



# Close Brothers Group plc

2008 Interim Results





# OVERVIEW

Colin Keogh

# Highlights and Overview

## 2008 H1 Results Summary

- An eventful 6 months and a sound set of results

			H1 07
Adjusted PBT	<b>£75.3m</b>	down 2%	£76.7m
Adjusted EPS	<b>35.1p</b>	down 5%	36.8p
Dividend	<b>13.5p</b>	up 13%	12p

- A solid result from Banking – PBT £38m (up 1%)
- Respectable performance from Asset Management – PBT £18m (down 17%)
- Satisfactory overall performance from Securities – PBT £24m (up 17%)
- A quiet start for Corporate Finance – PBT £5m (down 38%)



# Highlights and Overview

## Recent Offer Period

- In an Offer Period since 8 November
- Uncertain and difficult time for customers and staff
- Various discussions came to naught in difficult markets and therefore terminated
- All options for delivering value were considered in comprehensive strategy review
- In the absence of an offer for the whole group at an acceptable value, group will remain independent



# Highlights and Overview

## The Way Forward

- Strategy remains clear: actively to manage our distinctive, diverse, specialist and soundly financed businesses to generate growth in profits, dividends and long term shareholder value
- Our diversity should stand us in good stead in difficult markets
- Specific actions
  - More rigorous capital management
  - Move to equity type incentives
  - Continued focus on costs
  - More proactive allocation of capital amongst divisions reflecting growth prospects
  - Adjusting the group's risk profile in the light of growth opportunities
- We have the ambition and the firepower to increase the size and number of acquisitions both in the UK and overseas
- Capital – strong balance sheet gives resilience and flexibility in current markets
  - Will keep capital structure under review





# FINANCIAL REVIEW

Jonathan Howell

# Overview of Results

## Before Exceptional Items

	Six months ended 31 January		Change
	2008 £m	2007 £m	
<b>Operating income before exceptional items</b>	<b>253.0</b>	262.9	(4)%
<b>Operating profit before exceptional items</b>			
Asset Management	18.0	21.6	(17)%
Corporate Finance	4.6	7.4	(38)%
Securities	23.8	20.4	17%
Banking	37.7	37.4	1%
Group	(8.8)	(10.1)	(13)%
<b>Total</b>	<b>75.3</b>	<b>76.7</b>	(2)%





# Overview of Results (continued)

	Six months ended 31 January		
	2008	2007	Change
	£m	£m	
<b>Operating profit before exceptional items</b>	<b>75.3</b>	76.7	(2)%
<b>Exceptional items</b>			
- Advisers fees	(5.5)	-	
- Investment gains & performance fees	-	21.1	
<b>Operating profit before tax</b>	<b>69.8</b>	97.8	(29)%
Tax and minority interest	23.1	28.9	
Profit attributable to shareholders	46.7	68.9	(32)%
Basic EPS	31.4p	46.8p	(33)%
Adjusted EPS	35.1p	36.8p	(5)%
Dividend per share	13.5p	12.0p	13%



# Balance Sheet

	As at 31 January		Increase / (decrease) £m
	2008 £m	2007 £m	
<b>Assets</b>			
Cash, deposits and FRN's	2,347	1,798	549
Loans and advances to customers	2,006	1,863	143 See page 7
Securities trading assets	610	782	(172)
Goodwill	113	114	(1)
Other assets	340	282	58
	<u>5,416</u>	<u>4,839</u>	<u>577</u>
<b>Liabilities</b>			
Deposits by customers	2,435	2,027	408 See page 7
Bank borrowings	1,235	944	291 See page 7
Securities trading liabilities	521	694	(173)
Other liabilities	504	472	32
	<u>4,695</u>	<u>4,137</u>	<u>558</u>
<b>Equity</b>	721	702	19
	<u>5,416</u>	<u>4,839</u>	<u>577</u>



# Balance Sheet Analysis

- **Deposits by customers: £2,435m** change + £408m
  - Deposits increased by over **20%** since H1 2007
  - Deposit base remains stable despite recent credit market difficulties and remains profitable
- **Bank borrowings: £1,235m** change + £291m
  - Broad spread of facilities in place
  - Committed borrowing terms up to **4 years** out
  - Repaid **£350m** Euro FRN in December and currently have over **£350m** undrawn committed facilities
- **Loans and advances to customers: £2,006m** change + £143m
  - Overall increase **8%** since H1 2007
  - Maintenance of policy to lend short and borrow long
  - More than **50%** of loan book remains due for repayment in the next **12 months**



# Financial Highlights: Key Ratios

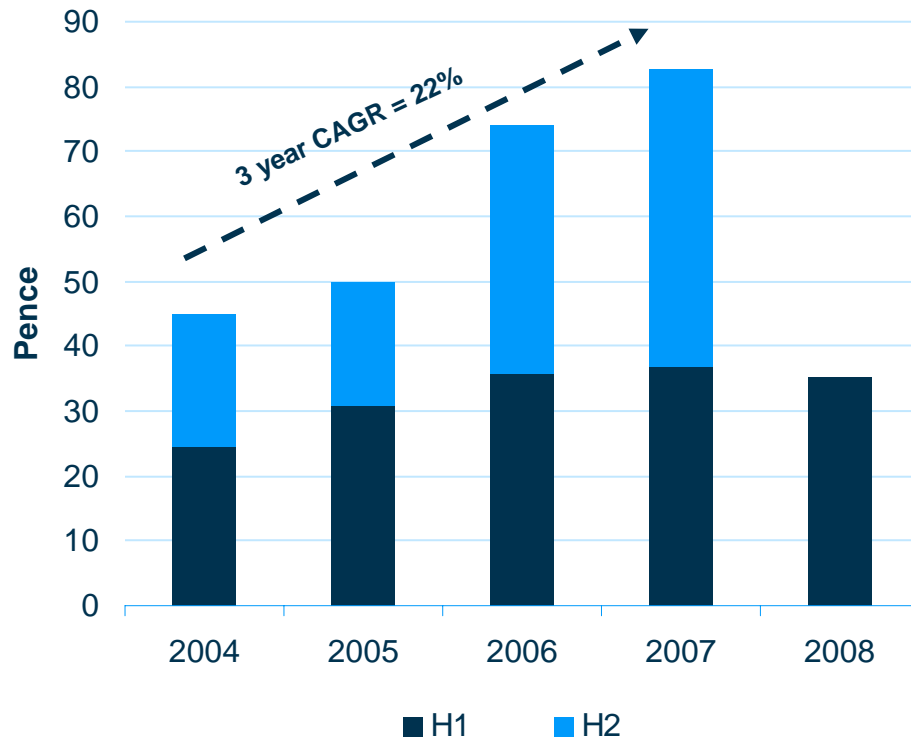
Before exceptional items	H1 2008	H1 2007
Operating margin* <i>Operating profit before tax/operating income</i>	30%	29%
Expense/income ratio* <i>(Administrative expenses + depreciation and amortisation) /operating income</i>	66%	67%
Compensation ratio* <i>Staff costs/operating income</i>	44%	45%
Return on opening equity* <i>Operating profit before tax/opening total equity</i>	20%	23%
Return on loan book <i>Banking operating profit before tax/average gross group loan book</i>	3.7%	3.9%
Bad debt charge/average loan book <i>Impairment losses on group loans and advances/average net group loan book</i>	1.0%	1.0%

\* before exceptional items

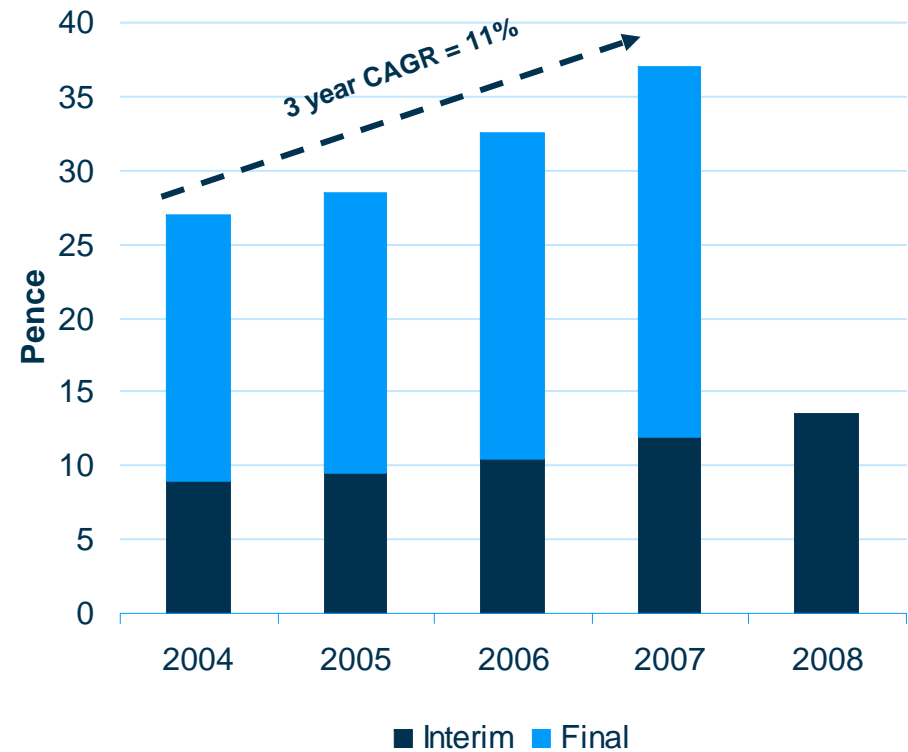


# Adjusted Earnings and Dividend Track Record

Adjusted Earnings per Share



Ordinary Dividends per Share



Notes:  
 05-08: IFRS  
 04: UK GAAP







# DIVISIONAL REVIEW

Colin Keogh







**BANKING**

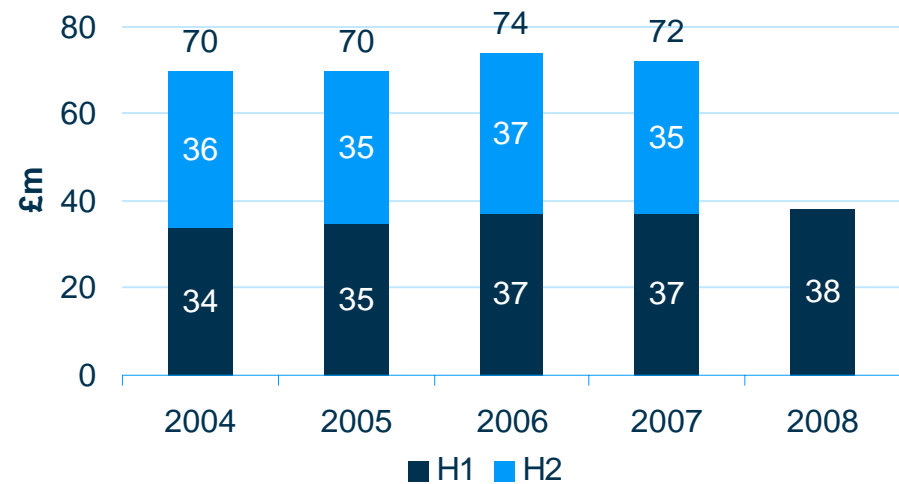


# Banking

## Highlights

- Solid H1 performance
- H1 profit up 1% to £37.7m
- Consistent operating margin — 38%
- Loan book up to £2.0bn (+2%) since year end
- No increase in bad debts which remain at 1%

Banking Profit



# Banking

## Key Numbers

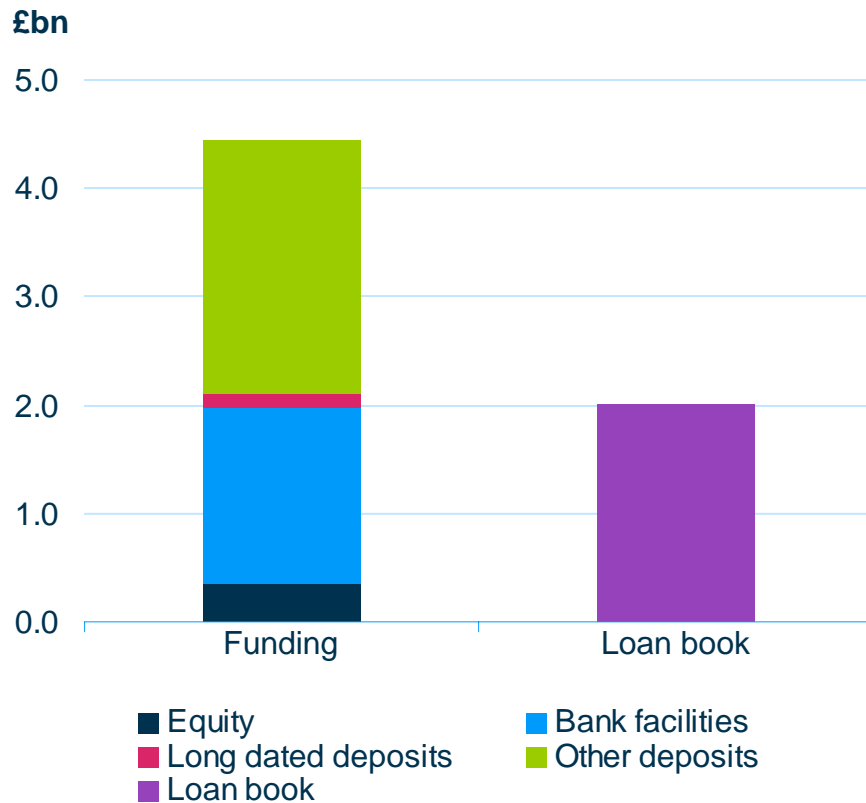
	H1 2008	H1 2007	Change
	£m	£m	
Operating income	99.8	97.7	+2%
Operating profit	37.7	37.4	+1%
Loan book – period end	2,006	1,863	+8%
Bad debt charge	<u>9.6</u>	<u>9.1</u>	
Bad debt as % of average loan book	1.0%	1.0%	
Return on average gross loans	3.7%	3.9%	
ROC	26%	28%	
Operating margin	38%	38%	
Expense/income ratio	53%	52%	
Compensation ratio	31%	30%	



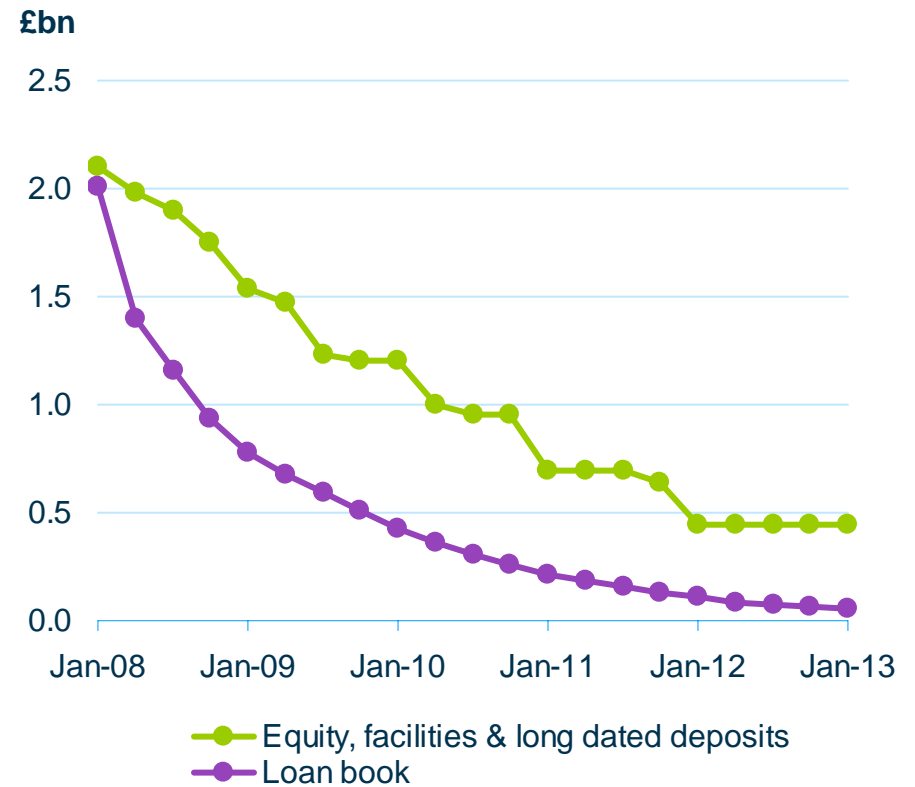
# Banking

## Liquidity

- Loan book covered more than two times by equity, deposits and bank facilities
- Deposits equal 121% of loan book



- We borrow long and lend short



# Banking

## Outlook

- We remain well funded
- We have seen demand increase in some areas and competitive pressures reduce
- Expect continued improvement in H2 and opportunities to accelerate growth





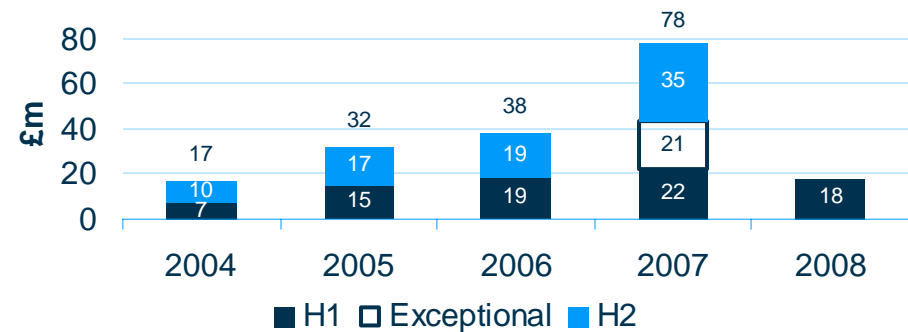
**ASSET MANAGEMENT**

# Asset Management

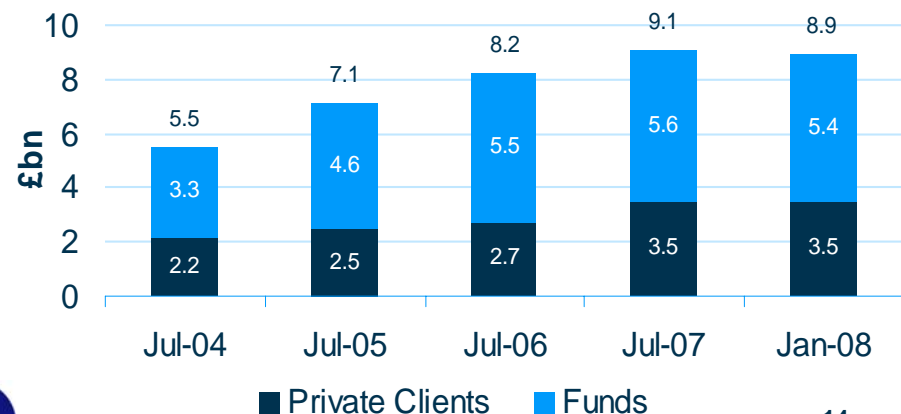
## Highlights

- A respectable result in a difficult and volatile market
  - Profit £18m down 17%
- FuM £8.9bn down 2%
- Difficult period for fund raising but
  - Launched European property fund
  - Good sales of some structured and hedge products
- Private clients' FuM growth held back by market declines

Asset Management Profit



Funds under Management





# Asset Management

## Key Numbers

	H1 2008	Change	H1 2007
	£m		£m
Operating income	69.0	(28)%	95.7
Costs	51.0	(4)%	53.0
Pre-tax profit	18.0	(58)%	42.7
Pre-tax profit excluding exceptional items	18.0	(17)%	21.6
Adjusted operating margin	26%		29%
Adjusted expense/income ratio	74%		71%
Adjusted compensation ratio	49%		54%
Net new money/opening FuM	0.5%		7.0%



# Asset Management

## Asset Gathering

£m	FuM at 31/07/07	H1 2008			Market Movement	FuM at 31/01/08
		In	Out	Net		
Private Clients	3,588	222	(231)	(9)	(99)	3,480
Funds	5,560	464	(431)	33	(204)	5,389
	<b>9,148</b>	<b>686</b>	<b>(662)</b>	<b>24</b>	<b>(303)</b>	<b>8,869</b>
12 months ago	8,211	1,001	(712)	289	397	8,897

- Realisations and maturities have held back net asset growth
- Negative market effect but dampened by product mix



# Asset Management

## Outlook

- Our spread of services and asset classes gives some protection in volatile markets
- Property – UK likely to remain tough but Europe is holding up
- Joint venture initiative to capture expat wealth in Spain
- Will seek to reap benefits of ongoing restructuring and add scale
- Despite uncertain outlook for markets in H2, Asset Management remains a growth opportunity







**CORPORATE FINANCE**

# Corporate Finance

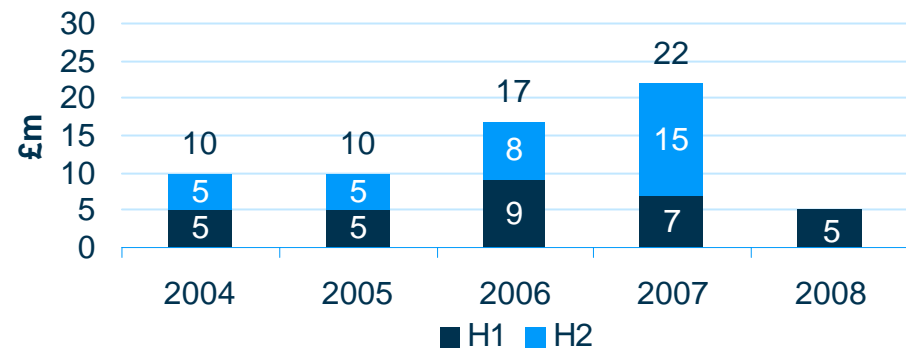
## Highlights

- Reasonable H1 performance after strong finish to FY2007:

Revenue	<b>£26m</b>	(2007 £28m)
Profit	<b>£5m</b>	(2007 £7m)

- Excellent performance from France; Germany ahead of H1 2007; UK profitable but behind H1 2007
- M&A remains dominant in a challenging market
- Restructuring and debt advisory activity expected to accelerate in H2
- Increased equity investment in Spanish associate to 45% and in April will acquire remaining 17% of French subsidiary

### Corporate Finance Profit



	H1 2008	H1 2007	Year 2007
M&A	<b>84%</b>	70%	73%
Restructuring and Debt Advisory	<b>16%</b>	30%	27%

- Costs in line with H1 2007 notwithstanding continued selective recruitment and investment in business



# Corporate Finance

## Key Numbers

	H1 2008	H1 2007
	£m	£m
Operating income	26.2	27.8
Costs	21.6	20.4
Pre-tax profit	<u>4.6</u>	<u>7.4</u>
Operating margin	18%	27%
Expense/income ratio	82%	73%
Compensation ratio	58%	55%



# Corporate Finance

## Outlook

- Q3 pipeline looking better
- Anticipating growth in restructuring and debt advice
- We continue to attract good people at senior levels
- New office in Manchester and development of new sectors
- Emphasis on consolidating single European franchise and extending our international reach
- We will continue to seek to increase our corporate client base in all our geographies







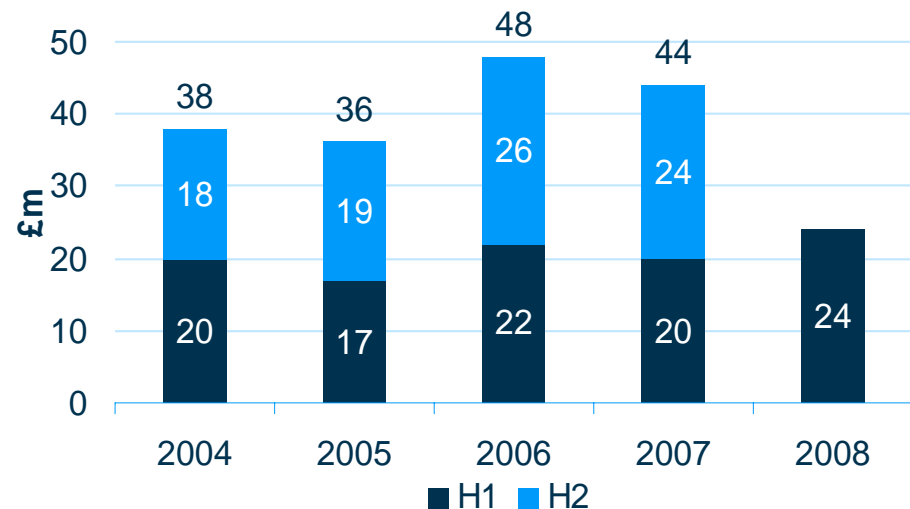
SECURITIES

# Securities

## Highlights

- Markets difficult and volatile during H1 in UK and Germany
- Trading has been weaker for WINS and Seydler and overall well down on last year
- Bargain numbers at WINS slightly up but profit per bargain down
- Mako has had a good start and a very strong January

Securities Profit



# Securities

## Key Numbers

	H1 2008	H1 2007
	£m	£m
Operating income	55.8	60.4
Costs	32.0	40.0
Pre-tax profit	<u>23.8</u>	<u>20.4</u>
Operating margin	43%	34%
Expense/income ratio	57%	66%
Compensation ratio	41%	37%



# Securities

## Outlook

- Difficult markets look set to continue and business remains competitive
- Generating growth has been a challenge against a backdrop of margin pressure
- WINS core business remains strong with opportunities to diversify
- Seydler expands corporate broking operation into UK market and now produces research





OUTLOOK

# Group Outlook

- H1 performance resilient against backdrop of challenging market conditions
- Outlook for global markets is uncertain
  - Likely to continue to affect Corporate Finance, Securities and Asset Management
  - Could lead to an increase in acquisition opportunities
- Banking should continue to improve
- Strong market positions and broad spread of activities give us confidence in our resilience and long term prospects
- Strategy remains clear: actively to manage our distinctive, diverse, specialist and soundly financed businesses to generate growth in profits, dividends and long term shareholder value





APPENDIX

# Segmental Information

£ million	Asset Management	Corporate Finance	Securities	Banking	Group	Total
<b>For the six months ended 31 January 2008</b>						
Operating income	69.0	26.2	55.8	99.8	2.2	253.0
Operating expenses	51.0	21.6	32.0	62.1	11.0	177.7
<b>Profit before exceptionals and tax</b>	<b>18.0</b>	<b>4.6</b>	<b>23.8</b>	<b>37.7</b>	<b>(8.8)</b>	<b>75.3</b>
Exceptionals	-	-	-	-	(5.5)	(5.5)
<b>Profit before tax</b>	<b>18.0</b>	<b>4.6</b>	<b>23.8</b>	<b>37.7</b>	<b>(14.3)</b>	<b>69.8</b>
<b>For the six months ended 31 January 2007</b>						
Operating income	74.6	27.8	60.4	97.7	2.4	262.9
Operating expenses	53.0	20.4	40.0	60.3	12.5	186.2
<b>Profit before exceptionals and tax</b>	<b>21.6</b>	<b>7.4</b>	<b>20.4</b>	<b>37.4</b>	<b>(10.1)</b>	<b>76.7</b>
Exceptionals	21.1	-	-	-	-	21.1
<b>Profit before tax</b>	<b>42.7</b>	<b>7.4</b>	<b>20.4</b>	<b>37.4</b>	<b>(10.1)</b>	<b>97.8</b>

*Substantially all of the group's activities and revenue are located within the British Isles and the value of transactions between segments was minimal*





# Segmental Information

£ million	Asset Management	Corporate Finance	Securities	Banking	Group	Total
<b>For the year ended 31 July 2007</b>						
Operating income	177.5	77.2	128.0	197.8	5.2	585.7
Operating expenses	<u>120.9</u>	<u>54.7</u>	<u>83.9</u>	<u>126.1</u>	<u>27.3</u>	<u>412.9</u>
<b>Profit before exceptionals, goodwill and tax</b>	<b>56.6</b>	<b>22.5</b>	<b>44.1</b>	<b>71.7</b>	<b>(22.1)</b>	<b>172.8</b>
Exceptionals	21.1	-	-	-	-	21.1
Goodwill impairment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3.7)</u>	<u>(3.7)</u>
<b>Profit before tax</b>	<b><u>77.7</u></b>	<b><u>22.5</u></b>	<b><u>44.1</u></b>	<b><u>71.7</u></b>	<b><u>(25.8)</u></b>	<b><u>190.2</u></b>

*Substantially all of the group's activities and revenue are located within the British Isles and the value of transactions between segments was minimal*



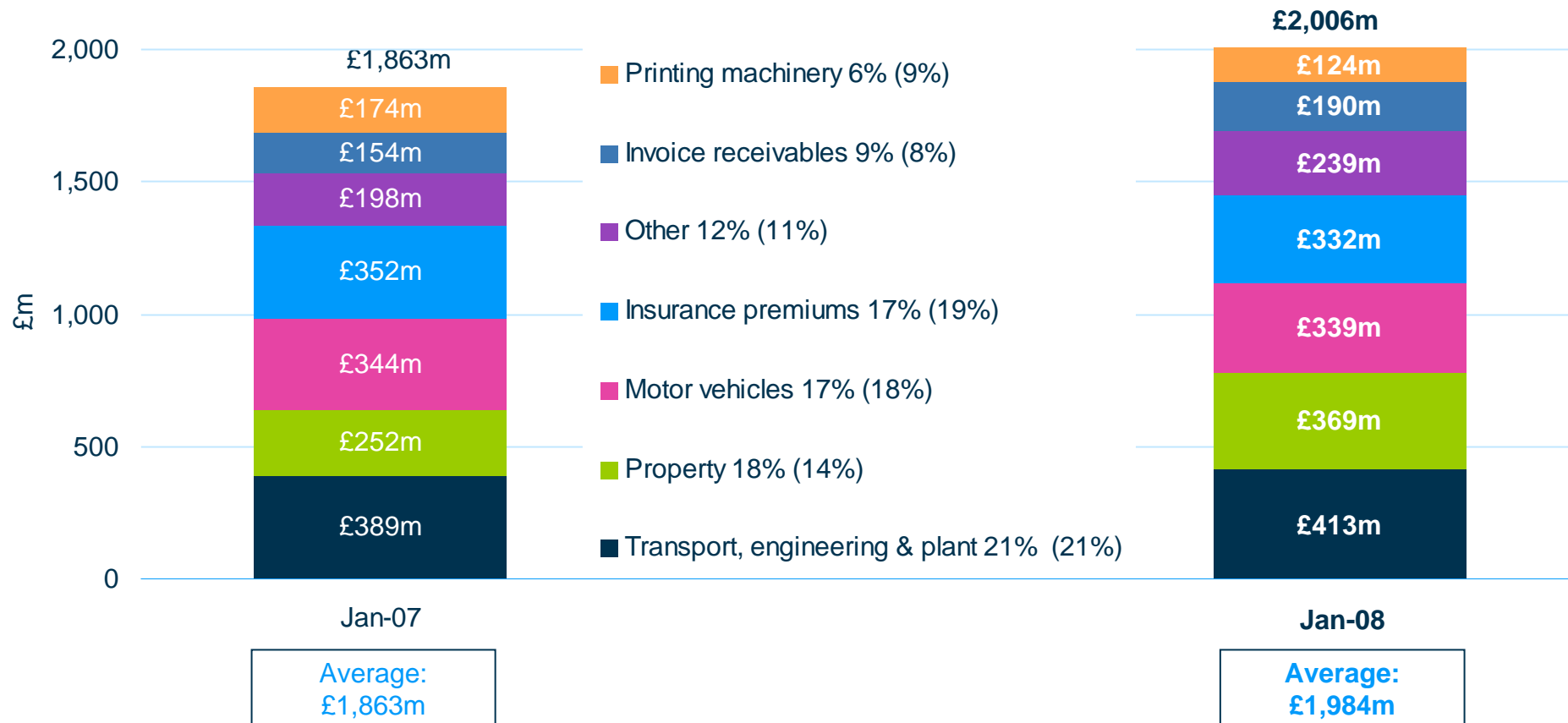
# Exceptional Items and Goodwill Impairment

	Six months ended 31 January		Year ended 31 July
	2008 £m	2007 £m	2007 £m
<b>Operating profit before exceptional items and goodwill impairment</b>	<b>75.3</b>	76.7	172.8
<b>Exceptional income</b>			
Investment gains and private equity performance fees	-	21.1	21.1
<b>Exceptional expenses</b>			
Advisers fees in respect of potential offers	(5.5)	-	-
<b>Goodwill impairment</b>	-	-	(3.7)
<b>Operating profit before tax</b>	<b>69.8</b>	97.8	190.2



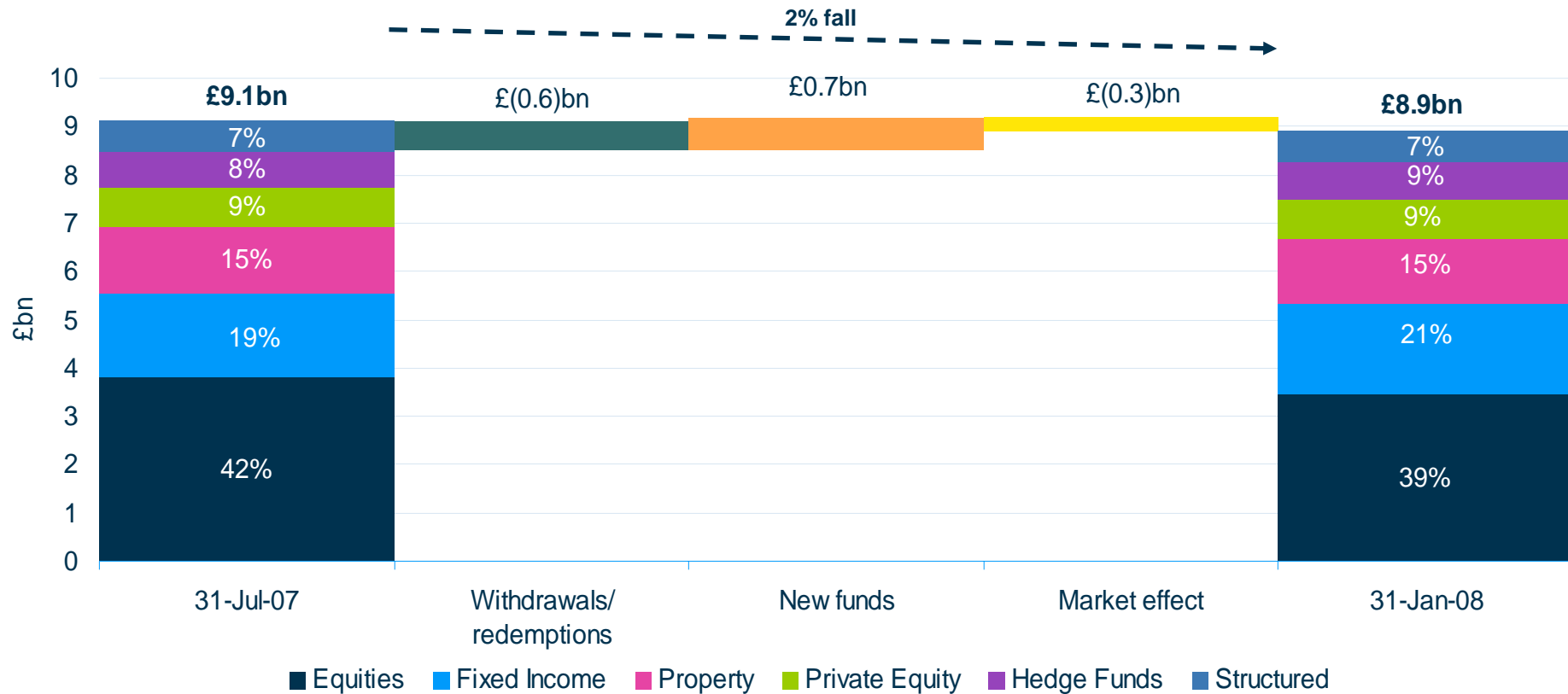
# Banking

## Loan Book Analysis



# Asset Management

## Funds under Management



Well spread across asset classes



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