

Preliminary Results FY 2015

22 September 2015



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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

Another year of strong performance

- **Strong financial performance building on long track record**
 - Adjusted operating profit up **16%** to **£225 million**
 - Adjusted earnings per share up **19%** to **120.5p**
 - **RoE increased** to 19.5%
- **Continued investment to support and sustain our differentiated model**
- **Strong funding and liquidity position and improved capital ratios**
 - Moody's credit rating **upgraded**
- **5th consecutive year of dividend growth**
 - Dividend per share up 9% to **53.5p**
- **Well positioned for the long-term**

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

Continued improvement in profitability and returns

Continuing operations

£ million	2015	2014	% change
Banking	208.7	181.6	15%
Securities	24.6	26.6	(8%)
Asset Management	17.8	9.9	80%
Group	(26.2)	(24.4)	7%
Adjusted operating profit	224.9	193.7	16%
Adjusted EPS	120.5p	101.0p	19%
RoE	19.5%	17.9%	
Dividend per share	53.5p	49.0p	9%

- **AOP up 16% to £225 million**
 - **Sixth consecutive year of double digit growth** in Banking AOP
 - **A solid result in Securities** given difficult market conditions
 - Continued good progress in **Asset Management**
 - › £4.4 million private equity one-off
- **Adjusted EPS +19% to 120.5p**
- Full year **DPS +9% to 53.5p**

Income statement

Continued strong performance

Income statement

£ million	2015	2014	% change
Adjusted operating income	689.5	627.9	10%
Adjusted operating expenses	(422.7)	(390.1)	8%
Impairment losses	(41.9)	(44.1)	(5%)
Adjusted operating profit	224.9	193.7	16%
Tax	(45.4)	(43.2)	5%
Profit attributable to shareholders (continuing operations)	174.5	145.2	20%
Profit from discontinued operations ¹	11.2	4.6	
Basic EPS (continuing operations)	117.8p	98.4p	20%
Basic EPS (inc discontinued operations)	125.4p	101.5p	24%

Note:

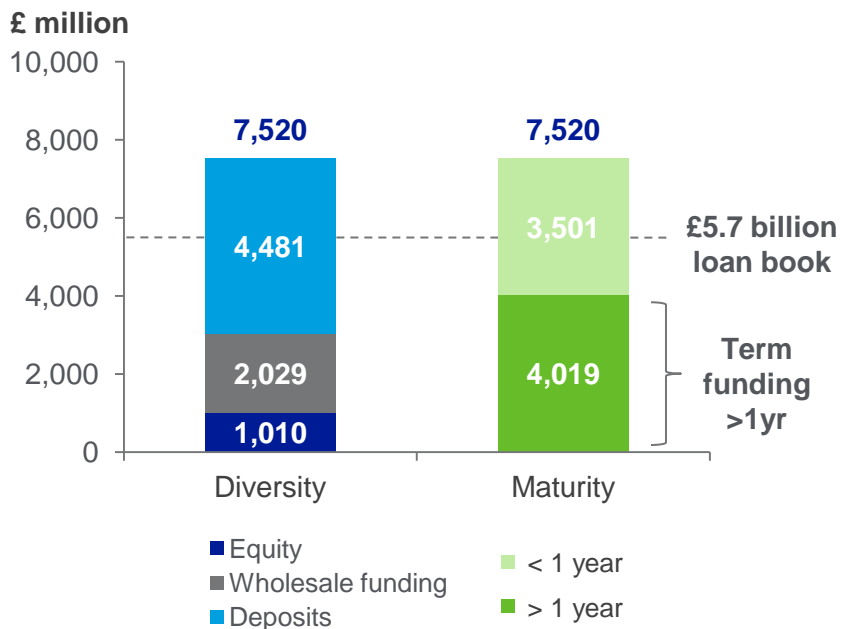
¹ Profit from discontinued operations includes profit from disposal of £10.3 million and profit after tax of £0.9 million (2014: £4.6 million) of Seydler up to the date of disposal (5 January 2015).

- **Revenues +10%** to £690 million
 - Strong growth in Banking and Asset Management
- **Expense/income ratio** improved slightly to **61%** (2014: 62%)
 - Despite continued investment
- **Impairments** continued to decline
 - Disciplined underwriting and benign credit environment
- **Tax charge of £45 million**
 - Effective tax rate lower at **21%**
- **Disposal of Seydler completed 5 January 2015**
 - £11 million profit from discontinued operations

Balance sheet

Simple and transparent balance sheet

Strong funding position



- **Diverse and prudent funding position**
 - Total funding 131% of loan book
 - › Term funding 70% of loan book
- **Moody's upgraded credit ratings** in the year
 - A3/P2 (CBG) and Aa3/P1 (CBL)

Simple and transparent balance sheet

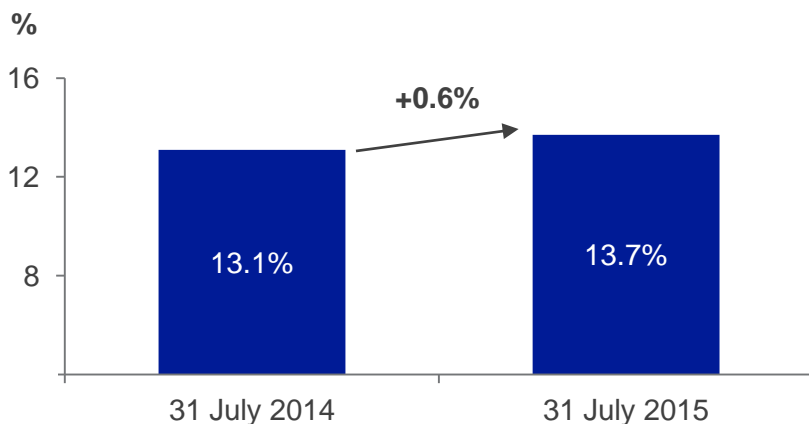
£ million	31 July 2015	31 July 2014	Change
Loans and advances to customers	5,738	5,290	448
Treasury assets	1,173	1,217	(44)
Securities assets	482	635	(153)
Other assets	564	558	6
Total assets	7,957	7,700	257

- **£8.0 billion total assets** broadly unchanged
 - **Loan book** and **treasury assets** account for **c.90%** of total assets
- **Strong liquidity position**
 - £1.1 billion **high quality liquid treasury assets**

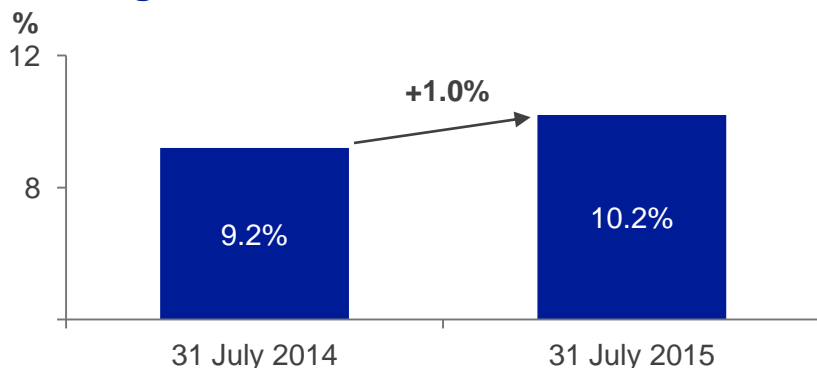
Capital

Strong capital position underpinned by prudent approach

CET1 ratio



Leverage ratio¹



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.

£ million	31 July 2015	31 July 2014	% change
Common equity tier 1 capital	813	711	14%
Total regulatory capital	848	780	9%
Risk weighted assets	5,932	5,446	9%

- **Improved capital position**
 - **CET1 ratio 13.7%** and **leverage ratio 10.2%**
- **RWAs +9%** reflecting loan book growth
- **Regulation continues to evolve**
 - Flexibility to absorb future regulatory changes

Banking

Sixth consecutive year of double digit AOP growth

£ million	2015	2014	% change
Adjusted operating income	498.6	446.7	12%
Adjusted operating expenses	(248.0)	(221.0)	12%
Impairment losses	(41.9)	(44.1)	(5%)
Adjusted operating profit	208.7	181.6	15%
Return on net loan book¹	3.8%	3.7%	
RoE	27%	25%	
Expense/income ratio	50%	49%	

- **Income up 12% to £499 million**
 - Strong growth in all businesses
- **Expenses up 12% to £248 million**
 - Increase in volume related costs and continued investment
- **Bad debt charge declined to £42 million**
- **£209 million AOP up 15%**
 - **RoE improved to 27%**
- **RoNLB improved to 3.8%**

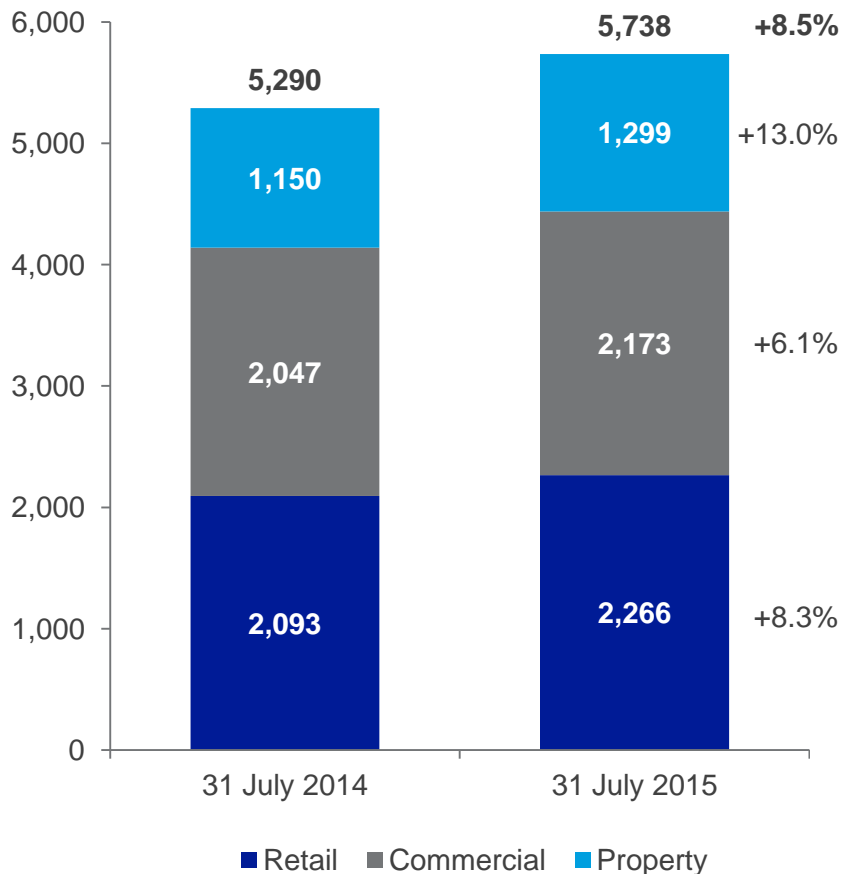
Note:
¹ Adjusted operating profit on average net loans and advances to customers.

Banking

Continued loan book growth

Loan book size by business unit

£ million



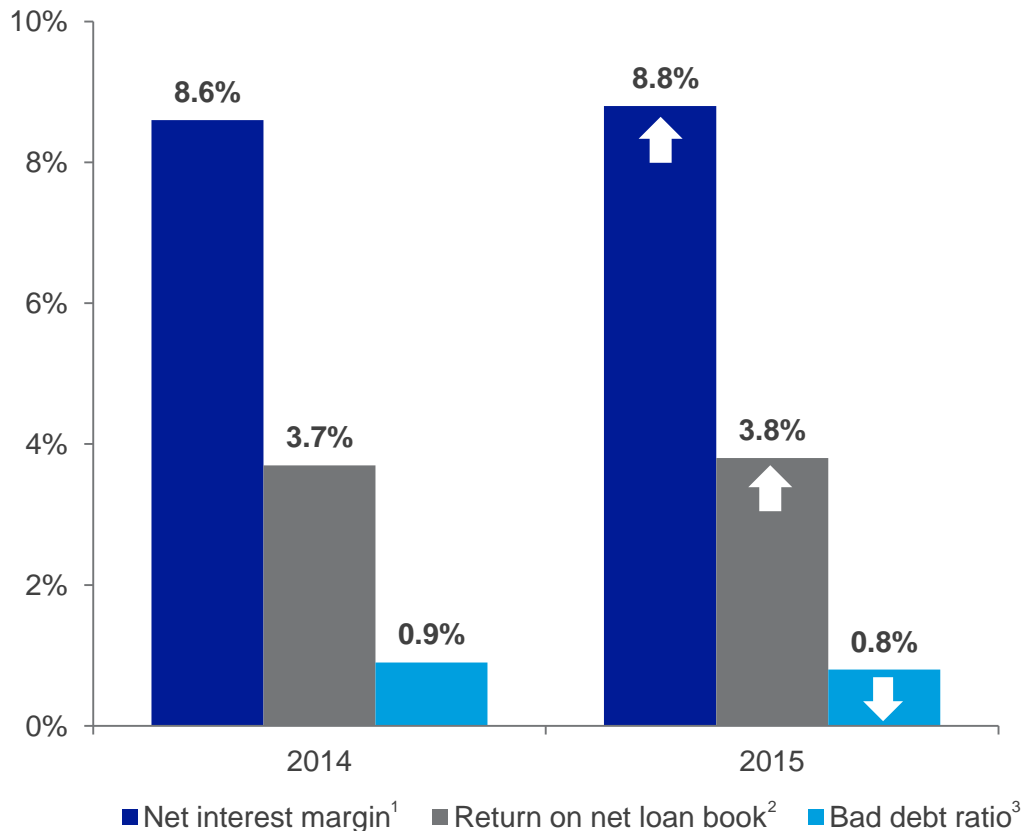
Note:
A full breakdown by line of business is provided on slide 28.

- **8.5% loan book growth to £5.7 billion**
 - Delivered further growth despite increasing competition
 - Maintained margins and strict lending criteria
- **Retail increased 8.3%**
 - Motor benefiting from **strong demand**
- **Commercial increased 6.1%**
 - Asset finance saw good levels of new business
- **Property increased 13.0%**
 - Robust demand for development finance

Banking

All ratios improved year on year

Performance ratios



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

- **Net interest margin of 8.8%**
 - Focus on maintaining our margins
- **0.8% bad debt ratio** declined for 6th consecutive year
 - Focus on **credit quality** and **favourable economic environment**
- **RoNLB** increased to **3.8%**
 - Lower impairments and solid returns

Securities

Resilient business model

Winterflood results

£ million	2015	2014	% change
Adjusted operating income ¹	94.6	96.1	(2%)
Adjusted operating expenses	(70.0)	(69.5)	1%
Adjusted operating profit ¹	24.6	26.6	(8%)
Average bargains per day	60k	56k	
Operating margin	26%	28%	
RoE ²	26%	28%	
Loss days	14	4	

Notes:

¹ Income and adjusted operating profit includes proceeds from the disposal of shares in Euroclear, £6.8 million and £3.5 million respectively.

² Adjusted operating profit after tax and non-controlling interests on opening equity excluding non-controlling interests.

- **Mixed market conditions** in the year
 - **Volatility** and **lower risk appetite** seen in the first half
 - Conditions improved in second half
- **£95 million income**, broadly stable
 - **Decline in trading income** due to tough conditions in H1
 - Offset by **strong investment trust activity** and **Euroclear disposal**
- **AOP broadly stable** at £25 million
- **Resilient operating margin** and **RoE**
 - **Consistently profitable** despite volatile market conditions

Asset Management

Good progress continues

£ million	2015	2014	% change
Operating income	95.6	84.4	13%
Income on client assets	90.2	83.8	8%
Advice and other services	36.1	36.6	(1%)
Investment management	54.1	47.2	15%
Other income	5.4	0.6	
Operating expenses	(77.8)	(74.5)	4%
Adjusted operating profit	17.8	9.9	80%
RoE	39%	25%	
Operating margin	19%	12%	
Revenue margin ¹	88bps	89bps	

- **Income up 13% to £96 million**
 - Higher **investment management** income
 - Includes one-off private equity income
- **Modest increase in expenses to £78 million**
 - Reflects **operating leverage**
- **AOP +80% to £18 million**
 - Excluding one-off private equity income:
 - › AOP +35% to **£13 million**
 - › **15% operating margin**
- **Revenue margin broadly stable at 88 bps**

Notes:

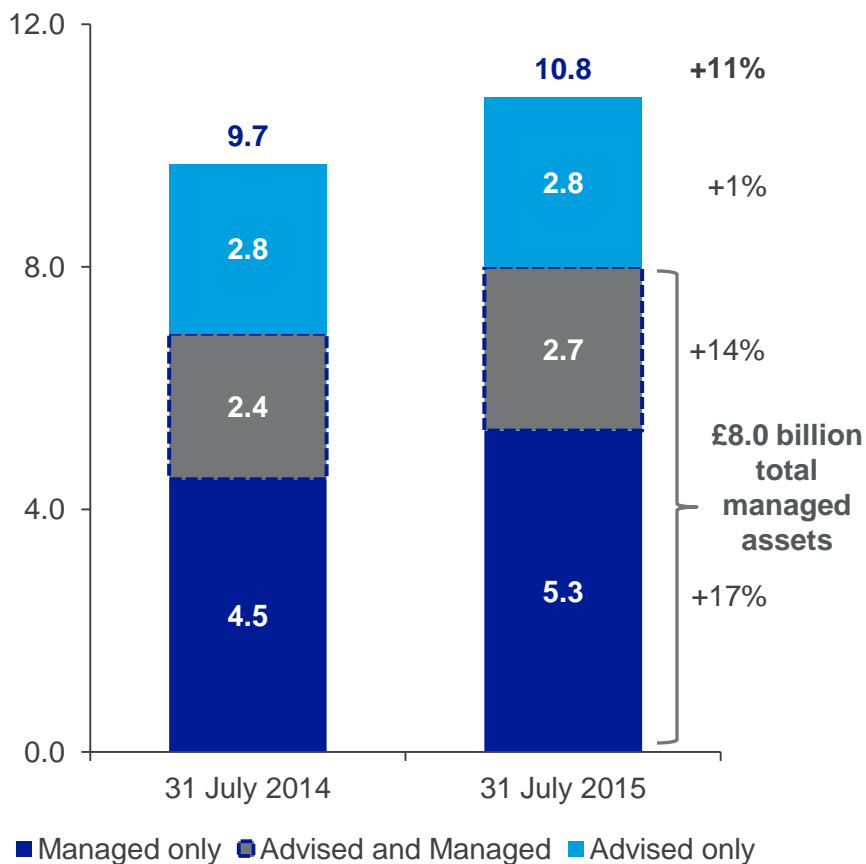
¹ Based on average total client assets of £10.2 billion (31 July 2014: £9.4 billion).

Asset Management

Strong growth in managed assets

Total Client Assets

£ billion



- **£10.8 billion total client assets +11%**
- **Total managed assets +16% to £8.0 billion**
 - **Strong inflows reflect good demand**
 - › **£0.7 billion net inflows**, 10% of opening total managed assets
 - › **£0.4 billion positive market movements** benefits from rising equity markets
 - **Assets both advised and managed +14% to £2.7 billion**
- **Advised only assets broadly stable at £2.8 billion**

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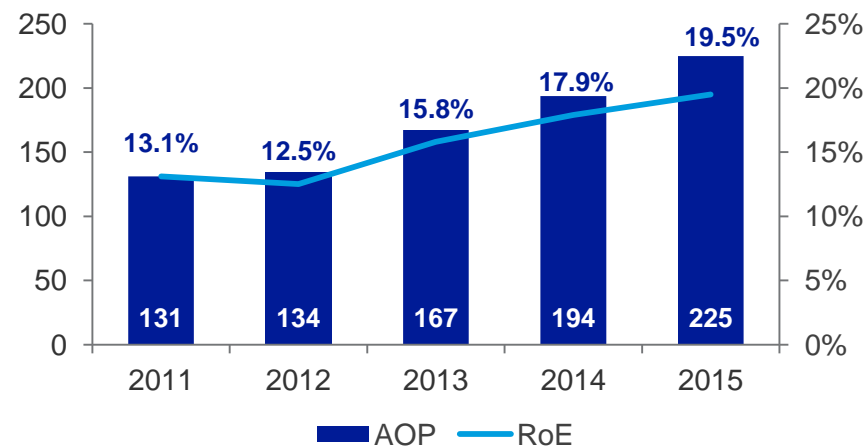
Overview

Executing our clear and consistent strategy

- Build and sustain leading market positions
- Maintain a prudent and efficient financial position
- Invest in the business and develop our client proposition
- Deliver growing and sustainable earnings
- Deliver attractive shareholder returns

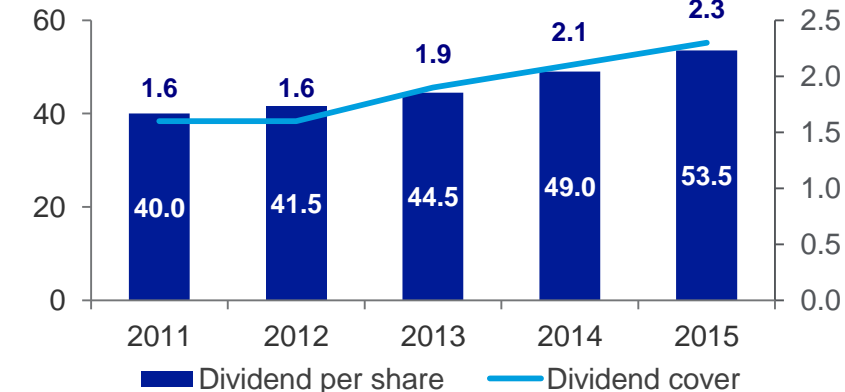
Consistent growth

£ million



Progressive dividend policy

Pence



Banking

Deliver consistent profitability over the long term

Focus on our core attributes which differentiate us as competition returns

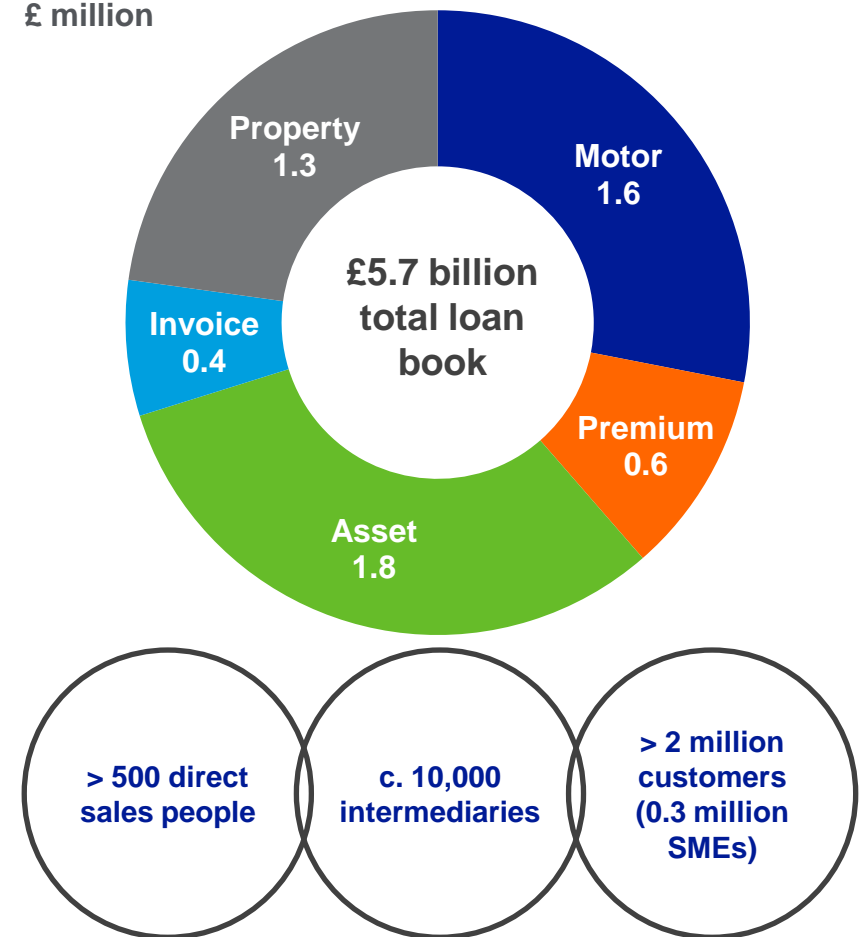
- **Local presence in niche markets**
 - Expertise of our people is key
- **Strong customer relationships**
 - High levels of repeat business
- **Prudent underwriting criteria**
 - Local underwriting responsibility
- **Established distribution network**
 - Direct and intermediated

Investing for the long term

- Training our people
 - Sales academy
- Developing our systems
- Improving our products
- Looking at adjacent markets

Loan book by business

£ million

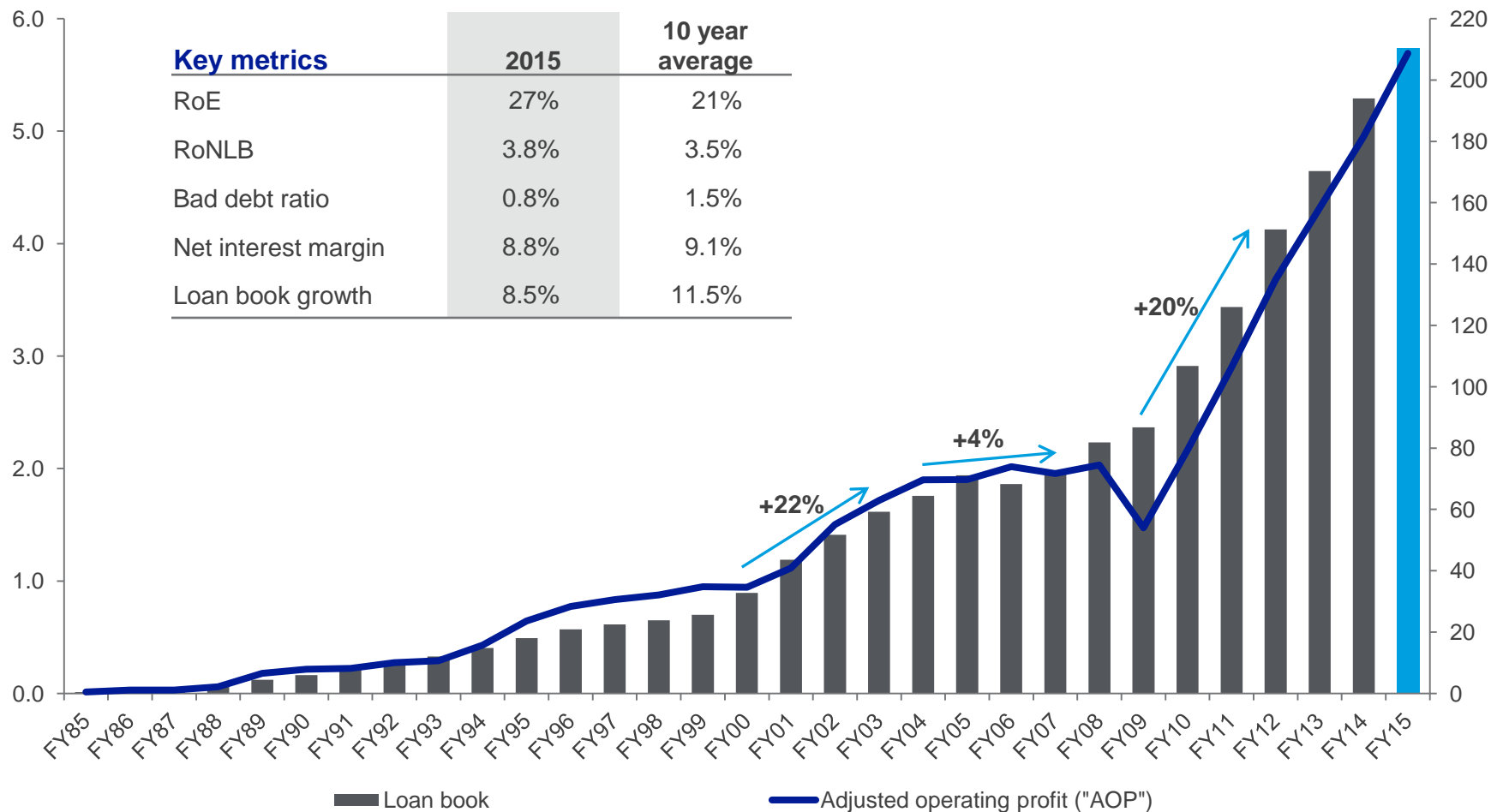


Proven track record

Long history of profitable growth through the cycle

£ billion

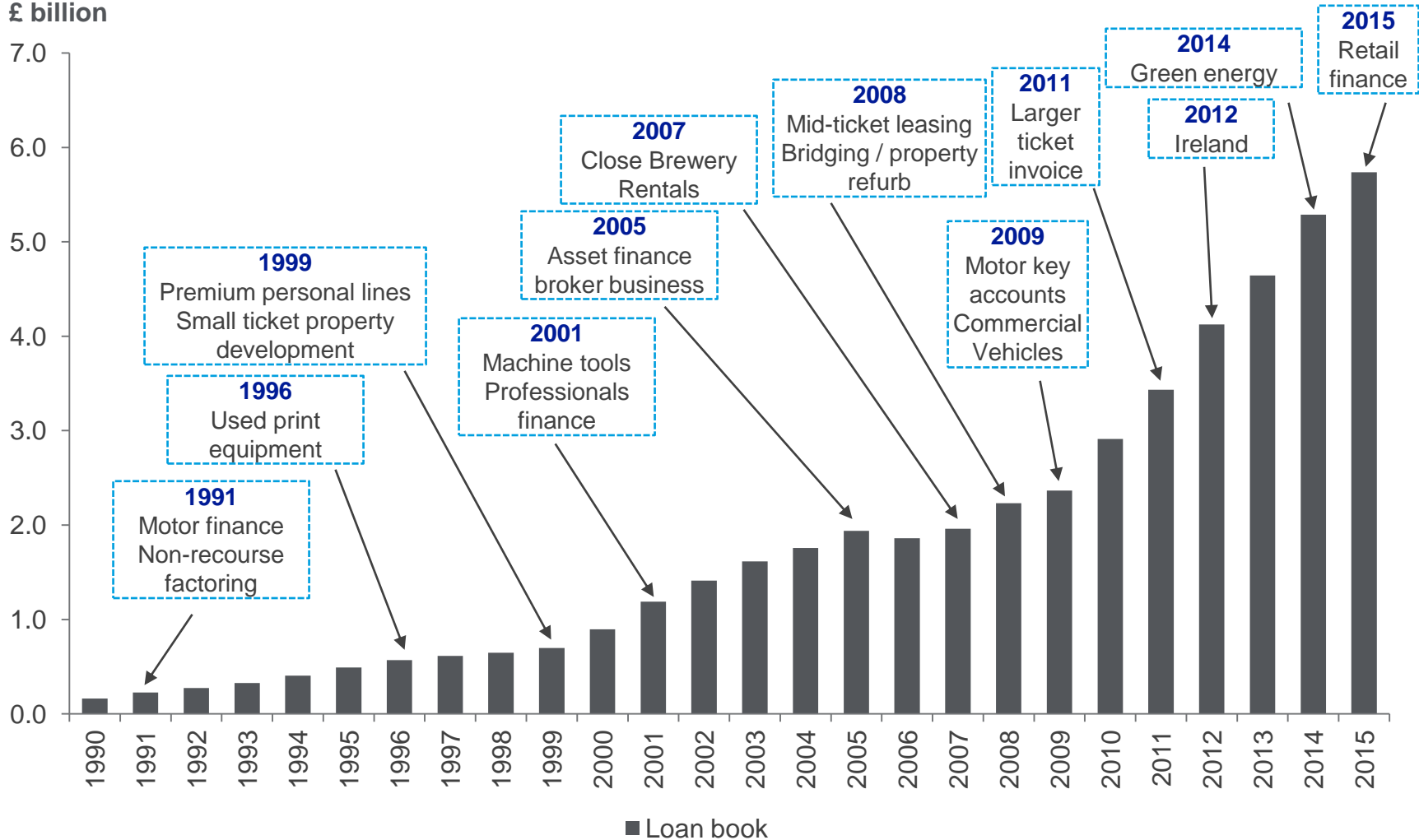
£ million



Banking Initiatives

Long history of developing new products and entering adjacent markets

£ billion



Winterflood

Well positioned for a cyclical recovery

Maintained our leading market position

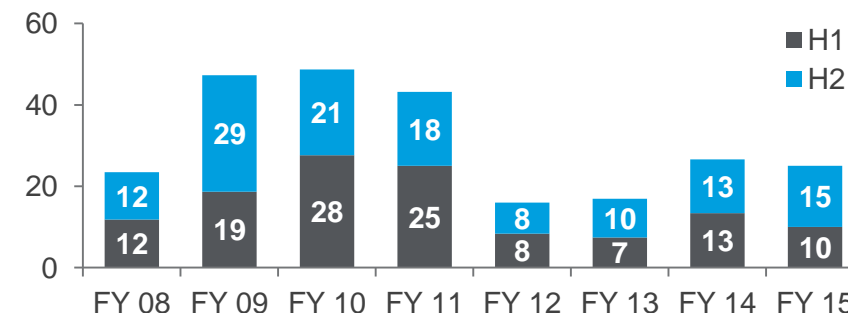
- **Provide continuous liquidity** to our customers
- **Trade profitably** in challenging conditions
 - 14 loss days, predominantly in the first half
- **Diverse business**
 - Strong investment trust activity in 2015

Differentiated model built for the long term

- Proprietary **technology**
- **Expertise** of our traders
 - 16 years average experience of our senior traders
- **Leading market position**
 - Maintained in tough conditions

Adjusted operating profit

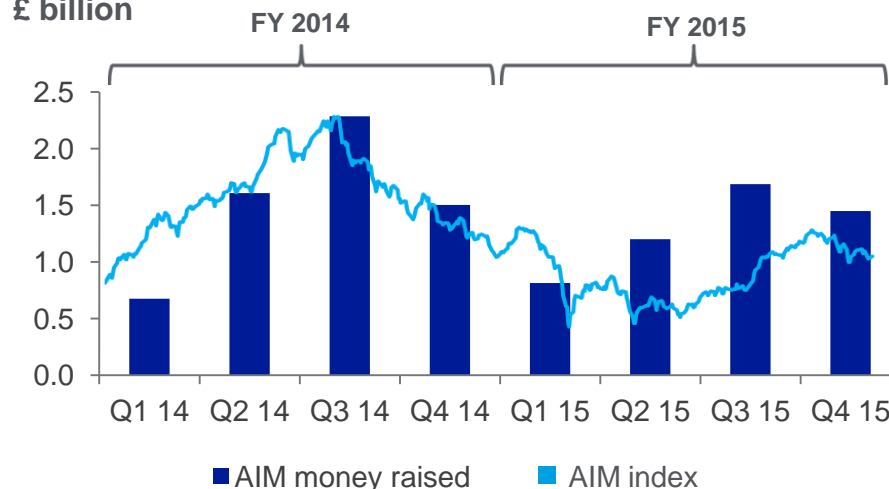
£ million



Loss days	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Loss days	14	7	4	1	13	8	4	14

Market conditions

£ billion



Asset Management

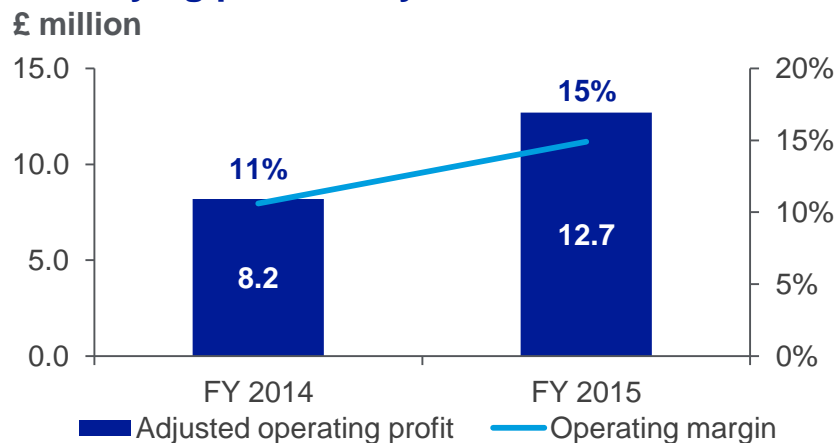
Good progress in the underlying business

Clear strategy focused on UK private clients

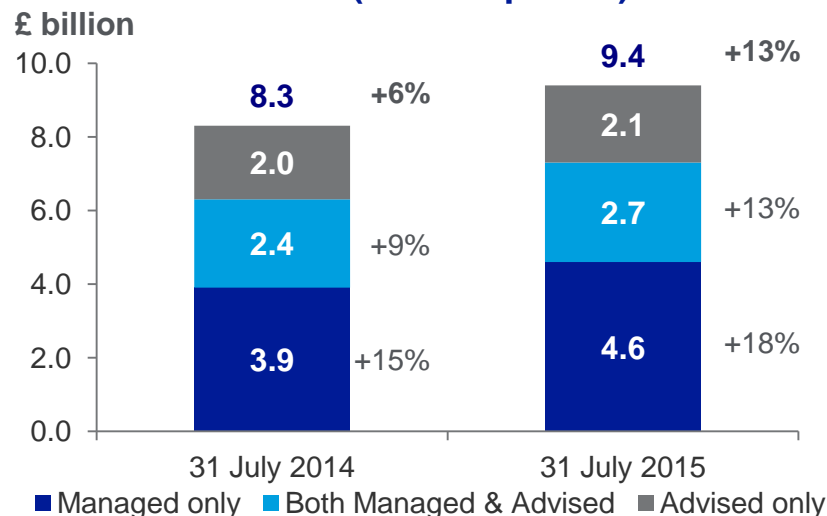
- Disposal of corporate business agreed since year end
- Good **underlying growth** in core business excluding corporate
 - Operating margin to **15%** and revenue margin of **95 bps**
- Well positioned to benefit from **demographic and regulatory changes**
 - Including pension developments
- Good **opportunities for growth** and operating leverage
 - **Consider selective infill acquisitions and hiring**

Note:
The numbers included within this slide exclude the corporate activities of the Asset Management division and the one-off private equity income.

Underlying profitability

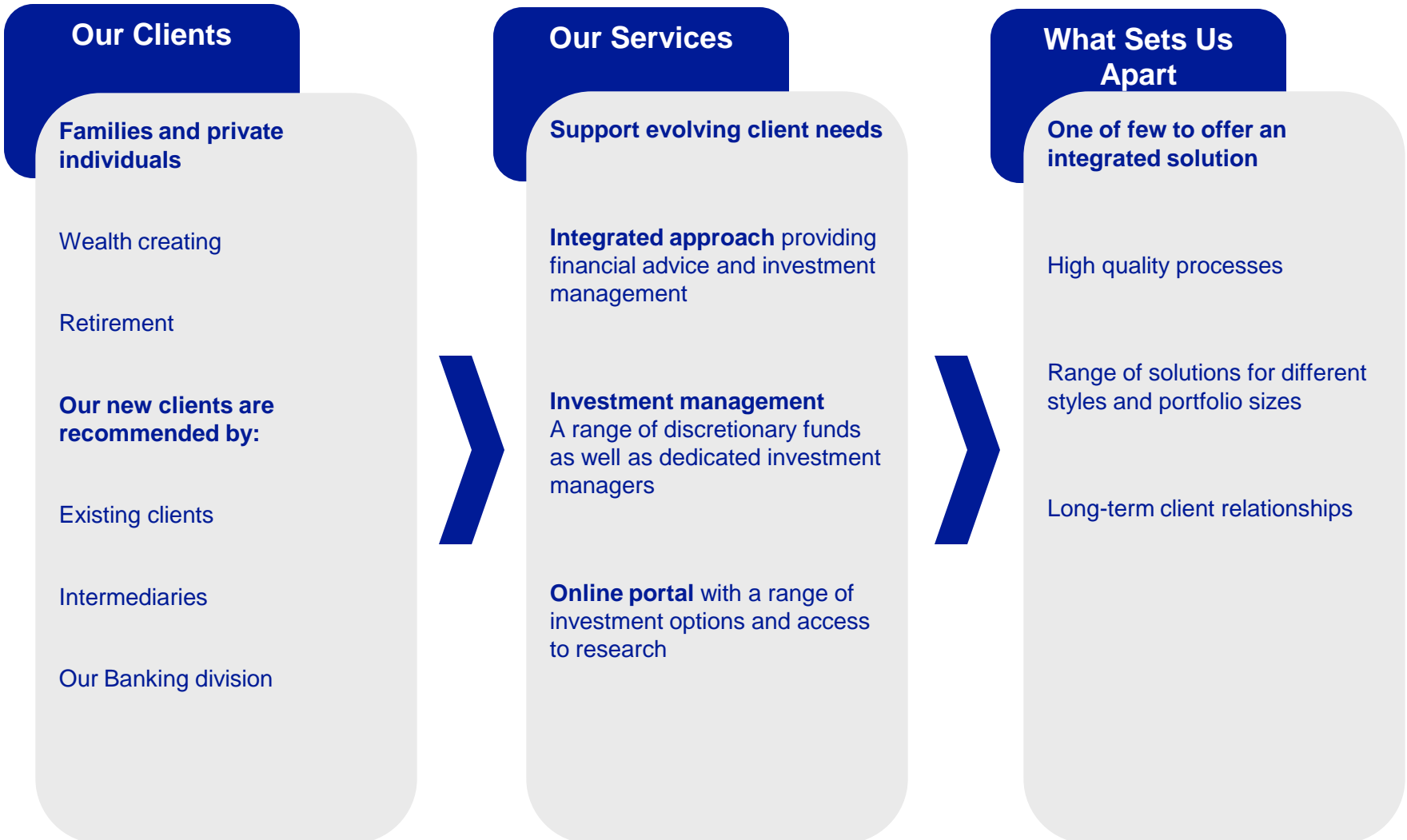


Total Client Assets (exc. corporate)



Asset Management Division

Our integrated proposition



Outlook

Well positioned in all of our businesses

- **We remain confident that our strategy and proven business model will continue to deliver** both attractive propositions for our clients, and long-term value for our shareholders
 - We see continued opportunities for growth in the **Banking division**, whilst maintaining our prudent risk profile and focus on returns
 - **Winterflood** is well positioned but remains sensitive to market conditions
 - In **Asset Management** we expect to see continued net inflows and increasing profitability
- Overall, the group remains well positioned to **continue to deliver good results**

Save the Date

Banking Division Investor Seminar

We will be holding an investor seminar on the Banking division

Thursday 26th November 2015

9am – 12pm

Close Brothers Group

10 Crown Place

London

EC2A 4FT

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Appendix

22 September 2015



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	1,600.3	9.7%	75 – 85%	£6k	2 – 3 years	300k
Premium finance	665.7	5.0%	90%	£500	10 months	1.8m
Asset finance	1,796.2	8.5%	85 – 90%	£35k	40 months	27k
Invoice finance	376.6	(3.7%)	80%	£300k	2 – 3 months	1.2k
Property finance	1,299.0	13.0%	50 – 60%	£1.1m	6 – 18 months	800

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 July 2015.

³ Typical loan maturity for new business on a behavioural basis.



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