Interim Results
H1 2015

10 March 2015

Close Brothers
Modern Merchant Banking

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Agenda

1. **Introduction – Preben Prebensen, Group Chief Executive**
2. Financial review – Jonathan Howell, Group Finance Director
3. Business update – Preben Prebensen, Group Chief Executive
4. Q&A

Introduction

H1 2015 highlights

- Continued **good performance** as **proven business model continues to deliver**
  - Adjusted operating profit up **16%** to **£109 million**
  - Adjusted earnings per share up **19%** to **58.2p**
- **Prudent capital and funding position**
  - Common equity tier one capital ratio of **13.6%** and leverage ratio of **9.9%**
  - **£7.2 billion** of diverse funding, **maintaining our strong position**
- **Strong shareholder returns**
  - RoE improved to **19%**
  - Interim dividend up 9% to **18.0p**
- Continue to deliver **good results** in a **variety of market conditions**

Notes:
Adjusted operating profit ("AOP") excludes the effect of amortisation of intangible assets on acquisition.
Adjusted earnings per share excludes amortisation of intangible assets on acquisition and the tax effect of such adjustment.
Return on opening equity ("RoE") calculated as adjusted operating profit after tax and non-controlling interests, on opening equity excluding non-controlling interests.
All numbers are in respect of continuing operations.

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Financial highlights

Good first half performance

Continuing operations

£ million	H1 2015	H1 2014	% change
Banking	106.4	89.6	19%
Securities	10.3	13.4	(23)%
Asset Management	5.1	3.2	59%
Group	(13.2)	(12.2)	8%
Adjusted operating profit	**108.6**	**94.0**	**16%**
Adjusted EPS	**58.2p**	**49.0p**	**19%**
Dividend per share	**18.0p**	**16.5p**	**9%**
RoE	**19%**	**17%**	

- **AOP up 16% to £109 million**
  - **Strong returns in Banking** with lower **bad debts**
  - **Securities** affected by **difficult market** conditions
  - **Steady progress** in **Asset Management**
- Increase in **adjusted EPS** to **58.2p**
- **9%** growth in interim **dividend** to **18.0p**

Income statement

Continue to deliver strong returns

Income statement

£ million	H1 2015	H1 2014	% change
Adjusted operating income	**330.4**	**306.8**	**8%**
Adjusted operating expenses	(202.5)	(190.1)	7%
Impairment losses	(19.3)	(22.7)	(15)%
Adjusted operating profit	**108.6**	**94.0**	**16%**
Profit from discontinued operations[1]	11.2	2.1	
Tax	(22.2)	(21.1)	5%
Basic EPS (continuing operations)	56.9p	47.7p	19%
Basic EPS (inc discontinued operations)	64.5p	49.2p	31%

Note:
1 Profit from discontinued operations includes profit from disposal of £9.9 million and trading profit of £1.3 million (2014: £2.1 million) of Seydler up to the date of disposal (5 January 2015).

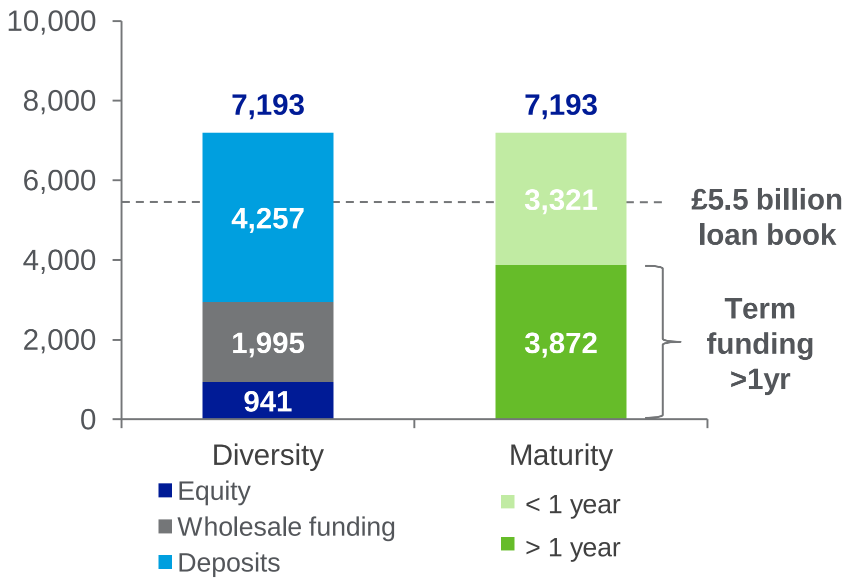
- Good income growth driven by **Banking** and **Asset Management**
- **Expense/income ratio** improved slightly to **61%** (2014: 62%)
- **Bad debts** continue to **reduce**
- **Disposal of Seydler completed 5 January 2015**
  - £10 million profit on disposal
- **Tax charge** of **£22 million**
  - Effective tax rate of **21%**

Balance sheet

Simple balance sheet and prudent funding position

Diverse funding sources

£ million



- **Prudent level of funding and maturity profile**
  - Total **funding 132%** of loan book
  - **Term funding 71%** of loan book
- **Diverse** funding sources
  - Now participating in the **Funding for Lending Scheme**

Simple and transparent balance sheet

£ million	31 January 2015	31 July 2014	Change
Loans and advances to customers	5,461	5,290	171
Treasury assets	1,062	1,217	(155)
Securities assets	560	635	(75)
Other assets	557	558	(1)
Total assets	**7,640**	**7,700**	**(60)**

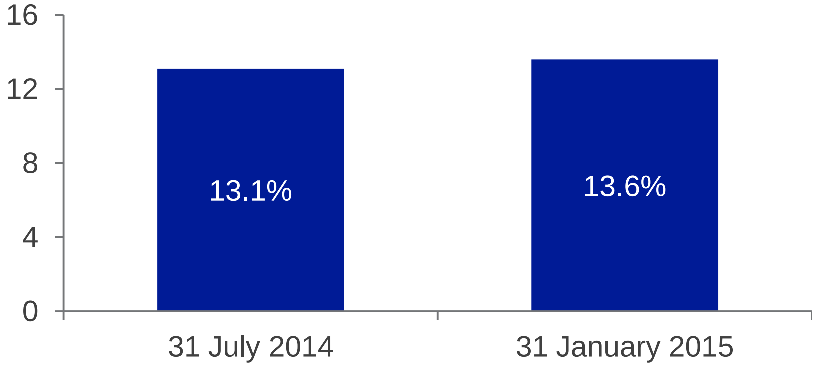
- **Loan book** and **treasury assets** account for **85%** of **total assets**
- **£7.6 billion total assets** broadly stable
  - **Surplus liquidity deployed** into loan book growth
  - Securities assets reduced reflecting **lower trading positions**
- **£1.1 billion high quality liquid treasury assets**
  - Substantially all in **Bank of England deposits**

Capital

Prudent capital position provides flexibility

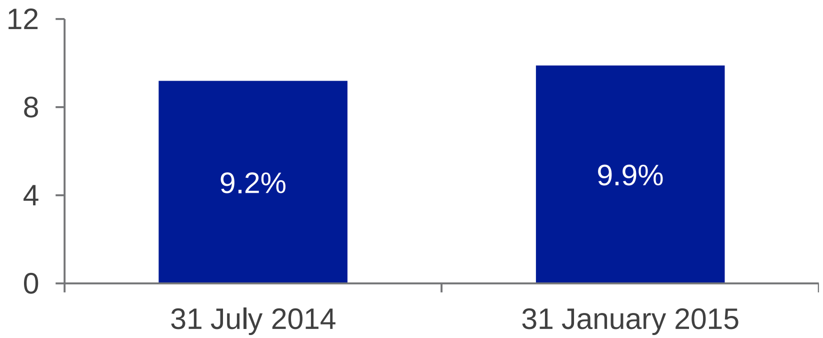
CET1 ratio

%



Leverage ratio[1]

%



£ million	31 January 2015	31 July 2014	% change
Common equity tier 1 capital	756	711	6%
Total regulatory capital	812	780	4%
Risk weighted assets	5,568	5,446	2%

- **Strong capital position further improved**
  - **CET1** ratio of **13.6%**
  - **Leverage ratio** of **9.9%**
- Modest increase in RWAs
  - Continued **loan book growth** offsets **market risk reduction**
    - **Seydler disposal** and lower trading balances
- Maintaining **strong position and prudent approach** to capital management

Notes:
1 The leverage ratio is calculated as tier 1 capital as a percentage of total balance sheet assets, adjusting for certain capital deductions, including intangible assets, and off balance sheet exposures.

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Banking

Continued strong performance and improving returns

£ million	H1 2015	H1 2014	% change
Adjusted operating income	**244.8**	**217.8**	**12%**
Adjusted operating expenses	(119.1)	(105.5)	13%
Impairment losses	(19.3)	(22.7)	(15)%
Adjusted operating profit	**106.4**	**89.6**	**19%**
Return on net loan book[1]	**4.0%**	**3.8%**	
RoE	28%	25%	
Expense/income ratio	49%	48%	
Operating margin	43%	41%	

- **Income** up **12%** to **£245 million**
  - Driven by **year on year loan book growth**
- **Expenses up 13% to £119 million**
  - Ongoing **investment in people and technology**
- **£19 million bad debt charge** reduced on prior year
- **AOP** up **19%** to **£106 million**
- Strong and improving returns with a **RoNLB** of **4.0%**

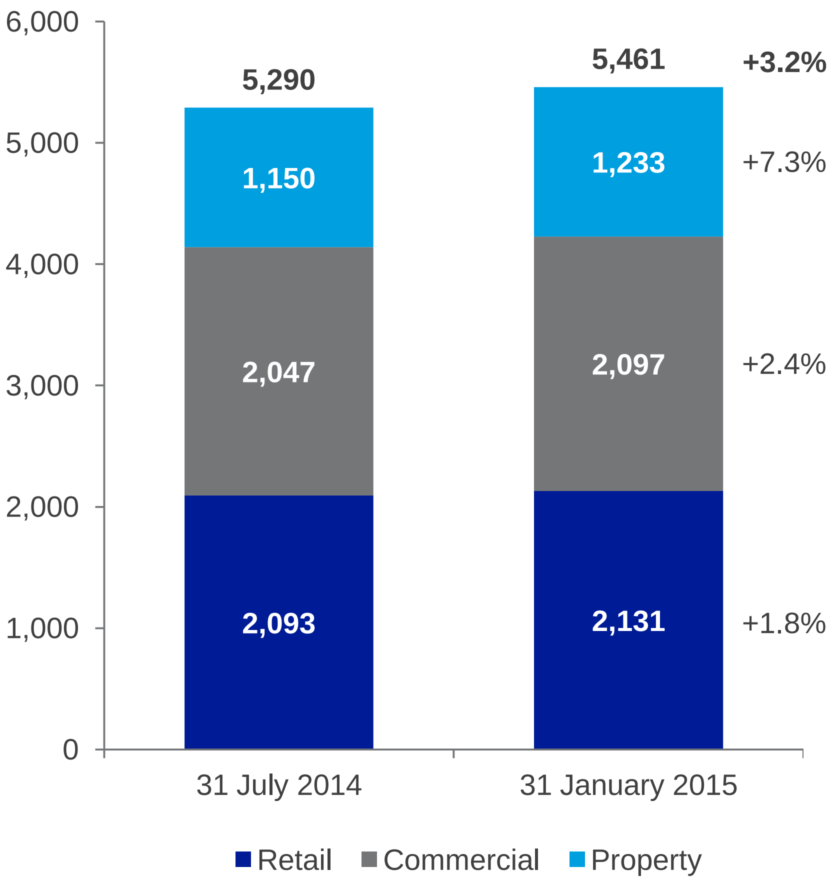
Note:
1 Adjusted operating profit before tax on average net loans and advances to customers.

Banking

Continued loan book growth

Loan book size by business unit

£ million



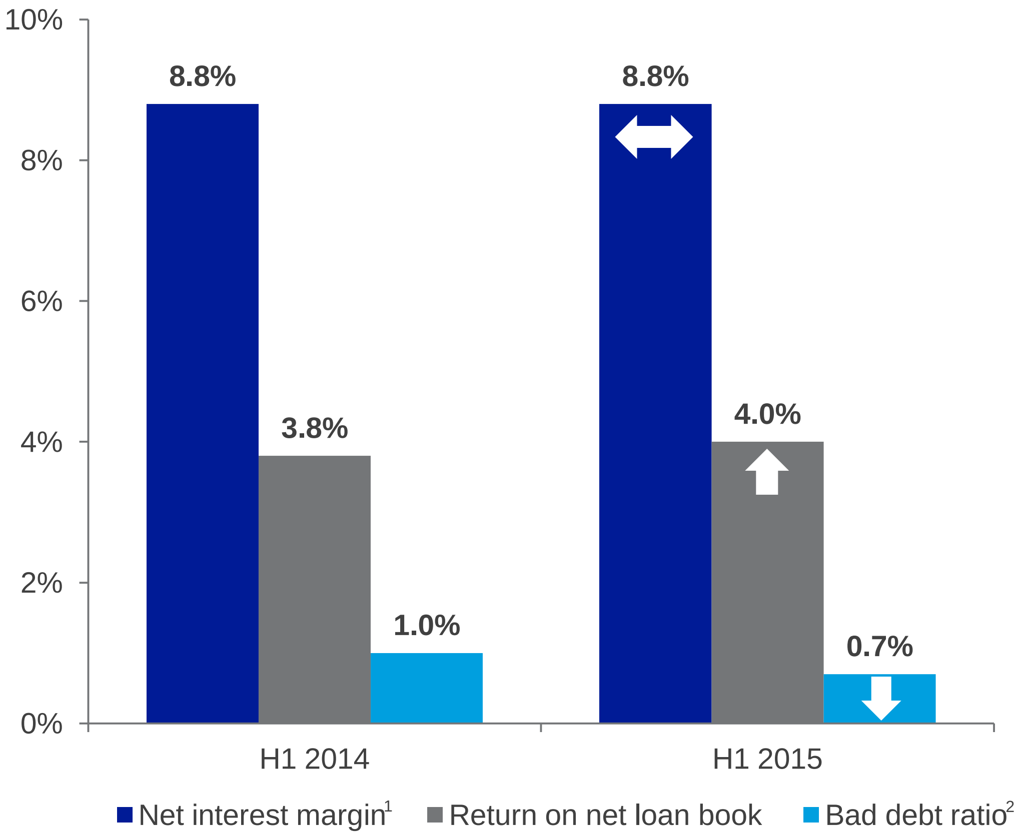
Note:
A full breakdown by line of business is provided on slide 25.

- **3.2% loan book growth**, modest reduction year on year (H1 2014: 4.5%)
  – Continued **growth opportunities** despite increasing competition
- **Retail increased 1.8%**
  – Modest growth in motor reflecting strong price competition
- **Commercial increased 2.4%**
  – Growth in asset finance (+3.9%) more than offsetting seasonal decline in invoice finance
- **Property increased 7.3%**
  – Strong position in residential development finance

Banking

Strong returns reflect quality of loan book

Performance ratios



- **Improving returns with RoNLB at 4.0%**
  - Reflects prudent and consistent loan book underwriting
- **Net interest margin of 8.8%**
  - Unchanged year on year despite increasing price competition
- **Continued improvement in bad debt ratio**
  - Focus on **credit quality**
  - **Favourable economic environment**

Notes:
1 Net interest and fees on average net loan book.
2 Impairment losses on average net loan book.

Securities

Difficult trading conditions

Winterflood results[1]

£ million	H1 2015	H1 2014	% change
Adjusted operating income	**41.9**	**48.3**	**(13%)**
Adjusted operating expenses	(31.6)	(34.9)	(9%)
Adjusted operating profit	**10.3**	**13.4**	**(23%)**
RoE[2]	21%	28%	
Operating margin	25%	28%	
Average bargains per day	55k	52k	
Income per bargain[3]	£5.05	£7.19	
Loss days	10	1	

Notes:
1 Income and adjusted operating profit includes proceeds from the disposal of shares in Euroclear, £6.7 million and £3.4 million respectively.
2 Adjusted operating profit after tax and non-controlling interests on opening equity excluding non-controlling interests. Opening equity relates to Winterflood only and excludes the equity of Seydler.
3 Excludes income from disposal of shares in Euroclear.

- **AOP down** 23% to **£10 million**
  - Includes £3 million profit from an investment gain
- **Continued difficult market conditions** and low retail investor risk appetite
  - Maintained **leading market position**
- **Bargains per day** increased slightly to **55,000**
  - Increased international volumes
- **Significant reduction in income per bargain to £5.05**
  - 10 loss days reflecting increased market volatility

Asset Management

Steady progress

£ million	H1 2015	H1 2014	% change
Operating income	**43.3**	**40.5**	**7%**
Advice and other services	17.2	17.6	(2%)
Investment management	25.7	22.4	15%
Other income	0.4	0.5	(20%)
Operating expenses	(38.2)	(37.3)	2%
AOP	**5.1**	**3.2**	**59%**
RoE	23%	16%	
Operating margin	12%	8%	
Revenue margin[1]	86bps	87bps	

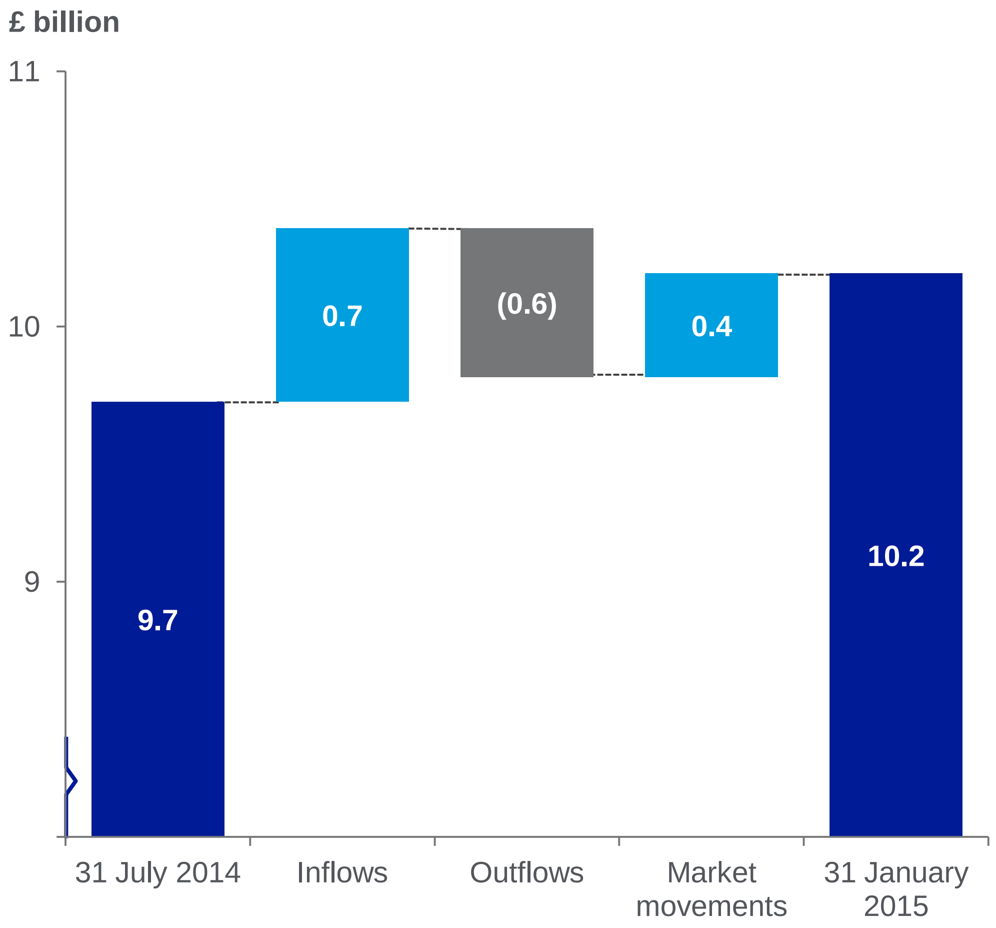
- **Income** up 7% to **£43 million**
  - Good growth in investment management revenue
- **Modest increase in expenses**
  - Predominantly fixed cost base
- **£5 million AOP** up 59%
- **Revenue margin broadly stable at 86 bps**

Notes:
1 Based on average AuM of £10.0 billion (2014: £9.2 billion).

Asset Management

5% AuM growth in the first half

Assets under Management



- **£10.2 billion AuM** up 5% in the first half
- **£710 million inflows**
  - Good new business from advisers, bespoke fund managers and 3rd party IFAs
- **£590 million outflows** includes large legacy mandate
- **£120 million net inflows** supported by **positive market movements**

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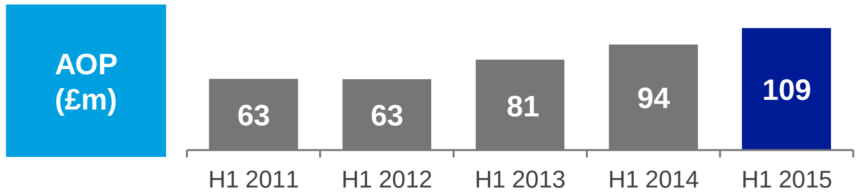
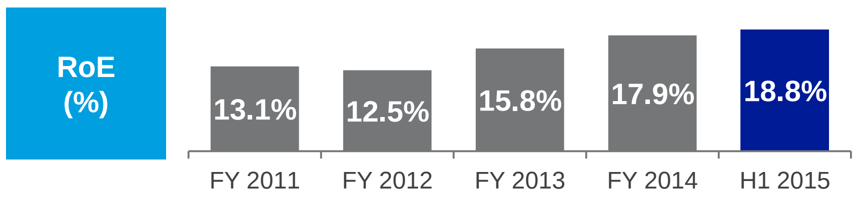
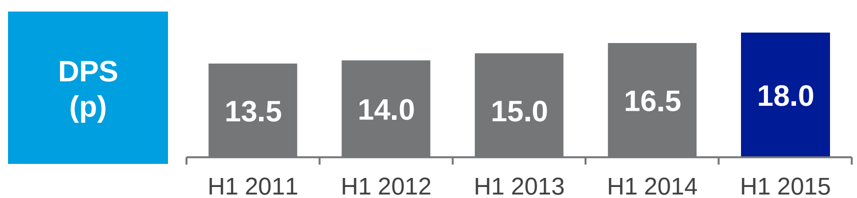
Overview

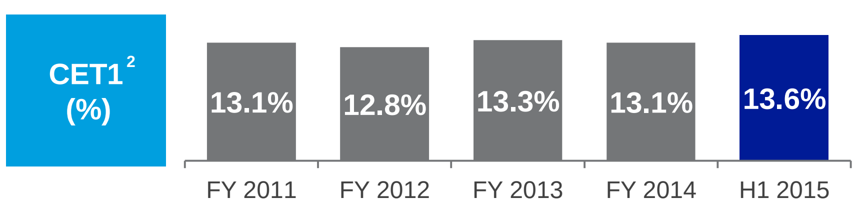
Proven business model continues to deliver

- **Proven business models** produce good results in a range of market conditions
  - Increasing returns in Banking with **bad debt continuing to reduce**
  - Winterflood trading profitably and maintains **market leading position**
  - **Steady progress** in Asset Management
- **Continued strong growth** in operating profit
  - At 14% CAGR over four years[1]
- **Excellent shareholder returns**
  - Strong and rising return on equity
  - Into 5th consecutive year of dividend growth
- **Prudent capital position** maintains flexibility









Note:
1 H1 2011 (£63 million) to H1 2015 (£109 million)
2 The highest quality capital is defined as "common equity tier 1" ("CET1"). The comparatives are based on the legislative definition of core tier 1 capital at that time.

Banking

Sustainable lending model in an evolving market

An evolving market environment

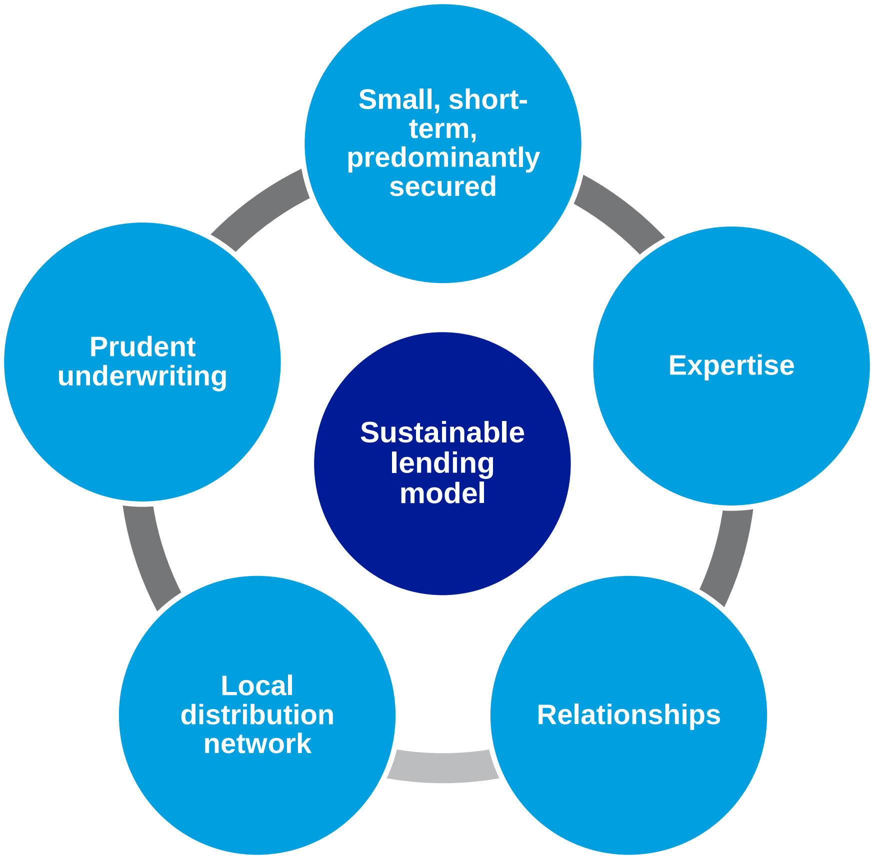
- Solid loan book growth
- Competition steadily increasing

Core attributes remain unchanged

- Support profitability and sustainable growth through cycle
- Long track record of pricing risk appropriately

Priority is to maintain this model while maximising opportunities for growth

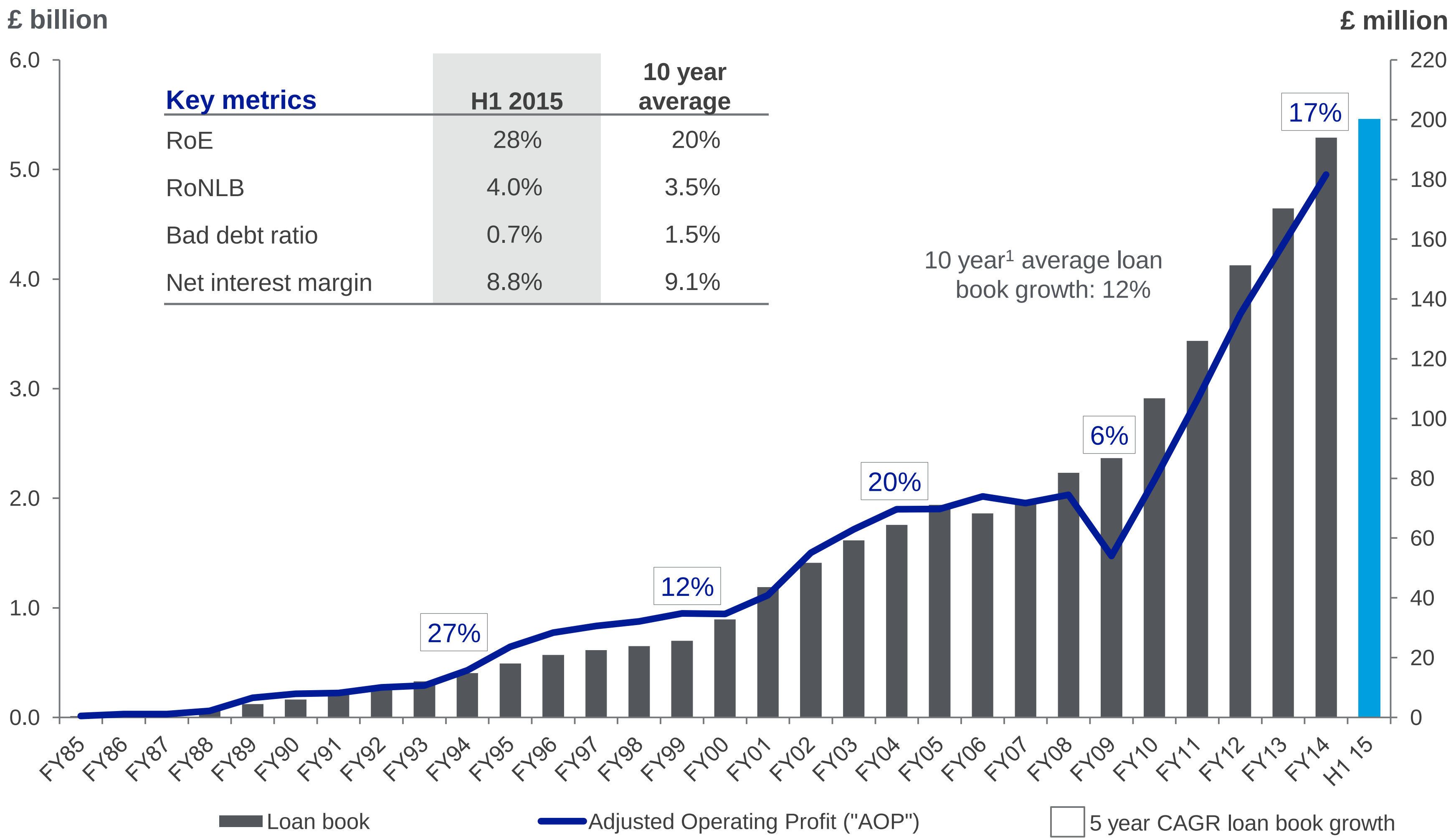
- New products and services
- Investment in people, distribution and technology



Proven track record

Long history of profitable growth through the cycle

Key metrics	H1 2015	10 year average
RoE	28%	20%
RoNLB	4.0%	3.5%
Bad debt ratio	0.7%	1.5%
Net interest margin	8.8%	9.1%



Note:
1 From FY2005 to FY2014.

Winterflood

Well positioned for a cyclical recovery

Difficult market conditions

- Low retail investor risk appetite
- Political and economic uncertainty
- Volatile trading conditions

Benefit from distinctive business model

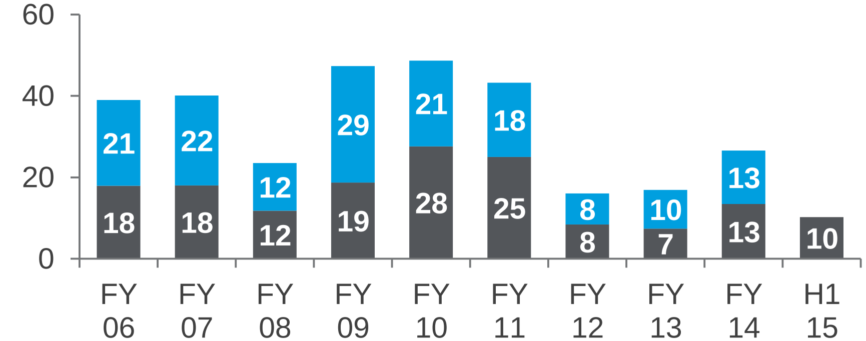
- Focus on market making
- Expertise of our traders
- Strong market reputation
- Variable cost model

Maximising trading opportunity in all market conditions

- Continuous liquidity for our clients
- Stable market position
- Profitability through the cycle

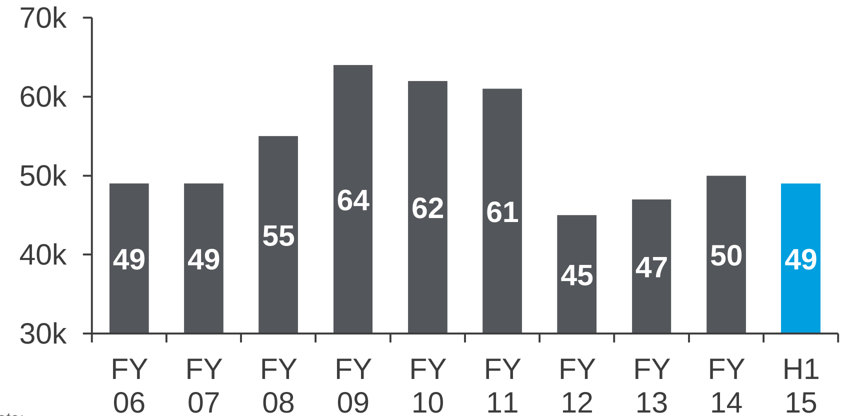
Adjusted operating profit

£ million



Loss days	4	1	14	7	4	1	13	8	4	10

UK retail daily trading volumes[1]



Note:
1 Retail market average daily volumes in respect of UK equity trading on a 'principal to agent' basis across the LSE and ISDX.

Asset Management

Steady progress in AuM

Evolving market environment

- Retail distribution review
- Demographic changes
- Pension changes

High quality, integrated client proposition

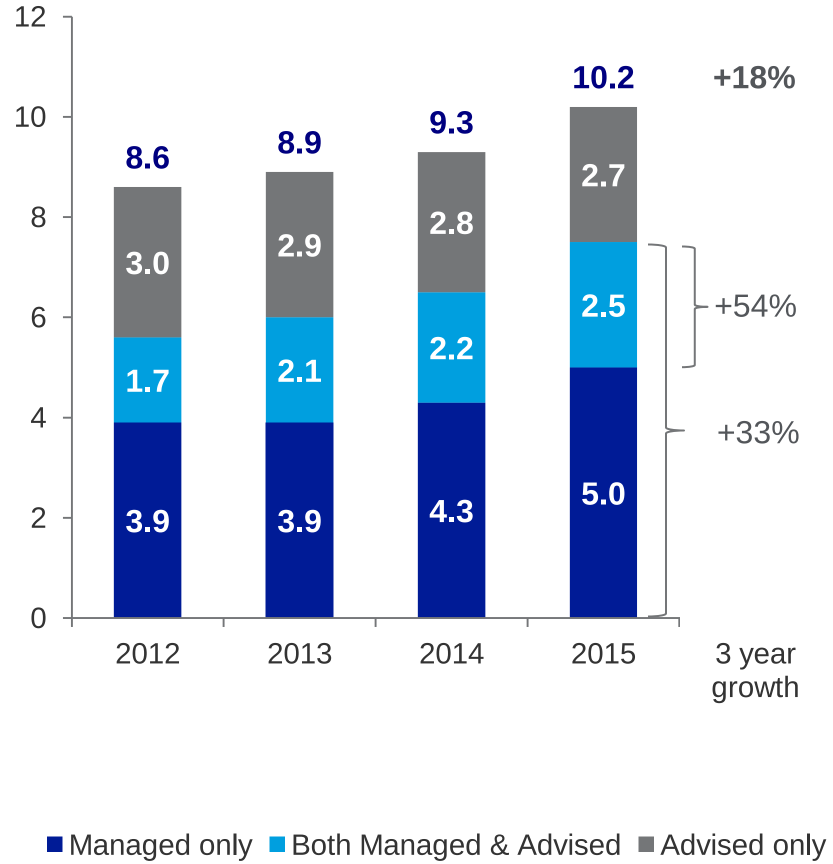
- Financial planning advice
- Investment management
- Platform technology
- Multiple distribution channels

Increasing scale of asset base

- Training and development
- Selective hiring and infill acquisitions

Assets under Management

At 31 January, £ billion



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Outlook

Well positioned in all of our businesses

- We are **well positioned to deliver good results** in a range of market conditions
  - In **Banking** we see continued growth opportunities whilst focusing on our risk and returns
  - **Winterflood** remains sensitive to prevailing conditions, but is well positioned
  - In **Asset Management** we expect steady growth in assets and increasing profitability

- **Remain confident in the outlook for current financial year**

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H1 2015

Appendix

10 March 2015

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Modern Merchant Banking

Banking

Loan book and lending statistics by business

Lending statistics	Closing loan book (£m)	Loan book growth (%)	Typical LTV[1]	Average loan size[2]	Typical loan maturity[3]	Number of customers
Motor finance	1,483	1.7%	75 – 85%	£6k	2 – 3 years	254k
Premium finance	648	2.2%	90%	£500	10 months	1.6m
Asset finance	1,721	3.9%	85 – 90%	£35k	42 months	27k
Invoice finance	376	(3.9)%	80%	£303k	2 – 3 months	1k
Property finance	1,233	7.3%	50 – 60%	£1.0m	6 – 18 months	940

Notes: Lending statistic figures are for illustrative purposes only.
[1] Typical LTV on new business. Motor Finance is based on the retail price of the vehicle financed. Premium finance LTV based on premium advanced.
[2] Approximations at 31 January 2015.
[3] Typical loan maturity for new business on a behavioural basis.

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