Operating income	498.6	(1)	**481.9**
Adjusted operating expenses	(248.0)	(1)	**(231.3)**
Impairment losses on loans and advances	(41.9)		**(41.9)**
Adjusted operating profit	**208.7**		**208.7**
Net interest margin	8.8%	(1)(2)(3)	**8.6%**
Expense/income ratio	50%	(1)	**48%**
Bad debt ratio	0.8%	(2)	**0.7%**
Return on net loan book	3.8%	(2)	**3.7%**
Average loan book and operating lease assets		(2)	**5,629.2**

Notes:
(1) Depreciation of operating lease assets, previously included in operating expenses, now included in operating income (H1 2016 £9.4 million; FY 2015 £16.7 million)
(2) Average operating lease assets (H1 2016 £133.5 million; FY 2015 £115.4 million) now included in denominator for calculation of key ratios
(3) Treasury income (H1 2016 £10.4 million; FY 2015 £13.4 million) now fully allocated to lending businesses and included in the net interest margin calculation