

Close Brothers Group plc



2006 Interim Results



AGENDA

Overview

Colin Keogh

Board Changes

Colin Keogh

Financial Review

Peter Winkworth

Divisional Review

Colin Keogh/
Peter Winkworth

Outlook

Colin Keogh



Colin Keogh
Chief Executive



RESULTS HIGHLIGHTS

Group Overview of H1

Ø An excellent set of results

- PBT £76.5m +19%
- EPS 36.0p +17%
- Dividend 10.5p +11%

Ø Investment banking strongly ahead

- +33% to £49.2m (57% of operating profit)

Ø Banking better than expected

- +7% to £36.9m (43% of operating profit)



HIGHLIGHTS AND OVERVIEW

Favourable market conditions for **Investment Banking**:

∅ Further progress from **Asset Management**

- PBT £18.6m (+22%) FUM £7.7bn (+26% yoy)
- £200m net new funds
- £400m +ve markets

∅ A very strong performance from **Corporate Finance**

- Best ever 6 months in UK, France and Germany
- PBT £8.8m (+83%)
- M&A resurgent

∅ And a solid performance from **Securities** (up 28%)

- WINS PBT £17.8m (+5%)
- Increased volumes offset by some margin pressure in SETSmm
- Seydler, maiden PBT £4.0m, benefited from increased trading volumes and designated sponsor activity



HIGHLIGHTS AND OVERVIEW

∅ Market conditions for **Banking** were more testing

- PBT £36.9m (+7%)
- Loan book remained flat but well spread
- We maintained margin over volume
 - Some pricing pressure in highly liquid market
 - Insurance market continued soft
- Growth in some areas
- Bad debts remain low



HIGHLIGHTS AND OVERVIEW

Diversity of Activity and Income

	H1 05 %	H2 05 %	H1 06 %
<u>By activity</u>			
Asset Management	21	22	22
Corporate Finance	7	7	10
Securities	<u>23</u>	<u>24</u>	<u>25</u>
Investment Banking	51	53	57
Banking	49	47	43
<u>By type of net income</u>			
Interest	32	30	29
Fees and commissions	41	46	46
Dealing	22	21	23
Other	5	3	2



GROUP

Board Changes at October '06 AGM

- Ø Sir David Scholey (70) to retire at AGM
- Ø Rod Kent (58) to be chairman
- Ø Strone Macpherson (SID) to be deputy chairman
- Ø New independent NED to be appointed
- Ø Major shareholders consulted



Peter Winkworth
Joint MD - Finance



IFRS

- Ø First reporting under IFRS
- Ø FY 2005 and H1 05 restated under IFRS
- Ø Detailed IFRS accounting policies set out
- Ø Adjustments and reconciliation to UK GAAP shown for Income Statement, Balance Sheet and Cash Flow
- Ø Differences not significant
 - £1.7m share based awards
 - Different treatment of goodwill and dividends



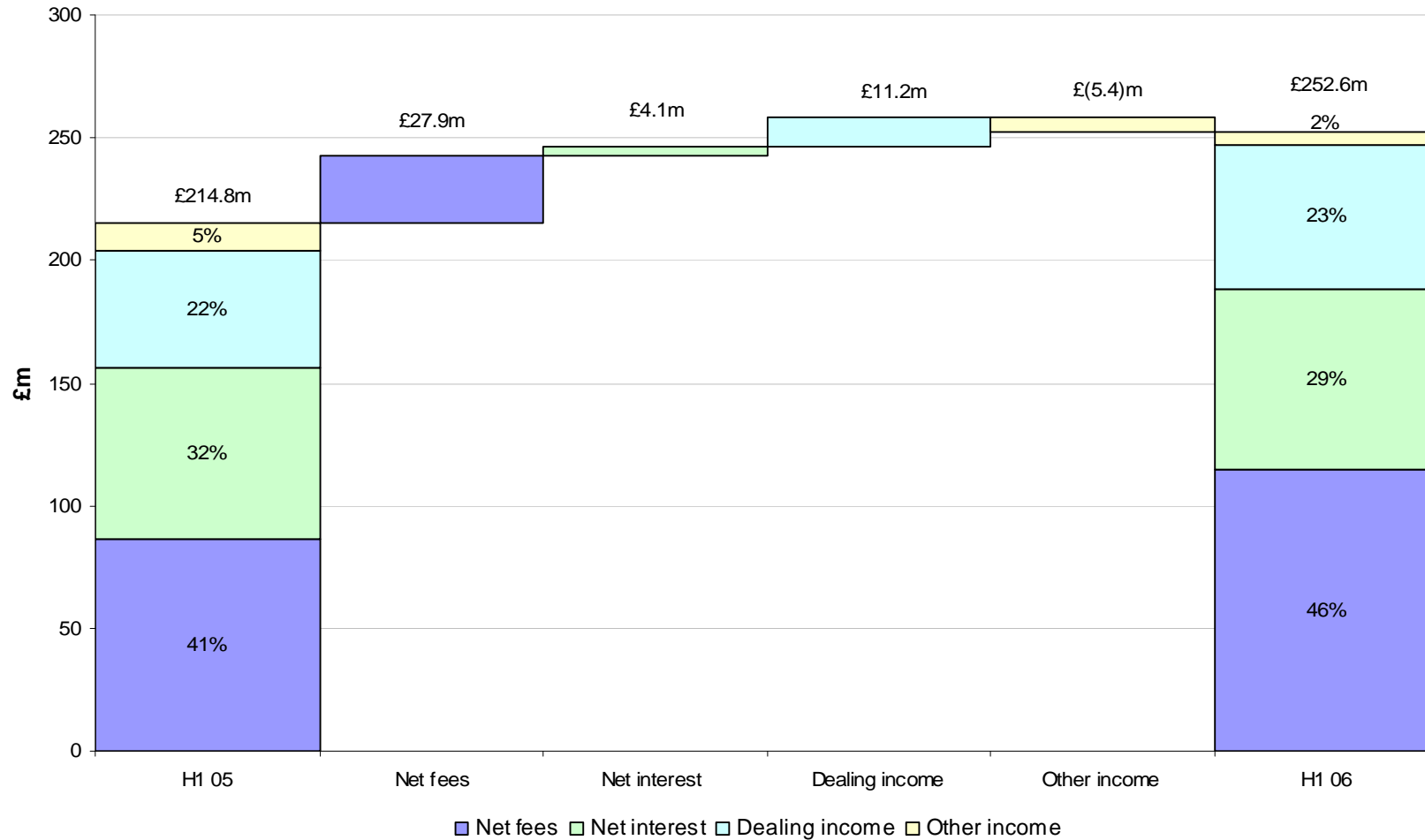
RESULTS HIGHLIGHTS

	Year 05	H1 05	H1 06
(£m)	IFRS	IFRS	IFRS
<i>Income Statement</i>			
Operating income	447.5	214.8	252.6
Pre-tax profit	129.5*	64.2	76.5
EPS (p)	62.0*	30.8	36.0
Dividend (p)	28.5	9.5	10.5
<i>Balance Sheet</i>			
Total assets	4,754	4,653	4,896
Customer loans	1,939	1,962	1,862
Equity	579	555	614

**Pre goodwill*



INCOME DEVELOPMENT



Strong growth in fees



INCOME STATEMENT

£m	H1 05	H1 06
Operating income (net);		
Interest	69.3	73.4
Fees	86.8	114.6
Dealing	48.1	59.3
Other	<u>10.6</u>	<u>5.3</u>
Total operating income	<u>214.8</u>	<u>252.6</u>
Administrative expenses	(137.0)	(160.8)
Depreciation	(5.1)	(6.2)
Bad debt provisions	<u>(8.5)</u>	<u>(9.1)</u>
Total operating expenses	<u>(150.6)</u>	<u>(176.1)</u>
Pre-tax profit	64.2	76.5
Tax	<u>(18.5)</u>	<u>(22.1)</u>
Post-tax profit	<u>45.7</u>	<u>54.4</u>



BALANCE SHEET

31 January (£m)	H1 05	H1 06
Equity	555	614
Subordinated loan capital	97	75
Deposits by customers	1,753	1,873
Funds from banks	670	518
Non recourse borrowings	250	200
Debt securities	350	358
Securities trading liabilities	704	941
Other liabilities	<u>274</u>	<u>317</u>
	<u>4,653</u>	<u>4,896</u>
Cash and short term deposits	1,579	1,627
Loans and advances	1,962	1,862
Securities trading assets	781	1,037
Fixed assets and investments	62	83
Other assets	164	189
Goodwill	<u>105</u>	<u>98</u>
	<u>4,653</u>	<u>4,896</u>



FINANCIAL HIGHLIGHTS : STATS

£m

INCOME	253	+18%
PBT	76.5	+19%
<i>Return on income</i>	<i>30%</i>	
<i>Expenses/income</i>	<i>64%</i>	<i>n/c</i>
NET ASSETS - opening	555	
- closing	614	+11%
ROC – opening	26%	
LOAN BOOK	1,862	-5%
<i>Bad debt charge/av loans</i>	<i>1%</i>	<i>n/c</i>
FUM	7,700	+26%
DIVIDEND	10.5p	+11%



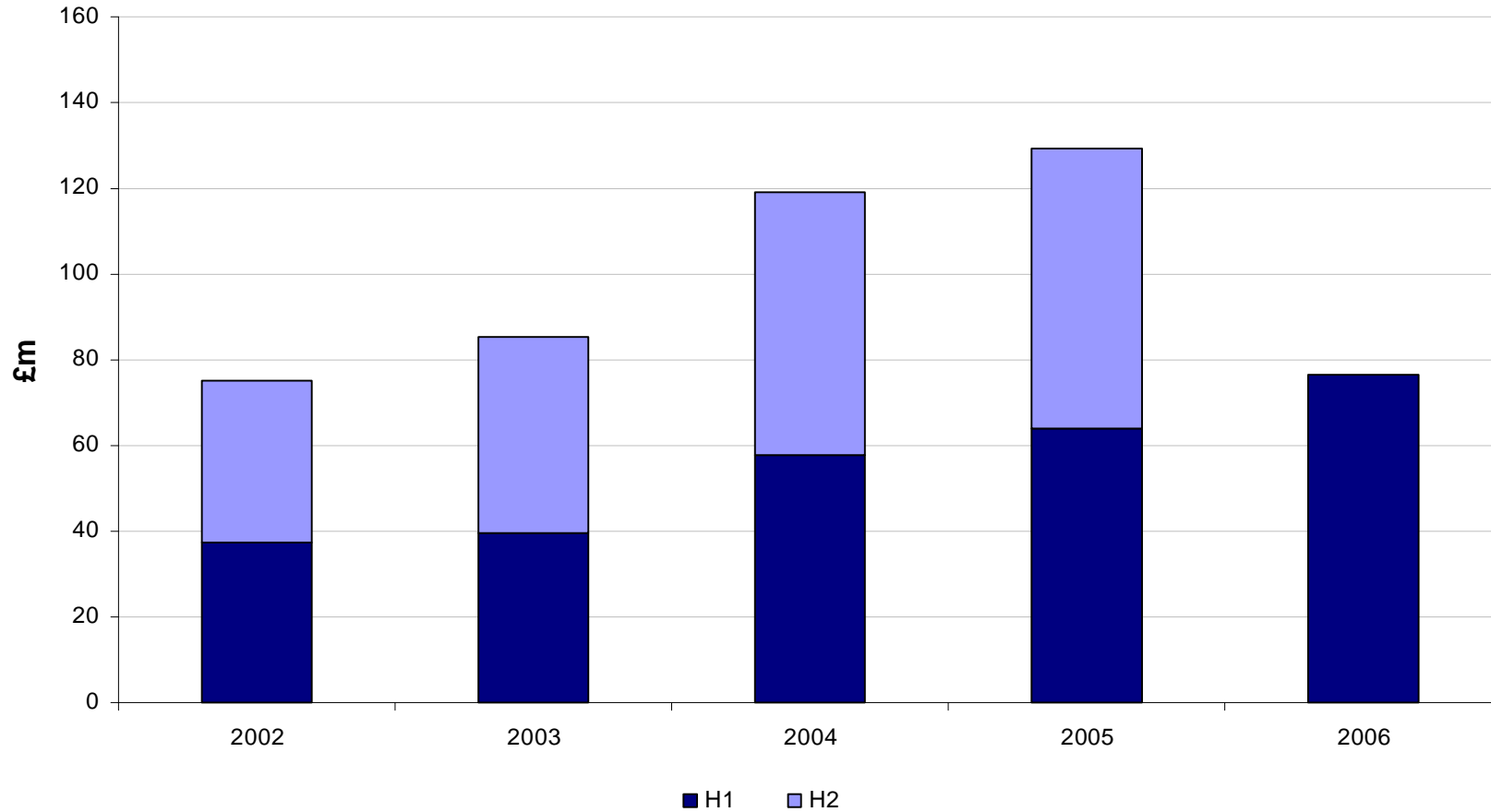
GROWTH AND DIVERSITY

£m	H1 05	H2 05	H1 06	H1 05	H2 05	H1 06
	Operating Income			Operating Profit		
Asset Management	57.3	61.7	62.0	15.3	16.3	18.6
Corporate Finance	21.5	20.8	30.5	4.8	5.3	8.8
Securities	<u>44.6</u>	<u>53.0</u>	<u>62.5</u>	<u>17.0</u>	<u>18.8</u>	<u>21.8</u>
Investment Banking	123.4	135.5	155.0	37.1	40.4	49.2
Banking	90.0	95.3	96.7	34.6	35.1	36.9
Group	<u>1.4</u>	<u>1.9</u>	<u>0.9</u>	<u>(7.5)</u>	<u>(10.2)</u>	<u>(9.6)</u>
	<u>214.8</u>	<u>232.7</u>	<u>252.6</u>	<u>64.2</u>	<u>65.3</u>	<u>76.5</u>



THE FINANCIAL RECORD

Profit before goodwill and tax



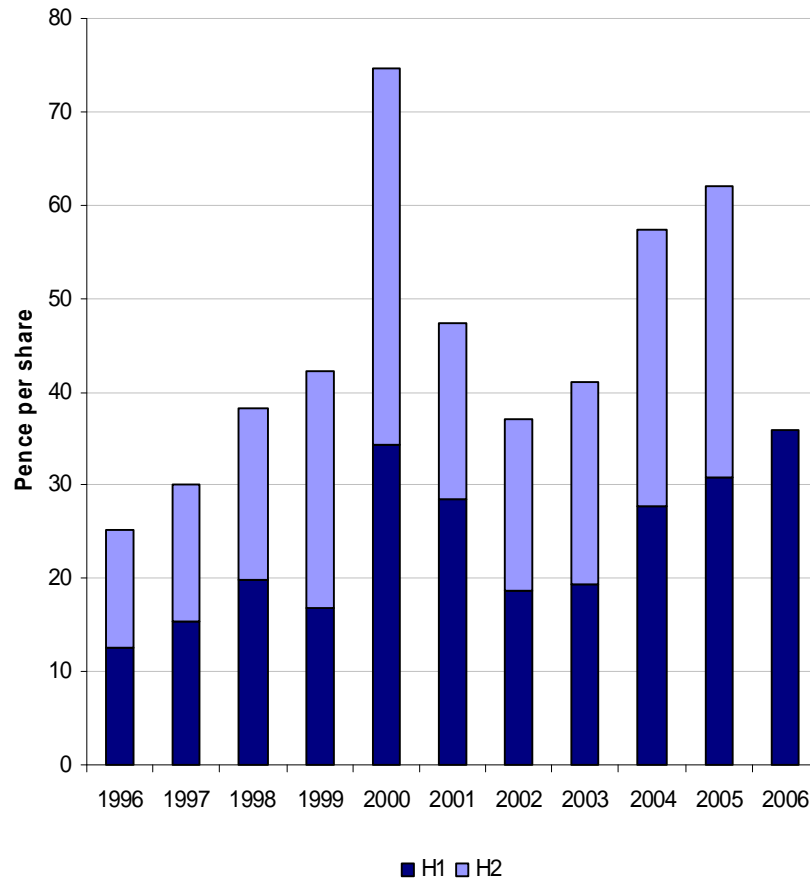
05, 06: IFRS

02-04: UK GAAP



THE FINANCIAL RECORD

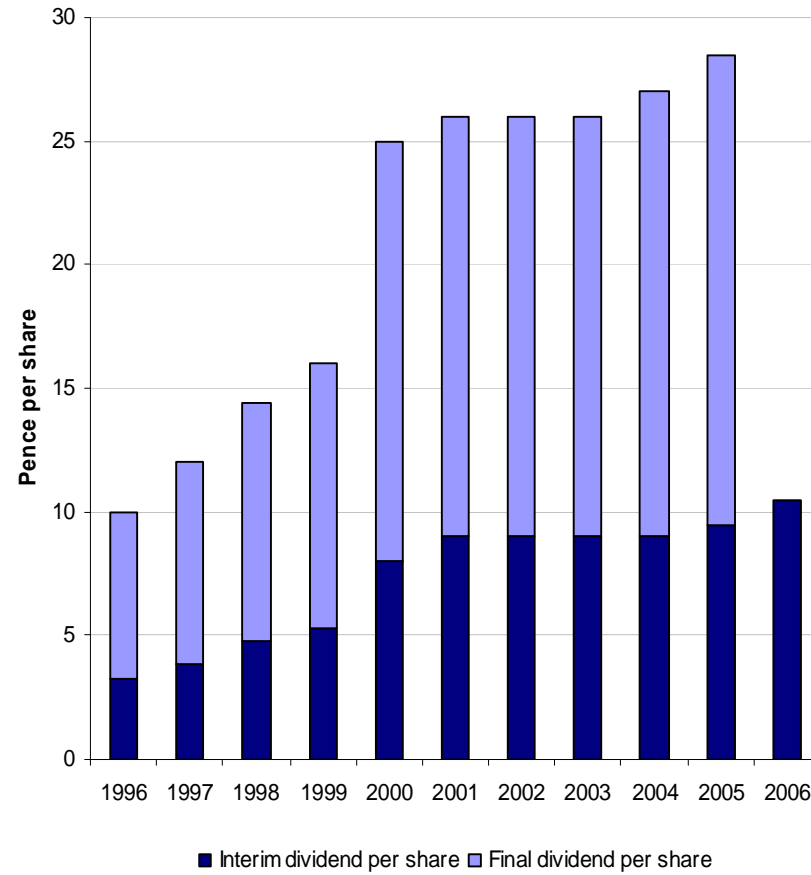
Earnings per share



05, 06: IFRS

96-04: UK GAAP

Dividends per share





DIVISIONAL REVIEW

Investment Banking



Colin Keogh



ASSET MANAGEMENT



ASSET MANAGEMENT

Half Year Review

- Ø Good profit growth : progress continues
- Ø Growth in FUM good despite some realisations
- Ø Performance strong across division
- Ø Close TEAMS (MoM) exceeded expectations
- Ø Good period for product launches



ASSET MANAGEMENT

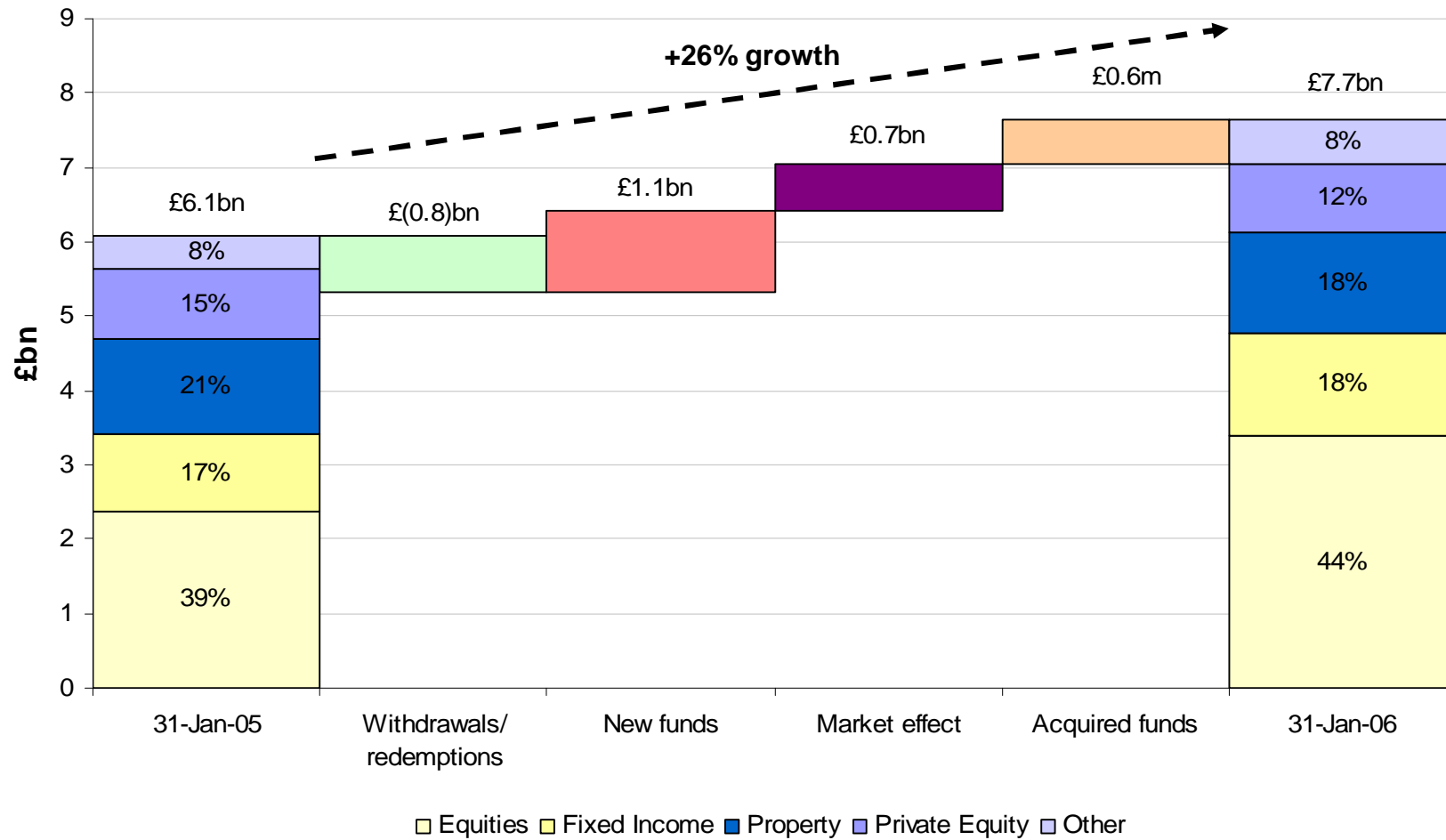
Key Numbers

£m	H1 05	H1 06	Change
Operating income	57.3	62.0	+8%
Costs	<u>42.0</u>	<u>43.4</u>	+3%
Pre tax profit	<u>15.3</u>	<u>18.6</u>	+22%
Expenses/income	73%	70%	
Income/average FUM (annualised)	1.98%	1.68%	
Profit/average FUM (annualised)	0.52%	0.51%	
Profit margin	27%	30%	
Return on opening net assets	22%	28%	



ASSET MANAGEMENT

Funds Under Management

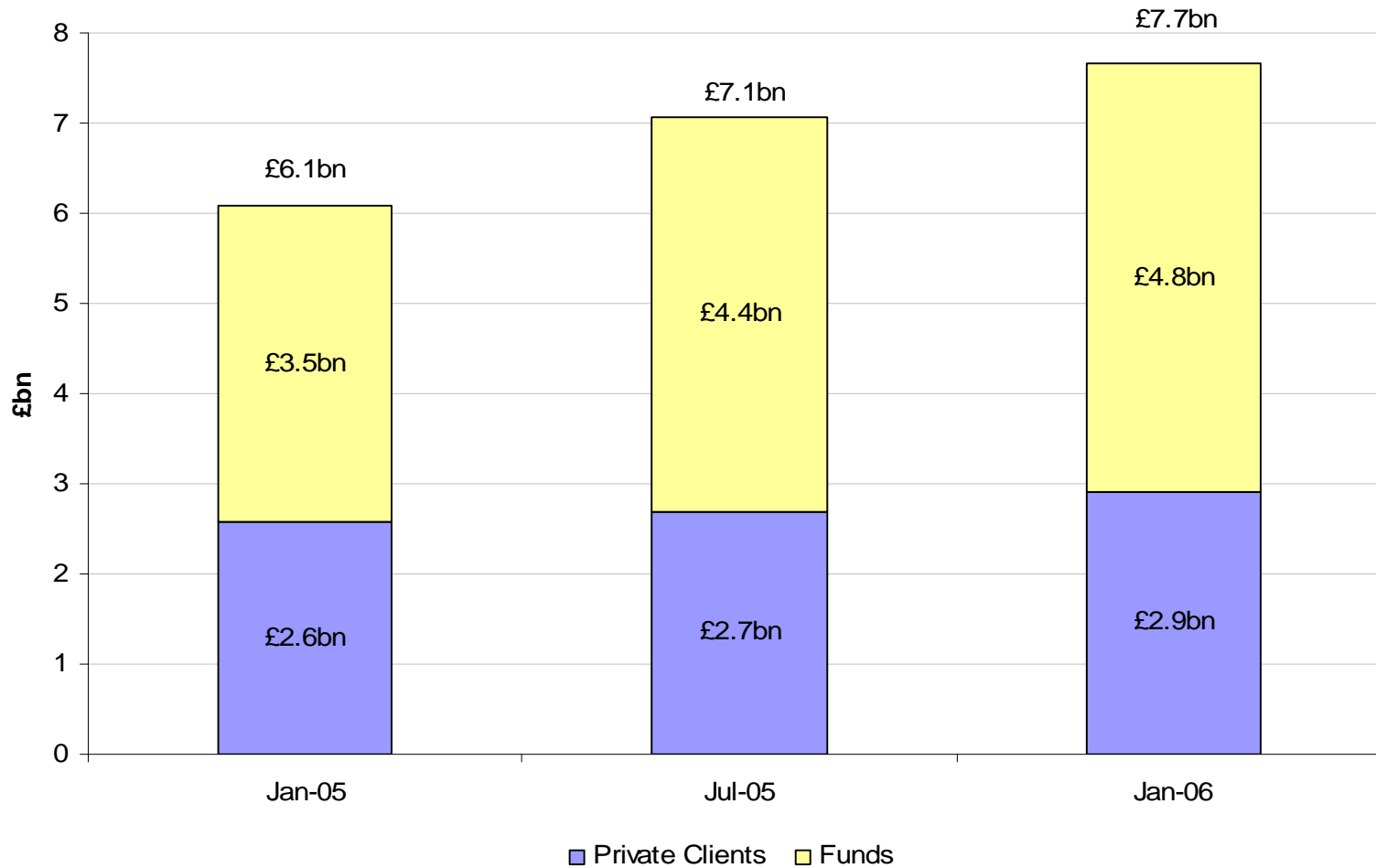


Diversity & growth



ASSET MANAGEMENT

Funds Under Management



Steady growth



ASSET MANAGEMENT Performance

- Ø Funds performed well against their benchmarks
- Ø Many funds top quartile performers
- Ø Net inflows £0.2bn

	FUM at 31/07/05	H1 06			Annualised net inflows/opening FUM
£m		IN	OUT	NET	
Private Clients	2,688	175	(123)	52	3.9%
Funds	<u>4,369</u>	<u>356</u>	<u>(202)</u>	<u>154</u>	<u>7.0%</u>
Total	<u>7,057</u>	<u>531</u>	<u>(325)</u>	<u>206</u>	<u>5.8%</u>



ASSET MANAGEMENT

Objectives and Outlook

Ø Growth in private clients

- Mass affluent via corporates and direct
- HNW looking to add teams
- Offshore good products and better distribution will drive growth

Ø Funds

- Internal reorganisation in progress
- Growth in MoM
- Growth in specialist areas
- Fund performance remains good



CORPORATE FINANCE



CORPORATE FINANCE

Half Year Review

- Ø Exceptional 6 months
- Ø M&A remains dominant
- Ø Best ever period in UK, France and Germany
- Ø 20% of revenue from France and Germany
- Ø Some notable transactions



CORPORATE FINANCE

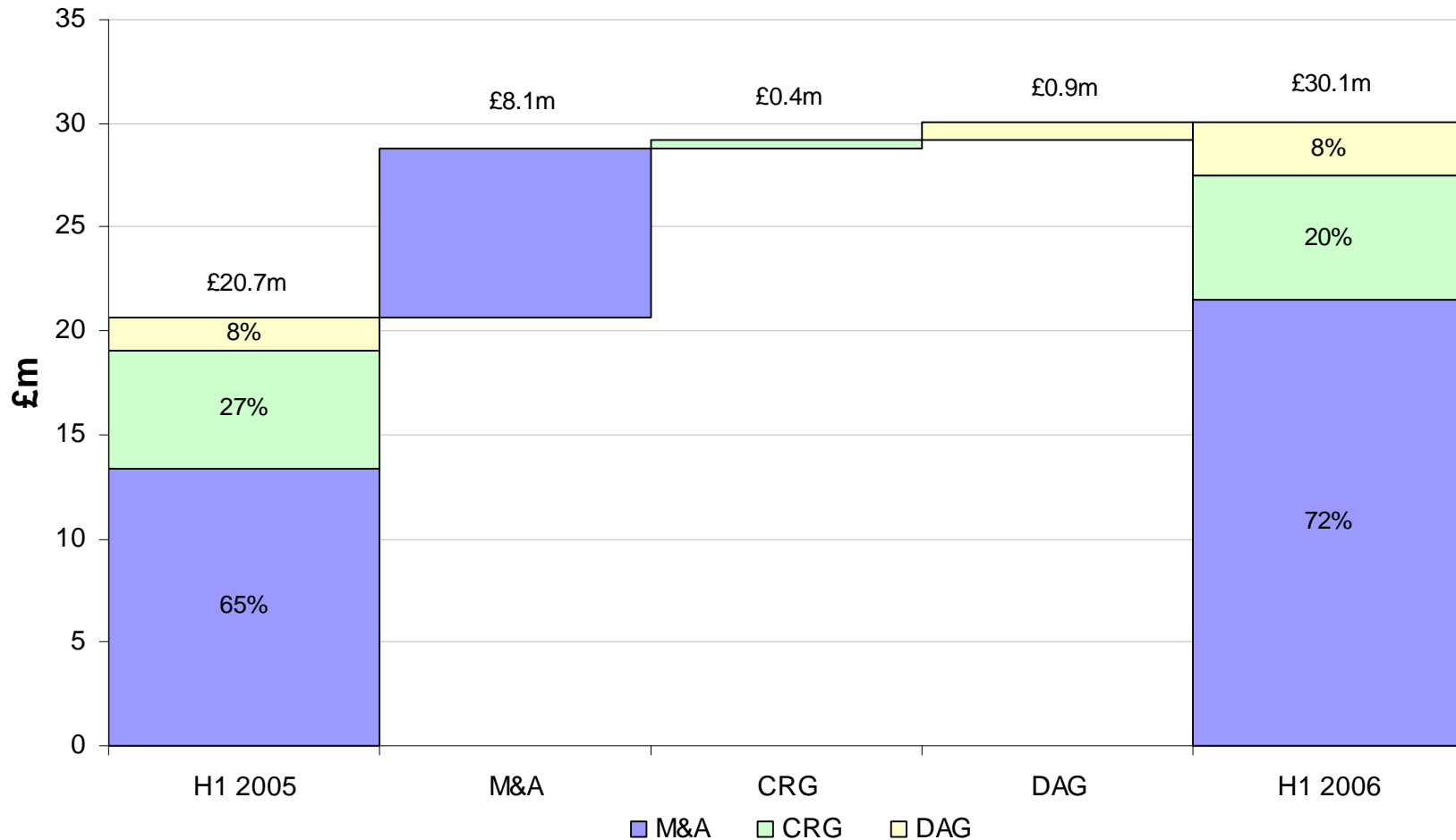
Key Numbers

£m	H1 05	H1 06	Change
Operating income	21.5	30.5	+42%
Costs	<u>16.7</u>	<u>21.7</u>	+30%
Pre tax profit	<u>4.8</u>	<u>8.8</u>	+83%
Profit margin	22%	29%	



CORPORATE FINANCE

Revenue analysis



Strong growth in M&A



CORPORATE FINANCE

Outlook

- Ø Business remains focussed on mid-cap
- Ø Short term pipeline good but lower than H1
- Ø Long term prospects
 - mid market UK
 - growth prospects in Germany
 - debt advice and restructuring opportunities
 - private equity
 - Europe
 - recruitment in UK, France and Germany



 Close Brothers Seydler AG

SECURITIES



SECURITIES

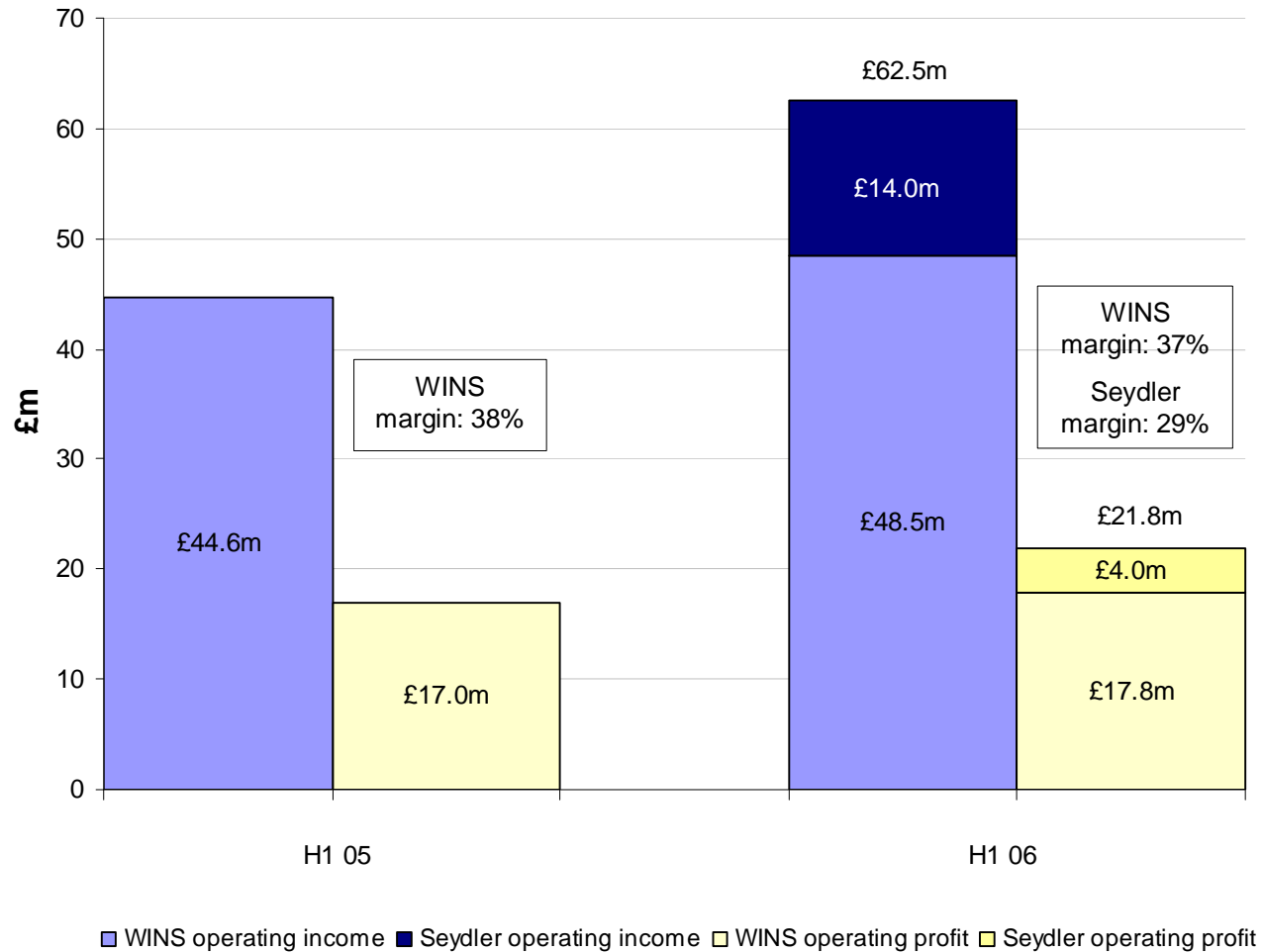
Half Year Review

- Ø Profit up 28%
- Ø Seydler strong maiden contribution
- Ø WINS good start, good finish, quieter October
- Ø WINS remains dominant RSP
- Ø PLUS platform launched



SECURITIES

Key Numbers



PBT up 28%



SECURITIES SETSmm

∅ Chronology - Nov '03	200
Mar '05	197
Dec '05(AIM +7 Smallcap)	161
Interim additions	94
	<u>652</u>

∅ More bargains at lower margins

∅ Some margin pressure for us

∅ SETSmm

- Difficulties for larger dealings at quoted 'touch' prices
- transaction costs

∅ Medium term opportunity for PLUS

- bigger dealing sizes offered
- no multiple fills
- no reporting costs



SECURITIES

UK Trading Platforms

Ø Stocks traded on LSE by WINS

SETS	174
SETSmm	565
Other	448
AIM (inc 79 SETSmm)	<u>1,468</u>
Total	<u>2,655</u>

Ø Stocks traded on PLUS by WINS

Ofex	158
LSE listed under top 350	<u>633</u>
	<u>791</u>

Ø Gilts, bonds, overseas



SECURITIES

Close Brothers Seydler - Germany

- Ø Excellent H1 contribution
 - Revenues £14.0m
 - Profit £4.0m

- Ø Acquisition was well timed

- Ø No 1 designated sponsor in Frankfurt - c100 corporates

- Ø Increasing activity from private clients and institutions



SECURITIES Outlook

- Ø H2 has started well in UK and Germany
- Ø WINS remains dominant RSP
- Ø Both WINS and Seydler are dependent on stock market volumes
- Ø Potential for PLUS
- Ø Increasing propensity to deal – demographics & internet
- Ø Interesting strategic platform for longer term development of retail share trading in Germany



DIVISIONAL REVIEW

Banking



Peter Winkworth



BANKING

Half Year Review

- Ø Profits up 7%, better than anticipated
- Ø Margins held in face of liquid banking markets
- Ø Growth in some areas
- Ø Insurance premium rates soft but increased case count
- Ø Bad debts constant and well controlled



BANKING

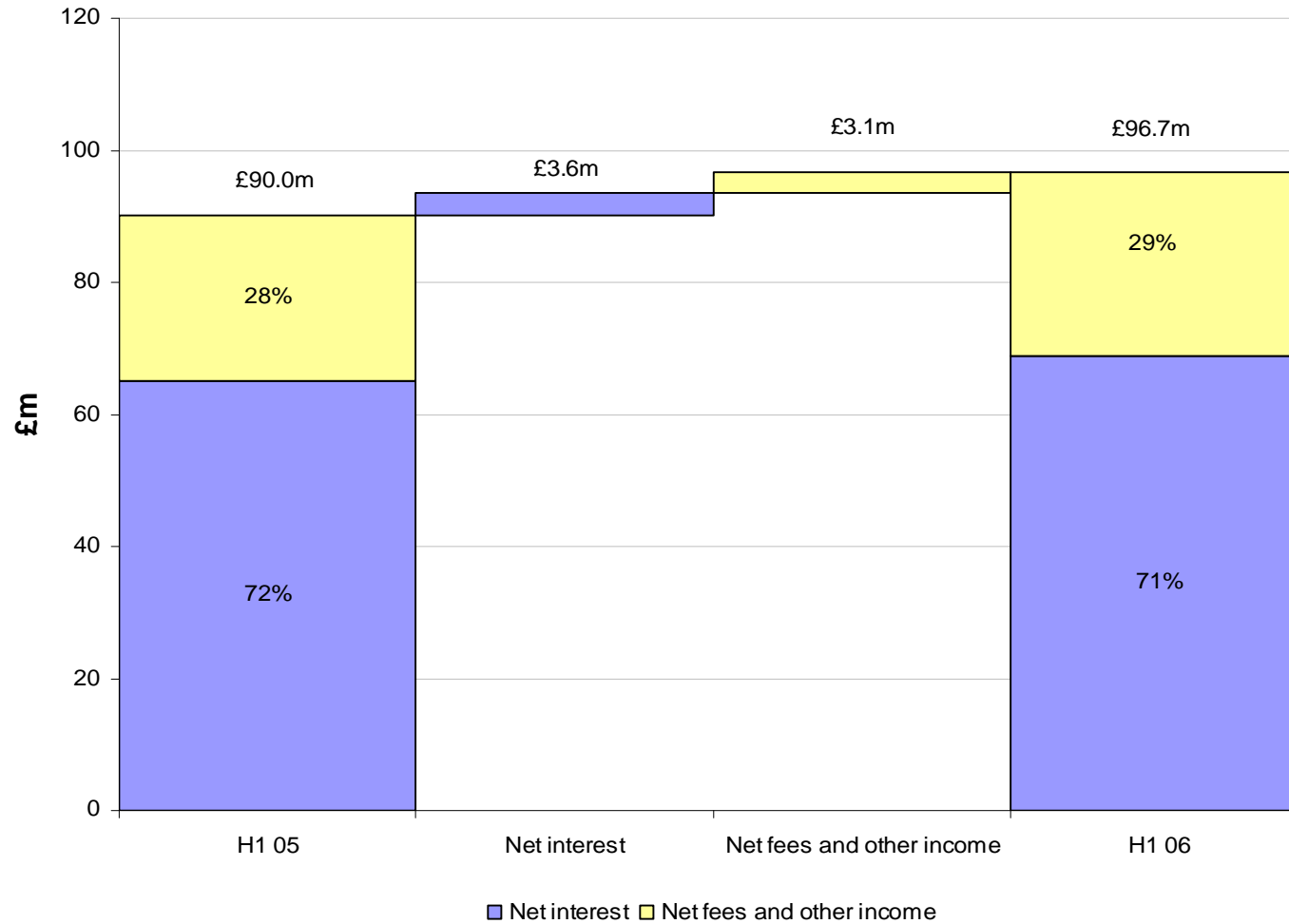
Key numbers

£m	H1 05	H1 06	Change
Operating income	90.0	96.7	+7%
Operating profit	34.6	36.9	+7%
Profit margin	38%	38%	-
Loan book (£bn) – period end	1,962	1,862	-5%
Loan book (£bn) – average	1,830	1,901	+4%
Bad debt charge	8.5	9.1	
Bad debt % of av loan book (annualised)	0.9%	1.0%	-



BANKING

Analysis of Income





BANKING

Period End & Average Loan Books





BANKING

Objectives and Outlook

- Ø H2 has started well
 - expect insurance market to remain soft
 - no sign of increase in bad debt

- Ø Maintain high return on capital

- Ø Remain diversified, focussed and efficient

- Ø Further opportunities for in-fill acquisitions + in Europe

- Ø Overall expect continued progress at modest level



OUTLOOK



Colin Keogh



GROUP Outlook

- Ø Banking has started well; we expect continued modest progress
- Ø Investment banking off to a strong start as markets remain confident
- Ø Priorities continue to be:
 - build up of asset management division
 - seek bolt on acquisitions
 - push for further volume growth