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Close Brothers Group plc

IFRS 9 Transition Report

7 November 2018

Contents

1. Overview of key impacts on transition to IFRS 9

Background

IFRS 9: Financial Instruments replaces *IAS 39: Financial Instruments – Recognition and Measurement* and is effective for Close Brothers Group plc (“the group”) from 1 August 2018. Going forward, the group’s financial reporting will be under this new accounting framework, which requires significant changes in accounting for financial instruments, particularly with regards to impairment.

This document provides an overview of the group's transition to IFRS 9 and the related impact on the group's balance sheet and capital position at the date of implementation. This is a voluntary announcement which incorporates a number of disclosures which will subsequently be included in the group's statutory financial reporting. It should be read in conjunction with the group's 2018 Annual Report, published on 1 October 2018.

The group's first financial report under IFRS 9 will be the half year results for the six months to 31 January 2019. The full disclosures in accordance with *IFRS 7 Financial instruments: Disclosures* relating to the initial application of IFRS 9 will be included in the group's Annual Report for the year to 31 July 2019.

Summary of impact

Under IFRS 9, impairment losses are recognised in the group’s financial statements on a forward-looking basis, taking into account both the risk profile of the loan book and the macroeconomic outlook at the balance sheet date. This results in earlier recognition of impairment in the group’s financial statements, and consequently a higher balance of impairment on the balance sheet, compared to the incurred loss approach under IAS 39.

As set out in the group’s 2018 Annual Report, the transition to IFRS 9 will result in the following key impacts:

- An increase in impairment provisions on the balance sheet at 1 August 2018 by £59.0 million to £99.5 million. This increase principally reflects the additional expected credit loss (“ECL”) on performing and underperforming loans, as well as a broader definition of default compared to IAS 39 and the addition of macroeconomic assumptions.
- Shareholders’ equity decreases by £44.9 million, reflecting the increase in impairment provisions of £59.0 million partly offset by an increase in deferred tax assets of £14.1 million.
- A reduction of 49 basis points (“bps”) on a fully loaded basis to the group’s common equity tier 1 (“CET1”) capital ratio at 1 August 2018 to 12.2%. However, after transitional relief, the impact on the group’s common equity tier 1 position in the 2019 financial year will be minimal at 2 bps.

Going forward, the application of IFRS 9 will result in earlier recognition of expected credit losses in the group’s income statement, principally as loans move between “stages” due to changes in their credit profile or to reflect changes in the macroeconomic outlook. Overall, while IFRS 9 changes the timing of impairment recognition, it will not in itself result in changes to the cash flows or cash losses of our financial assets.

Over the course of the 2019 financial year, we will continue to test and refine the new accounting processes, internal controls and governance framework necessitated by the adoption of IFRS 9. Therefore, the estimation of expected credit losses and related impacts over the 12 months to 31 July 2019 remains subject to change until finalisation of the 2019 financial statements.

2. Background

IFRS 9 is an International Financial Reporting Standard ("IFRS") set by the IASB and replaces IAS 39, the previous accounting standard for financial instruments. IFRS 9 has three core components: Classification and Measurement, Impairment and Hedge Accounting.

Classification and Measurement

Under IFRS 9, financial assets are required to be classified based on the business model within which they are managed and their contractual cash flow characteristics. These factors determine whether the financial assets are measured at amortised cost ("AC"), fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). The requirements for the classification of financial liabilities, as they currently apply to the group, remain unchanged.

The majority of the group's financial assets are loans and advances to customers which were held at amortised cost under IAS 39, and will continue to be measured at amortised cost under IFRS 9. The adoption of IFRS 9 has not resulted in any changes to the measurement basis of the group's financial assets.

Impairment

Under IAS 39, the group recognised a provision only when a loss event had been incurred. When this was separately identified, an individual provision was recognised. If a loss event was not separately identified, a collective provision was recognised based on historical evidence of incurred losses. Furthermore, incurred but not reported ("IBNR") impairment provisions were raised to cover losses, which were judged to be incurred but not yet specifically identified at the balance sheet date.

IFRS 9 has replaced this approach with an expected credit loss approach. This will result in impairment provisions being recognised earlier, as it is no longer necessary for a loss event to be incurred before a provision is recognised. This approach is applicable to financial assets held at AC, debt financial assets at FVOCI, loan commitments and financial guarantees and lease receivables.

Under IFRS 9, expected credit losses are the unbiased probability weighted average credit losses determined by evaluating a range of possible outcomes and future economic conditions. The ECL model has three stages:

Stage 1: when a significant increase in credit risk since initial recognition has not occurred, a 12-month ECL is recognised for all Stage 1 financial assets. This requirement did not exist under IAS 39 and has resulted in higher impairment provisions as an ECL has been recognised on all performing financial assets.

Stage 2: when a significant increase in credit risk since initial recognition has occurred, a lifetime ECL is recognised. This concept did not exist under IAS 39 and therefore it will result in an increased impairment provision as a result of recognising a lifetime ECL for financial assets that are not considered to be credit impaired.

Stage 3: when objective evidence exists that an asset is credit impaired, a lifetime ECL is recognised. This is similar to the incurred loss approach under IAS 39; however, the group has extended the definition of default to apply the 90 days past due ("DPD") rebuttable presumption under IFRS 9. For selected Stage 3 financial assets, which meet our individual assessment criteria, multiple scenarios are also used to estimate the lifetime ECL.

Hedge Accounting

IFRS 9 contains revised requirements which aim to simplify hedge accounting. The standard does not yet address macro hedge accounting strategies, which are being considered in a separate IASB project. IFRS 9 includes an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39. The group has opted to continue applying the existing requirements under IAS 39 for the foreseeable future, although it will implement the amended IFRS 7 hedge accounting disclosure requirements from 1 August 2018.

Presentation of comparatives

As permitted by IFRS 9, the group is not restating comparatives on initial application. Instead the classification and measurement and impairment requirements will be applied retrospectively by adjusting the opening balance sheet at 1 August 2018. A reconciliation of the closing balance sheet as at 31 July 2018 to the opening balance sheet at 1 August 2018 is provided on page 9 of this report.

3. Key elements of expected credit loss provisions

The measurement of expected credit losses under IFRS 9 involves increased complexity, estimation and management judgement compared to IAS 39.

It has been necessary for the group to develop new definitions and models to estimate the IFRS 9 provision for each of our portfolios. The significant increase in credit risk and default definitions have been set based on our processes used to measure and monitor credit risk. Our models take into account both the composition of the loan book and the macroeconomic outlook at a given point in time.

Significant increase in credit risk definition

In assessing whether a significant increase in credit risk has occurred, the group applies a multifactor approach using quantitative measures (e.g. changes in probability of default or credit score since origination), which drive most Stage 2 financial assets, and qualitative factors (e.g. forbearance and watch list processes). As a backstop, all financial assets that are 30 days past due are considered to have experienced a significant increase in credit risk.

Default definition

A financial asset will only be considered credit impaired if there is objective evidence of impairment, including financial assets that are defaulted or 90 days past due. Where a financial asset is classified as credit impaired it will be moved into Stage 3.

Loans are considered defaulted where the borrower is in breach of contract, is bankrupt, or experiences other significant financial difficulties which are expected to have a detrimental impact on their ability to pay interest or principal on the loan.

When loans are identified as credit impaired, interest income is calculated at amortised cost on the net carrying value of the loan (carrying value net of the impairment provision) in line with the requirements of IFRS 9.

ECL models

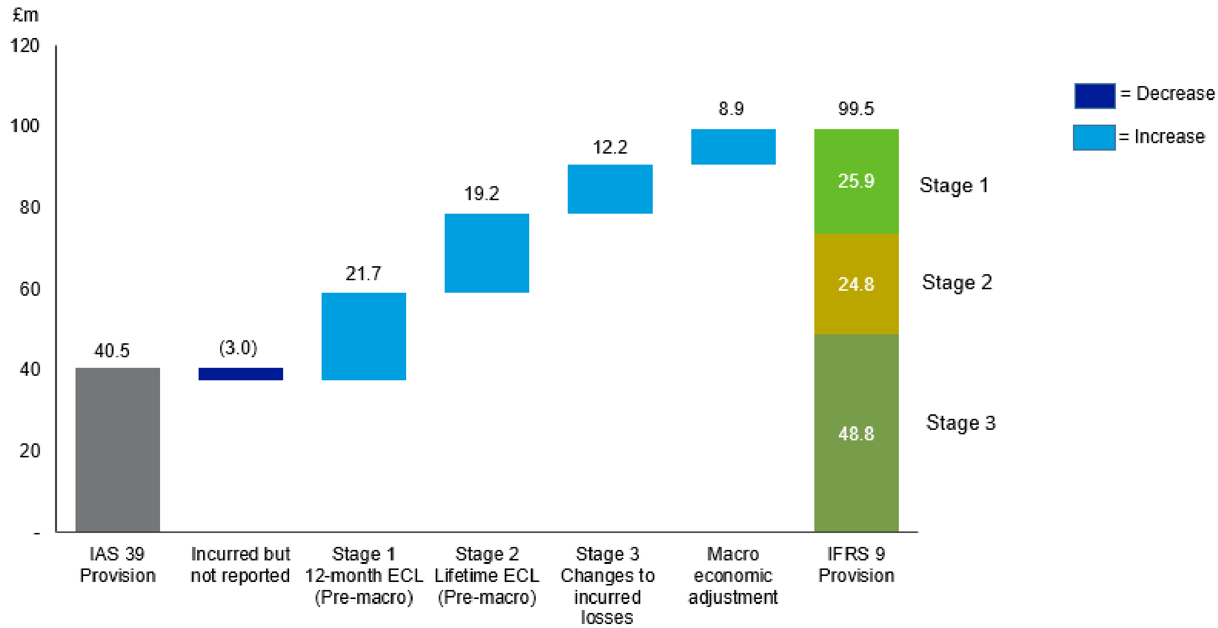
Our models use three key input parameters for the calculation of expected credit losses, being probability of default (“PD”), exposure at default (“EAD”) and loss given default (“LGD”).

PD is the estimate of the likelihood of default over a given time horizon. Key drivers will include customer characteristics which are adjusted with forward-looking macroeconomic scenarios which are likely to impact the risk of default. To calculate our PDs it has been necessary to estimate the expected life of each financial asset. The expected life has been defined as a number of months or years, based on the average behavioural life across each portfolio.

EAD represents the expected balance at default after taking into account any projected repayment of principal and interest together with any expected drawdowns of committed facilities until the default event occurs. The EAD will be discounted back to the reporting date using the effective interest rate (“EIR”) determined at initial recognition. Discounting is calculated over a 12-month period for Stage 1 loans or over either the behavioural life or the remaining term life, whichever is shorter, for Stage 2 loans.

LGD represents the expected losses on the EAD after taking into account cash recoveries, including the value of collateral, discounted over the time it is expected to be realised. Expected cash recoveries are discounted at the original EIR of the loan, back to the default date.

4. Impairment provision bridge from IAS 39 to IFRS 9



The bridge above presents the impact of the IFRS 9 key concepts and methodologies, which have increased the group's impairment provision by £59.0 million compared to IAS 39. The IAS 39 opening balance of £40.5 million includes both provision on loans and advances to customers totalling £39.1 million and a £1.4 million provision held against other receivables.

The most significant driver of the increase is the requirement under IFRS 9 to hold an expected credit loss provision for performing loans, which is incremental to the existing incurred loss provision on non-performing loans under IAS 39. Excluding the impact of macroeconomic adjustments, these changes increase impairment provisions by £37.9 million:

- The 12-month ECL provision on performing assets (Stage 1) adds £21.7 million to the impairment provision, with no equivalent requirement under IAS 39.
- The lifetime ECL provision on performing assets that display a significant increase in credit risk since initial recognition (Stage 2) adds a further £19.2 million to the impairment provision.
- The latent IBNR provision under IAS 39 is no longer recognised under IFRS 9, which results in a £3.0 million reduction in the provision, partly offsetting the IFRS 9 uplift.

In addition, impairment provisions on non-performing assets (Stage 3) increased by £12.2 million, principally due to widening the definition of default to include a 90 day past due backstop.

Under IFRS 9 there is a requirement to consider a range of possible future outcomes, which has resulted in a £8.9 million increase in the provision from applying macroeconomic assumptions. This is a smaller driver of the increase given the current macroeconomic environment, good quality portfolio and short-term nature of the assets. A summary of key economic assumptions is presented in *Section 8: Macroeconomic assumptions.*

Substantially all of the increase in impairment provisions under IFRS 9 relate to the loan book. The group has recognised a small additional ECL provision of £0.8 million for other financial assets resulting in a total provision of £2.2 million, which is included in the Stage 1 and the total provision figures above.

5. Regulatory capital impact

An analysis of the key impacts on the group's capital position as a result of applying the requirements of IFRS 9 is set out in the table below:

	IAS 39 Year ended 31 July	IFRS 9 Impact	IFRS 9 Fully loaded 1 August	Transitional relief	IFRS 9 Transitional 1 August	Net IFRS 9 impact after transitional relief
Capital resources	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**	**£ million**
Shareholders' equity [1]	1,349.5	(44.9)	1,304.6	42.7	1,347.3	(2.2)
Regulatory adjustments and deductions	(265.1)	-	(265.1)	-	(265.1)	-
CET1 capital	**1,084.4**	**(44.9)**	**1,039.5**	**42.7**	**1,082.2**	**(2.2)**
Tier 2 capital	197.9	-	197.9	-	197.9	-
Total capital	**1,282.3**	**(44.9)**	**1,237.4**	**42.7**	**1,280.1**	**(2.2)**
Risk weighted assets	**8,547.5**	**(26.0)**	**8,521.5**	**21.1**	**8,542.6**	**(4.9)**
CET1 capital ratio	12.7%	(0.49)%	12.2%	0.47%	12.7%	(0.02)%
Leverage ratio	10.6%	(0.39)%	10.2%	0.37%	10.6%	(0.02)%

1. Shareholders' equity excluding £0.8 million non-controlling interests

Capital Planning

A prudent capital position is a core part of our business model and supports our ability to lend through the cycle, grow the loan book and invest in our business. The group seeks to maintain capital ratios comfortably in excess of its minimum regulatory requirements. Consequently, the anticipated impact of IFRS 9 to the group's capital and leverage ratios has been taken into account in our capital planning process, both on a fully loaded and transitional basis, and are expected to be entirely manageable in the context of the group's overall strong capital position.

CET1 Capital Ratio

The impact on the group's CET1 capital ratio before transitional relief (i.e. on a "fully loaded" basis) at 1 August 2018 is a reduction of 49 bps to 12.2%. The group has elected to take advantage of the European Banking Authority's transitional arrangements, which allow the capital impact of expected credit losses to be phased in over a five-year period. The phase in factors will allow for a 95% add back to CET1 capital and risk weighted assets in the 2019 financial year, reducing to 85%, 70%, 50% and 25% across financial years 2020 to 2023, with full recognition of the impact on CET1 capital in the 2024 financial year. After applying the transitional relief, the impact on the group's capital position in the 2019 financial year is minimal at 2 bps.

The reduction in the CET1 capital ratio reflects the £44.9 million reduction in shareholders' equity. Standardised credit risk weighted assets also decrease by £26.0 million under IFRS 9, driven by the reduction in net loan book due to the increase in impairment provisions, partly offset by the risk weighted increase in deferred tax assets.

Leverage Ratio

The increase in impairment provisions net of tax resulted in a 39 bps decrease in the group's leverage ratio from 10.6% to 10.2% on a fully loaded basis due to the reduction in shareholders' equity. The impact in the 2019 financial year on a transitional basis is also minimal at 2 bps.

6. Analysis of loans and advances to customers

The table below presents the loans and advances to customers, ECL provisions and respective coverage ratios under IFRS 9 at 1 August 2018.

	IFRS 9					
		Stage 2				
	Stage 1 [1] £ million	<30DPD £ million	>=30DPD £ million	Total £ million	Stage 3 £ million	Total [2] £ million
Gross loan book						
Retail	2,452.1	224.9	4.3	229.2	24.0	**2,705.3**
Commercial	2,452.4	246.1	16.8	262.9	81.2	**2,796.5**
Property	1,574.7	58.9	46.3	105.2	154.9	**1,834.8**
Total	**6,479.2**	**529.9**	**67.4**	**597.3**	**260.1**	**7,336.6**
ECL provision						
Retail	10.0	10.1	0.4	10.5	14.2	**34.7**
Commercial	11.8	10.5	1.1	11.6	25.7	**49.1**
Property	1.9	2.4	0.3	2.7	8.9	**13.5**
Total	**23.7**	**23.0**	**1.8**	**24.8**	**48.8**	**97.3**
Net loan book						
Retail	2,442.1	214.8	3.9	218.7	9.8	**2,670.6**
Commercial	2,440.6	235.6	15.7	251.3	55.5	**2,747.4**
Property	1,572.8	56.5	46.0	102.5	146.0	**1,821.3**
Total	**6,455.5**	**506.9**	**65.6**	**572.5**	**211.3**	**7,239.3**
Coverage ratio						
Retail	0.4%	4.5%	9.3%	4.6%	59.2%	**1.3%**
Commercial	0.5%	4.3%	6.5%	4.4%	31.7%	**1.8%**
Property	0.1%	4.1%	0.6%	2.6%	5.7%	**0.7%**
Total	**0.4%**	**4.3%**	**2.7%**	**4.2%**	**18.8%**	**1.3%**

1. Included in Stage 1 is a £1.0 million ECL provision relating to undrawn loan commitments.
2. This analysis excludes a £2.2 million provision held under IFRS 9 for other financial assets.

The application of IFRS 9 impacts our businesses differently due to the diverse nature of our loan book and different credit risk profiles.

- Within Retail, the increase in provision is predominantly driven by Motor Finance. The increase reflects the recognition of new ECL provisions for performing loans in Stage 1 and loans which meet the significant increase in credit risk criteria for Stage 2, as well as the impact of the macroeconomic assumptions. There is limited impact on provisions in the Premium Finance business, due to the short-term nature of the loan book.
- In Commercial, the majority of the increase is due to the 90 days past due backstop, most notably in Asset Finance. Alongside this the introduction of the significant increase in credit risk recognition criteria has resulted in a higher provision across Commercial loans which were previously collectively assessed and now attract a lifetime ECL. The coverage ratios reflect the secured nature of the business.
- For the Property segment, the introduction of the 90 days past due backstop has resulted in a significantly higher balance of loans allocated to Stage 3. This reflects our strict definition of payments which are 90 days past due, but from a business perspective are considered performing and where we continue to expect full repayment, as a result of this, these loans generate a low ECL. The low coverage ratios across the portfolio reflect this expectation and are underpinned by our prudent Loan To Values and historically low losses in this business.

7. IFRS 9 balance sheet impact

The following table sets out the impact of IFRS 9 on the group balance sheet at 1 August 2018. All IFRS 9 transitional adjustments are driven by changes in impairment provisions between IAS 39 and IFRS 9 and the related tax adjustments.

Assets	IAS 39 C&M	IFRS 9 C&M	IAS 39 31 July	IFRS 9 transitional adjustments	IFRS 9 1 August
Cash and balances at central banks	LAR	AC	1,140.4	(0.1)	1,140.3
Settlement balances	LAR	AC	512.2	(0.1)	512.1
Loans and advances to banks	LAR	AC	140.2	(0.1)	140.1
Loans and advances to customers	LAR	AC	7,297.5	(58.2)	7,239.3
Debt securities			320.6	(0.2)	320.4
	LAR	AC	250.5	(0.2)	250.3
	AFS	FVOCI	44.5	-	44.5
	HFT	FVPL	25.6	-	25.6
Equity shares			32.1	-	32.1
	AFS	FVOCI	0.5	-	0.5
	HFT	FVPL	31.6	-	31.6
Loans to money brokers against stock advanced	LAR	AC	66.4	-	66.4
Derivative financial instruments			16.6	-	16.6
	HFT	FVPL	1.1	-	1.1
	FV(H)	FV(H)	15.5	-	15.5
Intangible assets			201.3	-	201.3
Property, plant and equipment			226.1	-	226.1
Deferred tax assets			43.0	14.1	57.1
Prepayments, accrued income and other assets			187.1	(0.3)	186.8
Trade and other receivables [1]	LAR	AC	51.5	(0.3)	51.2
Prepayments and accrued income	AC	AC	135.6	-	135.6
Assets classified as held for sale			67.5	-	67.5
Total assets			**10,251.0**	**(44.9)**	**10,206.1**
Liabilities					
Deposits by customers	AC	AC	5,497.2	-	5,497.2
Borrowings	AC	AC	2501.1	-	2501.1
Market-making liabilities [2]	AC	AC	565.5	-	565.5
Other liabilities [3]	AC	AC	338.5	-	338.5
Total liabilities			**8,902.3**	**-**	**8,902.3**
Equity			**1,348.7**	**(44.9)**	**1,303.8**
Total liabilities and equity			**10,251.0**	**(44.9)**	**10,206.1**

AC – Amortised cost
AFS – Available for sale
HFT – Held for trading
LAR – Loans and receivables
FVPL – Fair value through profit or loss
FV(H) – Derivatives held for hedging and carried at fair value
FVOCI – Fair value through other comprehensive income

1. £2.1 million of other assets were classified as AFS under IAS 39. Under IFRS 9 they will be classified as FVPL.
2. Under IAS 39, £30.6 million of market-making liabilities were classified as HFT and measured at FVPL. They will continue to be FVPL under IFRS 9.
3. £19.9 million of other liabilities were classified as FVPL under IAS 39. They will continue to be FVPL under IFRS 9.

The transitional adjustments as at 1 August 2018 resulted in a £58.2 million decrease in the net loan book to £7,239.3 million and a £0.8 million decrease in other financial assets. Shareholders' equity decreased by £44.9 million, with a £14.1 million increase in deferred tax assets reflecting an acceleration of relief on losses.

8. Macroeconomic assumptions

IFRS 9 requires the incorporation of forward-looking macroeconomic information that is reasonable and supportable, but it provides limited guidance on how this should be performed.

To capture the effect of changes to the economic environment, the ECL models incorporate forward-looking information and assumptions linked to economic variables that impact losses in each portfolio. The group makes use of externally sourced forecast economic data and scenarios to project potential credit conditions for each portfolio.

The group selects economic scenarios and assigns each of them a probability weighting using a combination of quantitative analysis and expert judgement. Scenario selections and weightings are reviewed periodically and ultimately approved by the Group Risk and Compliance Committee ("GRCC"), which includes appropriate representation from the businesses, Risk and Finance.

Six different projected economic scenarios are currently considered to cover a range of possible outcomes, reflecting upside and downside relative to the baseline and forecast economic conditions. Our weighted assumptions are aligned to our forward-looking outlook. The impact varies across the group's lending businesses because of the sensitivity of each portfolio to specific macroeconomic variables.

The key UK economic assumptions within each of the scenarios are shown in the table below. The numbers shown are an average over the five-year period from 2018 to 2022. Zero weightings are currently applied to the extreme upside and downside scenarios given low expectation that these will materialise in the near term.

	Baseline	Upside (Exceptionally Strong)	Upside (Strong)	Downside (Mild)	Downside (Deep)	Downside (Protracted)
UK GDP Growth [1]	1.6%	2.6%	2.3%	1.3%	0.8%	0.3%
UK Unemployment [2]	4.9%	3.4%	3.9%	5.6%	6.6%	7.4%
HPI Growth [3]	2.1%	5.1%	4.1%	1.1%	(1.0%)	(2.7%)
BoE Base Rate [4]	1.3%	1.7%	1.4%	0.6%	0.2%	0.1%
Weighting	**60%**	**0%**	**15%**	**20%**	**5%**	**0%**

1. UK Gross Domestic Product growth
2. UK Unemployment rate percentage
3. House Price Index growth rate
4. Bank of England base rate percentage

9. Governance

IFRS 9 has been implemented through a structured governance model. ECL models have been developed with input from the businesses, Risk and Finance under the governance of the IFRS 9 Technical Design Authority. These models have been internally validated by the group's Independent Model Validation team, which is structurally independent from the model developers and business teams, and externally tested by the group's auditors for the purpose of the year end disclosure.

Model approval is obtained through the Model Governance Committee, which consists of senior representatives from Risk and Finance. Economic scenarios and the associated probability weightings used in the calculation of expected credit losses are ultimately approved by the GRCC.

Review and approval of model outputs and any post model adjustments are jointly the responsibility of the respective businesses, Risk and Finance, with ultimate authority resting with the GRCC and any escalations to Board Risk Committee or Board Audit Committee as appropriate.

Appendix 1: Glossary

Term	Definition
12-month expected credit loss provision ("12-month ECL")	The portion of lifetime expected credit losses that relate to default events which are possible within 12 months after the reporting date
Classification & measurement ("C&M")	IFRS 9 requires the group to perform an assessment to classify its financial assets and liabilities into the following measurement categories: Financial assets: amortised cost, fair value through other comprehensive income or fair value through profit or loss Financial liabilities: amortised cost or fair value through profit or loss
Credit impaired financial assets	Where one or more events that have a detrimental impact on the estimated future cash flows of a loan have occurred. Accounts which are credit impaired will be allocated to Stage 3
Days past due ("DPD")	The number of days a loan payment is past its due date
Discounting	The process of determining the present value of future payments
Effective interest rate ("EIR")	The interest rate at which revenue is recognised on loans
Exposure at default ("EAD")	The outstanding balance of a financial asset at default. For loans this includes the outstanding capital and accrued interest
Expected credit loss ("ECL")	The unbiased probability weighted average credit loss determined by evaluating a range of possible outcomes and future economic conditions
Forbearance	Occurs when a customer, who is experiencing financial difficulties, is granted a concession through the changing of the terms of the financial arrangement
Gross carrying amount / Gross carrying value	Loan book before expected credit loss provision
IASB	The International Accounting Standards Board is the independent, accounting standards setting body
Lifetime expected credit loss provision ("Lifetime ECL")	The expected credit losses that result from all possible default events over the expected life of a financial instrument
Loss given default ("LGD")	The amount lost if a customer defaults based on the difference between the contractual cash flows due and the discounted cash flow expected to be received, net of collateral
Net carrying amount	Loan book value after expected credit loss provision
Probability of default ("PD")	The probability that a customer will default on their loan
Significant increase in credit risk ("SICR")	An assessment of whether credit risk has increased significantly since initial recognition of a loan using a range of triggers. Accounts which have experienced a significant increase in credit risk will be allocated to Stage 2
Watch list	Internal risk management process for heightened monitoring of loans that are showing increased credit risk

Appendix 2: Cautionary statement

Certain statements included or incorporated by reference within this report may constitute "forward-looking statements" in respect of the group's operations, performance, prospects and/or financial condition. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as "anticipates", "aims", "due", "could", "may", "will", "should", "expects", "believes", "intends", "plans", "potential", "targets", "goal" or "estimates". Such statements are based on current plans, estimates and expectations. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Risks and uncertainties that could cause actual results to differ from those anticipated or implied in any forward-looking statement include, but are not limited to, changes in the economic environment and legal and regulatory requirements. For further information on these and other risks and uncertainties, see the Strategic Report in the Annual Report and Accounts 2018. Accordingly, no assurance can be given that any particular expectation will be met, and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future.

Forward-looking statements speak only as of the date they are made. Subject to our obligations under applicable law and regulation, no responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Readers are advised to consult any additional disclosures that the group has made or may make in documents it has published or may publish via the Regulatory News Service of the London Stock Exchange.

Nothing in this report should be construed as a profit forecast. Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

This report does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to subscribe for or purchase any shares or other securities in the company or any of its group members, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares or other securities of the company or any of its group members.

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