Interim Results 2011

15 March 2011

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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

First half 2011 highlights

- **Good overall** performance – adjusted operating profit from continuing operations up 5% to £65.4 million
- **Strong** performance in **Banking**, 33% increase in adjusted operating profit
- Overall **good performance** from **Securities**, particularly Winterflood
  - 9% reduction in adjusted operating profit compared to **very strong prior year period**
- **Asset Management** implementing strategic transformation
  - Asset gathering initiatives gaining momentum – 20% FuM increase to £8.3 billion
- **Strong** capital position
  - 13.1% core tier 1 capital ratio
- Interim dividend **maintained** at 13.5p per share
- Agreed **sale** of **UK offshore business**
  - In line with strategic priorities

Agenda

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3. Business Update – Preben Prebensen, Group Chief Executive

4. Q&A

Financial Highlights

Continuing operations

£ million	First half 2011 to 31 January	First half 2010 to 31 January	% change	Full year 2010 to 31 July
Adjusted operating income	**280.1**	**249.1**	**12%**	**505.9**
Adjusted operating profit	**65.4**	**62.0**	**5%**	**120.6**
Adjusted EPS	**34.1p**	**32.1p**	**6%**	**60.8p**
Dividend per share	13.5p	13.5p	-	39.0p
Key Financial Ratios				
Operating margin	23%	24%		23%
Expense/income ratio	64%	64%		64%
Compensation ratio	40%	41%		40%
Return on opening equity	13%	13%		12%

Notes:
Adjusted operating income, operating expenses, operating profit and EPS exclude exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition
All ratios exclude associate income, exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition

Financial Highlights

Exceptional items, tax and discontinued operations

£ million	First half 2011 to 31 January	First half 2010 to 31 January	% change	Full year 2010 to 31 July
Adjustments to operating profit:	**(9.6)**	**(0.2)**		**(15.8)**
Of which:				
Exceptional items[1]	(4.5)	-		(15.0)
Impairment losses on goodwill	(4.5)	-		(0.3)
Amortisation of intangible assets on acquisition	(0.6)	(0.2)		(0.5)
Tax (continuing operations)	**(15.8)**	**(15.9)**	**-**	**(32.8)**
Effective tax rate	28%	26%		31%
Basic EPS (continuing operations)	**27.4p**	**31.9p**	**(14)%**	**49.8p**
(Loss)/Profit from discontinued operations[2]	**(24.9)**	**0.4**		**(5.5)**
Basic EPS (continuing and discontinued operations)	**10.1p**	**32.2p**	**(69)%**	**46.0p**

Notes:
1 Exceptional items in H1 2011 comprised a provision for an onerous lease and in FY 2010 comprised impairments on two investments – a seed investment in a European investment fund and a long held equity stake in Plus Markets Group
2 Discontinued operations include the trading result and estimated loss on disposal of the group's UK offshore trust, fund administration, asset management and banking business, the sale of which was announced on 10 March 2011

Financial Highlights

Performance by division

Adjusted operating profit (continuing operations)

£ million	First half 2011	First half 2010	% Change	Full year 2010
Adjusted operating profit	**65.4**	**62.0**	**5%**	**120.6**
Of which:				
Banking	48.6	36.5	33%	79.5
Securities	31.1	34.0	(9)%	59.3
Asset Management	(4.0)	2.2	-	2.6
Group	(10.3)	(10.7)	(4)%	(20.8)

- **Banking** had a **strong performance**
  - **33% increase** in adjusted operating profit
  - Loan book increased 9% to **£3.2 billion**
  - **Strong net interest margin** and improving bad debt
- Good overall performance in **Securities**
  - **Good performance** from Winterflood compared to a very strong prior year
  - **Improved performance** from Seydler offset by **lower associate income** from Mako
- **Asset Management** implementing strategy
  - Small loss as it **invests** in its wealth and asset management strategy
- **Group** net expenses **slightly down** at £10.3 million

Financial Highlights

Summary Balance Sheet

- Maintained **strong balance sheet** with improved **efficiency**
  - **4% growth** in total assets to £6.5 billion
- Focus on **loan book – up 9%** representing around **half total assets**
- **Treasury assets** of £1.6 billion
  - Increase in **high quality** liquid assets
- **Market-making assets** from Securities division broadly **stable at £0.1 billion** net of liabilities
- **Customer deposits reduced** reflecting sale of UK offshore business
- **Equity** broadly unchanged at £0.7 billion

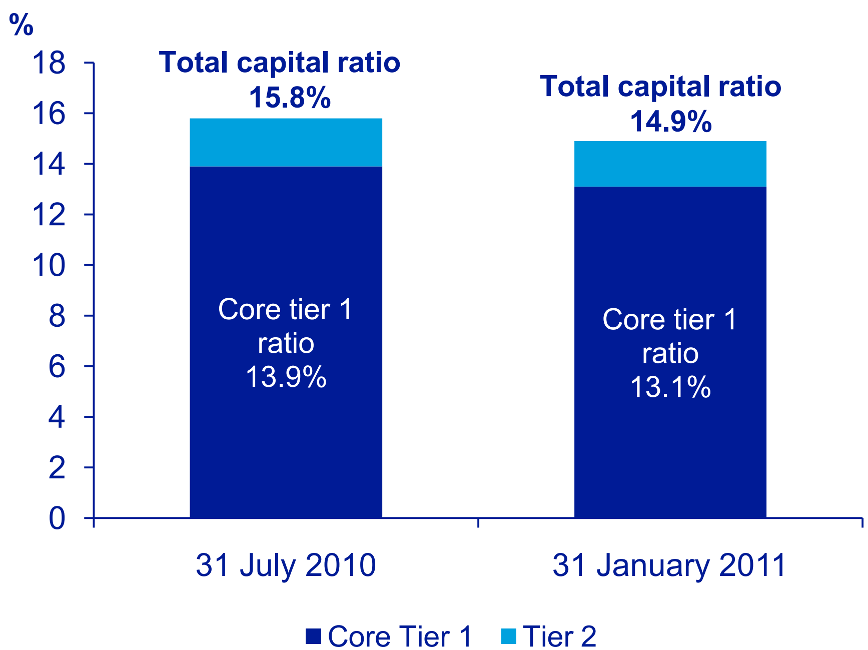
Summary Balance Sheet[1]

£ million	31 January 2011	31 July 2010	Change
Assets			
Treasury assets[2]	1,575.8	2,034.8	(459.0)
Loans and advances to customers	3,169.6	2,912.6	257.0
Settlement balances, long trading positions and loans to money brokers[3]	915.6	713.3	202.3
Other[4]	636.8	598.9	37.9
Assets held for sale	190.3	-	190.3
Total assets	**6,488.1**	**6,259.6**	**228.5**
Liabilities			
Deposits by customers[5]	2,657.4	3,115.5	(458.1)
Borrowings	1,471.4	1,472.0	(0.6)
Settlement balances, short trading positions and loans from money brokers	814.3	597.8	216.5
Other	243.6	319.9	(76.3)
Liabilities held for sale	562.4	-	562.4
Total liabilities	**5,749.1**	**5,505.2**	**243.9**
Equity	739.0	754.4	(15.4)
Total liabilities and equity	**6,488.1**	**6,259.6**	**228.5**

Notes:
1 In accordance with IFRS 5, the operations of the UK offshore business have been treated as held for sale at 31 January 2011 and separately disclosed on the balance sheet. In accordance with IFRS 5, the prior period has not been restated
2 Includes gilts and government guaranteed debt, CDs and FRNs and £672.0 million (31 July 2010 £452.7 million) cash at central banks
3 Includes £50.3 million (31 July 2010: £54.1 million) long trading positions in debt securities
4 Includes intangible assets and £194.0 million (31 July 2010: £158.5 million) cash and loans and advances to banks
5 Deposits at 31 January 2011 exclude £549.3 million of deposits relating to the UK offshore business which are classified as held for sale

Capital

Strong capital position maintained



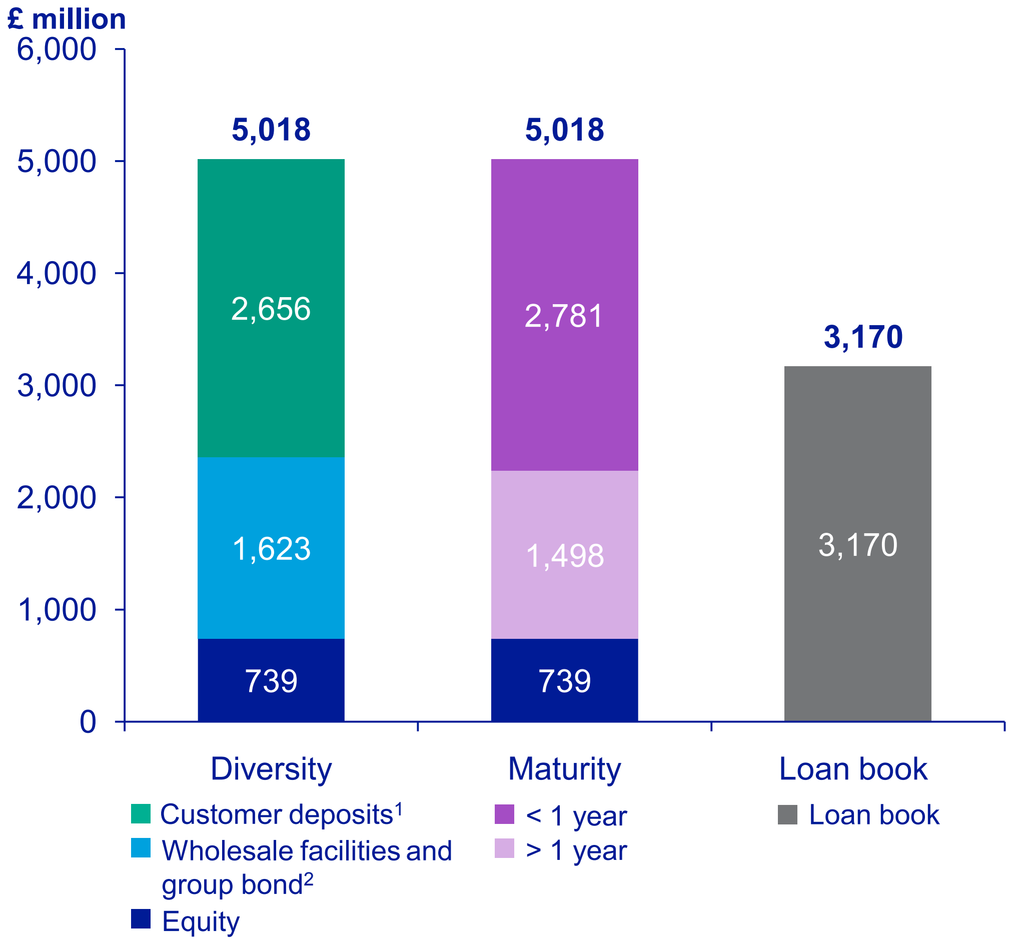
£ million	31 January 2011	31 July 2010	% Change
Core tier 1 capital	587.2	603.3	(3)%
Total regulatory capital	669.2	683.8	(2)%
Core tier 1 capital ratio	13.1%	13.9%	
Risk weighted assets	4,497.1	4,338.7	4%

- **Strong capital position** maintained
  - Core tier 1 ratio of **13.1%**
  - Flexibility to **grow business**
- **Employing capital** for growth
  - 4% **increase in RWAs** largely reflecting loan book growth
  - **Acquisition** in Asset Management
- **No material impact** expected from Basel 3
  - **Majority** of capital **core tier 1**
  - Comfortably ahead of proposed **minimum requirements**
  - No complex trading book exposures

Funding

Increasing diversity and enhancing maturity profile

Funding position at 31 January 2011



- **Strong overall funding** position at 1.6x loan book of £3.2 billion
- **Further diversification** in H1 including £1.0 billion raised through syndicated facility, securitisation and repurchase agreement
- **Customer deposits resilient** at £2.7 billion
  - Agreed purchase of c.£300 million **structured deposits** post period end
- **Term funding**[3] of **£2.2 billion** with residual maturity > 1 year
  - Covers **71% of loan book** and contributes 45% of total funding
  - Average maturity (excluding equity) of **34 months** vs. **loan book** average maturity of **12 months**

Notes:

1 Excludes £549.3 million (31 July 2010: nil) of deposits relating to the UK offshore business and classified as held for sale and £1.3 million of deposits (31 July 2010: £1.2 million) held within the Securities division

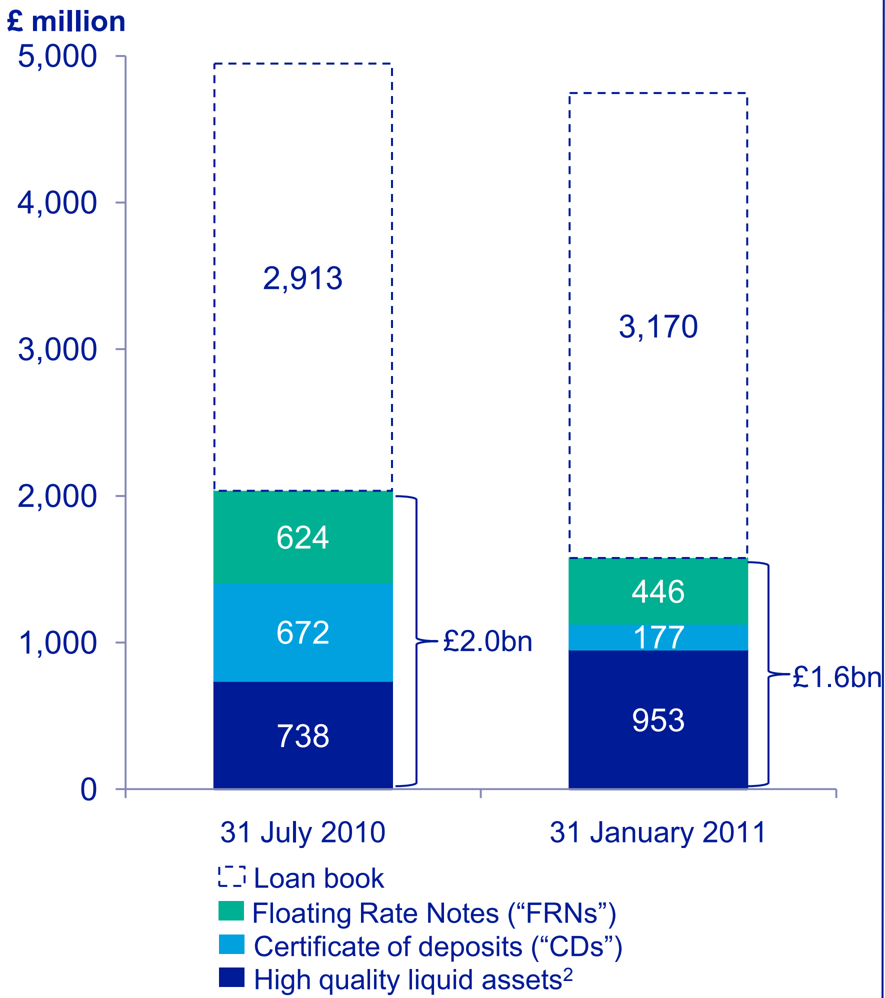
2 Includes £165.9 million (31 July 2010: £227.0 million) of undrawn facilities and excludes £13.9 million (31 July 2010: £13.7 million) of non-facility overdrafts included in borrowings in the group's financial statements

3 Funding with a residual maturity > 1 year, including equity, wholesale facilities, customer deposits and group bond

Treasury assets

Improved efficiency and strong liquidity

Loan book and treasury assets[1]



- **Strategic focus** of funding is on **loan book** and maintaining **appropriate level** and **mix** of **liquid assets**
- Improved **balance sheet efficiency** with **23% reduction in treasury assets** to £1.6 billion
  - **FRNs managed down**
  - Maturing CDs **redeployed in the loan book** and in high quality liquid assets
- Increase in **high quality liquid** assets of 29% to £1.0 billion
  - Deposits with **Bank of England**
  - **Strong liquidity position** – well placed for new regulatory liquidity requirements (ILAS)

Note:
1 Treasury assets at 31 January 2011 exclude £151.2 million (31 July 2010: nil) treasury assets relating to the UK offshore business classified as held for sale
2 Includes £671.9 million (31 July 2010: £452.6 million) of deposits with Bank of England and £280.6 million (31 July 2010: £285.6 million) of Gilts and government guaranteed debt

Banking

Key figures

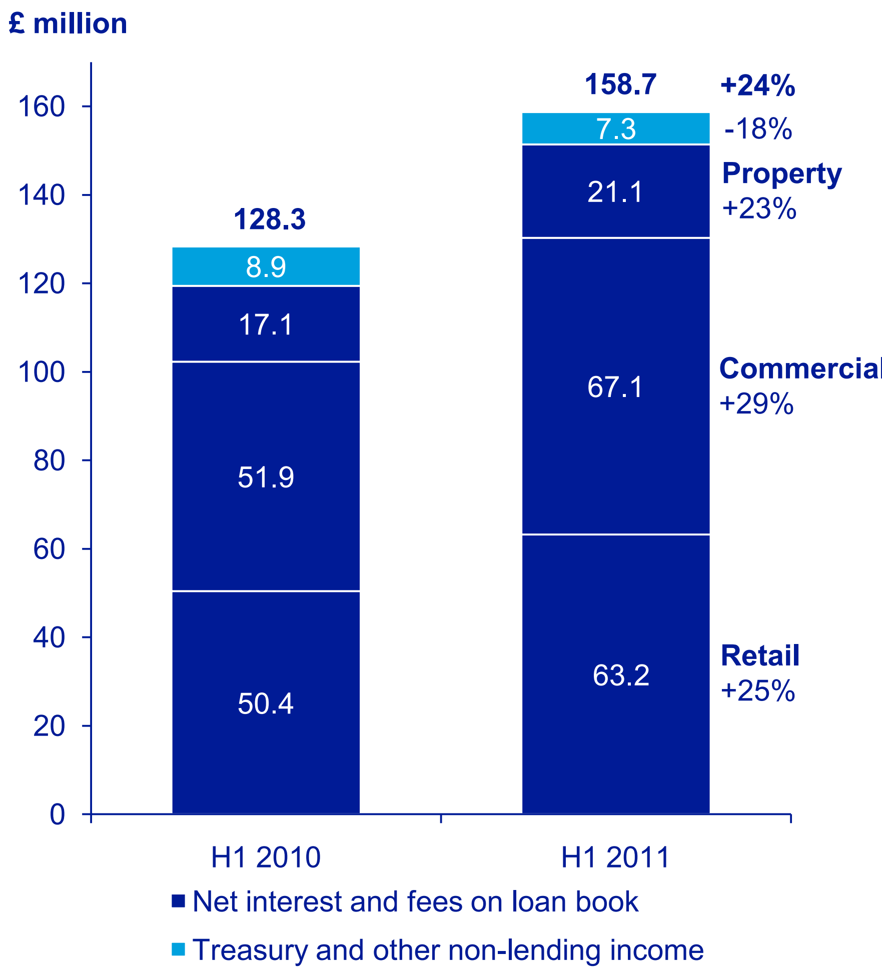
£ million	First half 2011 to 31 January	First half 2010 to 31 January	% change	Full year 2010 to 31 July
Adjusted operating income	**158.7**	**128.3**	**24%**	**272.0**
Adjusted operating expenses	(72.9)	(61.2)	19%	(129.1)
Impairment losses on loans and advances	(37.2)	(30.6)	22%	(63.4)
Adjusted operating profit	**48.6**	**36.5**	**33%**	**79.5**
Closing loan book	**3,170**	**2,578**	**23%**	**2,913**
Bad debt ratio[1]	**2.4%**	**2.5%**		**2.4%**
Key Financial Ratios				
Operating margin	31%	28%		29%
Expense/income ratio	46%	48%		47%
Compensation ratio	27%	27%		26%
Return on opening equity	20%	18%		20%
Return on net loan book[2]	3.2%	3.0%		3.0%

Notes:
1 Impairment losses on average net loans and advances to customers
2 Banking division adjusted operating profit before tax on average net loans and advances to customers
All KFRs exclude associate income, exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition

Banking

Income analysis

Adjusted operating income by type



Key figures

	First half 2011	First half 2010	% change	Full year 2010
Net interest and fees on loan book (£ million)	151.4	119.4	27%	255.6
Average loan book (£ million)	3,041	2,471	23%	2,639
Net interest margin[1]	10.0%	9.7%		9.7%

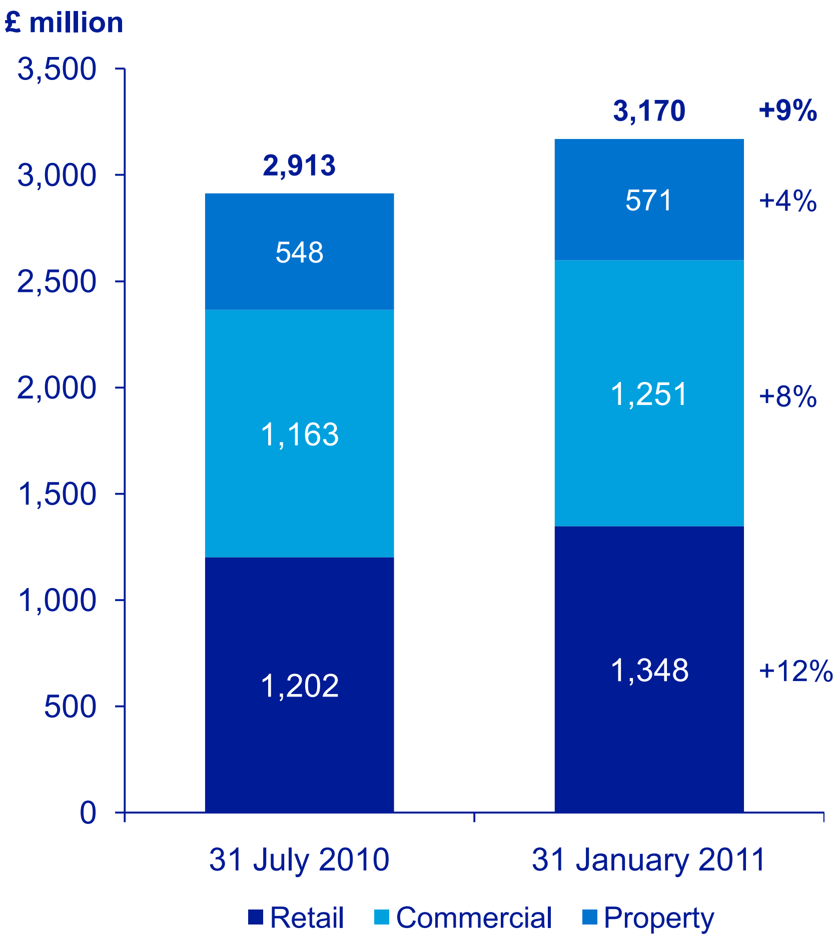
- Net interest and fees on loan book increased 27% reflecting good loan book growth at **strong margins**
- Treasury and other income **declined** due to **reduced** holding of treasury assets

Note:
1 Net interest and fees on average net loans and advances to customers

Banking

Loan book analysis

Loan book size by business unit



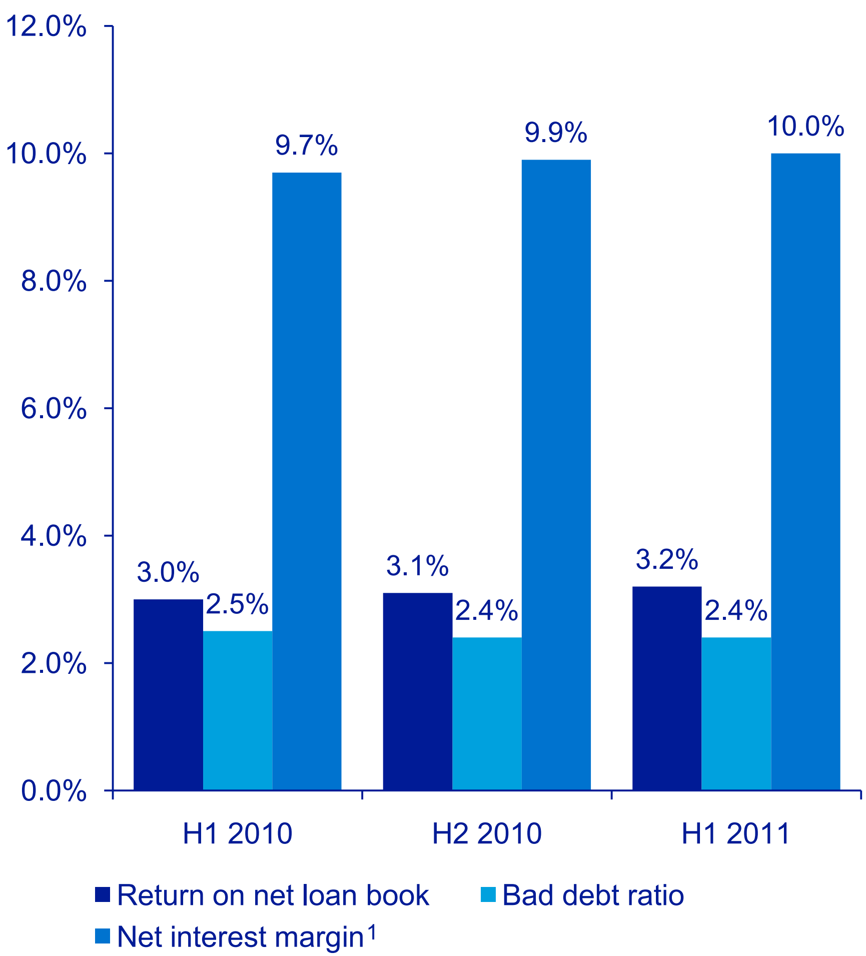
- **9% organic growth** in loan book to £3.2 billion
- **Retail** loan book increased 12%
  - **Motor finance** benefited from expansion of branch network
  - Good demand in **premium finance**, particularly in personal
- **Commercial** up 8%
  - Good new business levels in **asset finance** following investment in sales capacity
  - Modest loan book growth in **invoice finance**
- **Property** increased 4%
  - Improved **quality** of loan book
  - **Market conditions** remain favourable

Note:
A full breakdown by line of business is provided in the Appendix

Banking

Key ratios

Margin and bad debt analysis



- H1 2011 **bad debt ratio down** at 2.4%
  - Modest improvements in **Commercial**
  - **Retail** remains at **low levels**
  - **Property** impacted by legacy loan bad debt

- Return on net loan book **increased** to **3.2%** (H1 2010: 3.0%)

- Full year 2011 bad debt expected to be **slightly down** on 2010 (FY 2010: 2.4%)

Note:
1 Net interest and fees on average loan book

Securities

Key figures

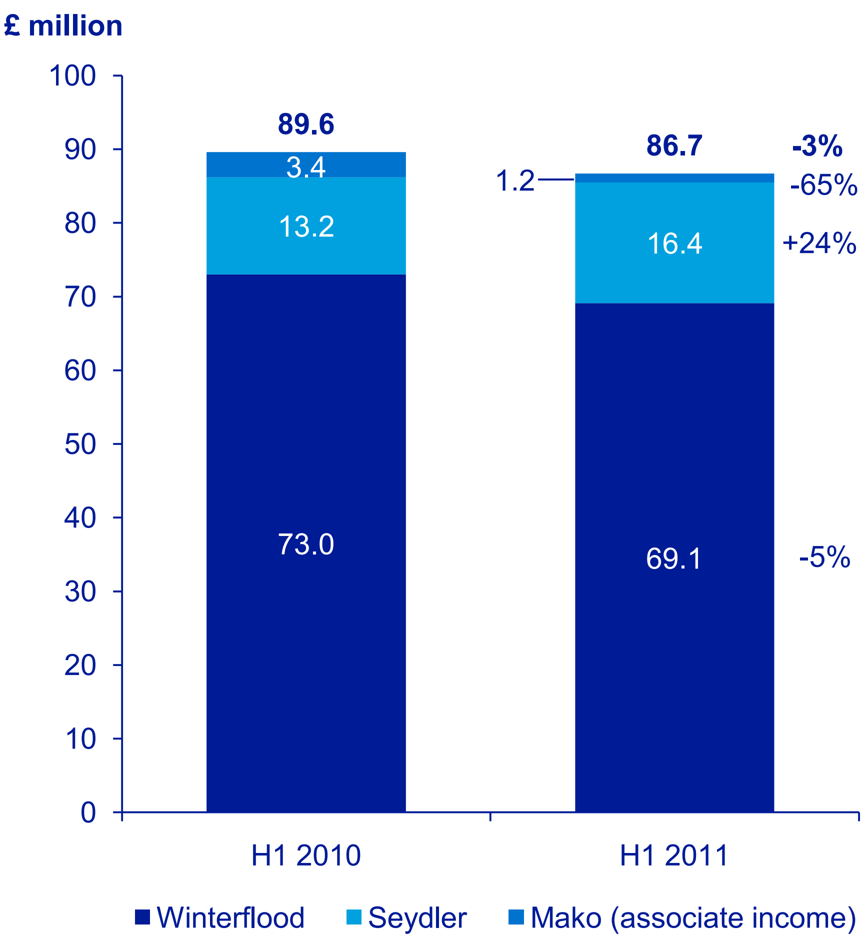
£ million	First half 2011 to 31 January	First half 2010 to 31 January	% change	Full year 2010 to 31 July
Adjusted operating income	**86.7**	**89.6**	**(3)%**	**162.2**
Adjusted operating expenses	(55.6)	(55.6)	-	(102.9)
Adjusted operating profit	**31.1**	**34.0**	**(9)%**	**59.3**
Of which:				
Winterflood	25.0	27.6	(9)%	48.7
Seydler	4.9	3.0	63%	4.9
Mako	1.2	3.4	(65)%	5.7
Key Financial Ratios				
Operating margin	35%	35%		34%
Expense/income ratio	65%	65%		66%
Compensation ratio	44%	46%		45%
Return on opening equity	45%	46%		39%

Note:
All KFRs exclude associate income, exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition

Securities

Income analysis

Adjusted operating income by business



Key figures

	First half 2011	First half 2010	% change	Full year 2010
Winterflood bargains per day	48k	45k	7%	47k
Winterflood income per bargain	£11.24	£12.80	(12%)	£11.18

- **Good** performance at **Winterflood**
  - **7% increase** in average bargains per trading day
  - Reduction in income per bargain on **very strong prior year period**
  - **Consistent trading** with no loss days
- **Seydler** performed well benefitting from debt and equity capital market activity
- Difficult trading conditions, with low volumes and volatility, affected **Mako**

Asset Management

Key figures (continuing operations)[1]

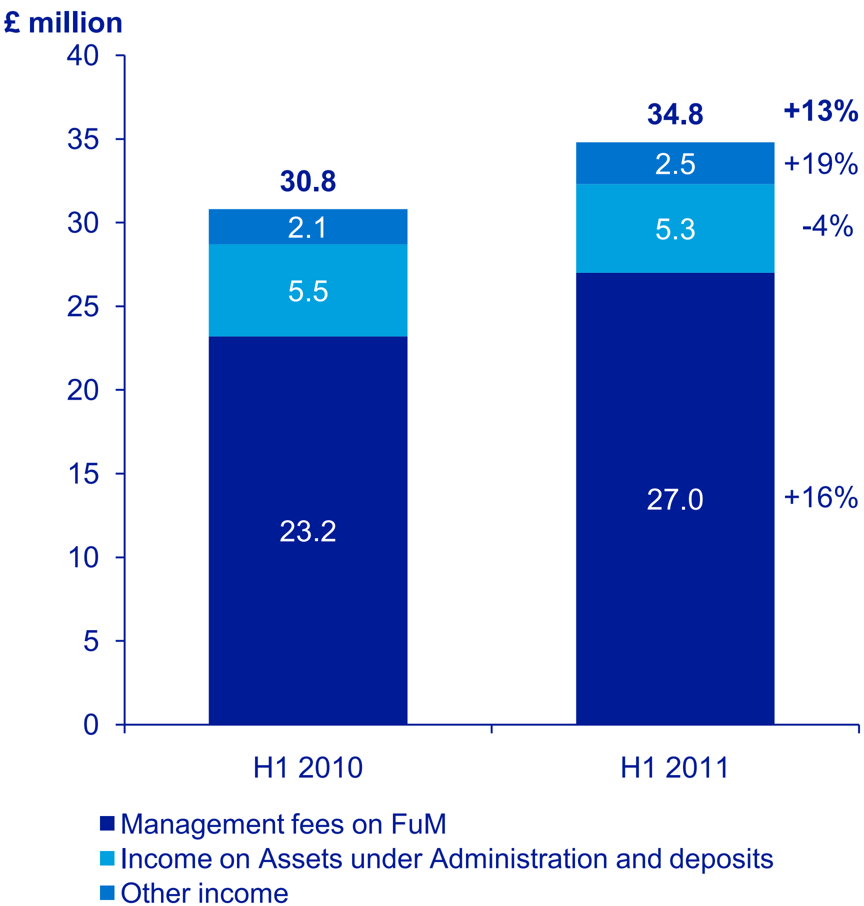
£ million	First half 2011 to 31 January	First half 2010 to 31 January	% change	Full year 2010 to 31 July
Adjusted operating income	**34.8**	**30.8**	**13%**	**71.2**
Adjusted operating expenses	(38.8)	(28.6)	36%	(68.6)
Adjusted operating (loss)/profit	**(4.0)**	**2.2**	**(282)%**	**2.6**
Closing FuM	**8,317**	**6,832**	**22%**	**6,954**
Of which:				
Private Clients[2]	4,545	3,238	40%	3,397
Institutional[3]	3,772	3,594	5%	3,557
Key Financial Ratios				
Operating margin	(11)%	7%		4%
Expense/income ratio	111%	93%		96%
Compensation ratio	64%	59%		56%
Return on opening equity	(5)%	3%		2%

Notes:
1 Figures for H1 2011 and H1 2010 exclude the trading result for the UK offshore business, the sale of which was announced on 10 March 2011
2 H1 2011 excludes £457 million (H1 2010: £457 million) Funds under Management related to the UK Offshore business which is classified as a discontinued operation under IFRS 5
3 FuM at 31 January 2011 include £554 million of Property funds, the sale of which was announced in October 2010 and completed post the period end
All KFRs exclude associate income, exceptional items, impairment losses on goodwill and amortisation of intangible assets on acquisition and are in respect of continuing operations

Asset Management

Income analysis (continuing operations)

Adjusted operating income by type



Key figures

	First half 2011	First half 2010	% change	Full year 2010
Average FuM (£ million)	7,636	6,623	15%	6,684
Revenue margin[1]	71 bps	70 bps		72 bps

- **16%** increase in management fees on FuM, reflecting:
  - **15%** higher **average FuM** at £7.6 billion
  - **Broadly stable** revenue margin
- Management fees on FuM **78% of total** income
- **Income on AuA and deposits** principally relates to the Cayman Islands business

Note:
1 Management fees on FuM / average FuM

Asset Management

Asset gathering gaining momentum

Funds under Management

£ million	Private Clients	Institutional	Total
1 August 2010[1]	**3,397**	**3,557**	**6,954**
New funds raised	300	203	503
Redemptions, realisations and withdrawals	(128)	(248)	(376)
Net new funds	**172**	**(45)**	**127**
Acquisitions	705	-	705
Market movement	271	260	531
31 January 2011[2]	**4,545**	**3,772**	**8,317**
% change	34%	6%	20%
Net new funds % of opening FuM	**5%**	**(1)%**	**2%**
Market movement % of opening FuM	**8%**	**7%**	**8%**
FTSE 100			**12%**

- **20% increase** in FuM due to:
  - **Positive net new funds** of £127 million
  - Positive **market movements**
  - **Chartwell** acquisition (£705 million)
- **Progress since period end**
  - Acquisition of execution only retail broker **Allenbridge** with around £440 million of client assets
  - Completion of sale **of property funds** business (£554 million FuM)
- **Private Clients** represent **55%** of total Funds under Management

Notes:
1 Excludes £474 million of UK offshore Funds under Management previously reported in Private Clients
2 Excludes £457 million of UK offshore Funds under Management and includes £554 million of property FuM. The sale of the Property funds business was announced in October 2010 and completed post the period end

Outlook

2011 financial year

- The group remains **strongly capitalised** and **well positioned** to support **future growth** opportunities
- In **Banking** we expect **a good performance** in the second half of the year with a modest **improvement in bad debts** for the year as a whole
- The **Securities** division remains **well positioned in its markets** and since the half year end trading activity has been **resilient**
- The **Asset Management** division **continues to invest** in implementing its strategy and as a result expects a further **small loss** for the second half of the year
- Overall, the group is **confident** that it will deliver a **satisfactory performance** for the 2011 financial year

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Business Update

Strategic priorities

What we do

- We **lend** in our **Banking** division
- We **make markets** in our **Securities** division
- We **advise and manage money** in our Asset Management division

Strategic priorities

- Focus activities around **three core businesses**
  - **Capture growth** in the **Banking** division
  - **Maintain leadership** in **Securities**, principally through Winterflood
  - **Transform Asset Management**

Business Update

Banking

Strategic priorities and implementation

- **Focus on growth** opportunities and **maintaining distinctive business model**
  - Expand **geographic footprint** in the UK
    - Currently **12 motor finance branches**, **Property** opened in **Scotland**
  - Investing in **resources** and **infrastructure**
    - Increasing **origination capacity**
    - **Increased headcount 13%**, **180 people**, over the year
  - **Extend existing business model** and retain **disciplined approach** to lending
    - **Short term**, **low average loan size**, **high quality security**, **conservative LTVs**, **strong margins**
    - Loan book **proportions unchanged** from July 2008
- Delivered **16% increase** in **customer numbers** to 1.7 million
  - Combination of **new** and **repeat business**

Close Brothers

Business Update

Securities

Strategic priorities and implementation

- **Winterflood** – Retained position as the **leading market-maker** for UK retail brokers
  - **Largest player** across each of the main UK indices from AIM to FTSE 100
  - **Good performance** in first half underscores leadership
  - **Consistent trading performance** with no loss days

- Continues to **explore opportunities** to **increase flow**

- **Seydler** – Well positioned for improvements in capital markets

- **Mako** – Maintain strong position for when market recovers
  - Pelagus fund performing well – $1 billion at 1 March 2011

Business Update

Asset Management

Strategic priorities and implementation

- **Transformation** of division to achieve **leadership in UK wealth and asset management**

- **Addressing non-core activities**
  - Disposal of Property funds business
  - Sale of UK offshore business

- **Building core** proposition
  - Developing **Private Client propositions**
  - **Attracting assets** and clients **directly**
  - Gather assets and clients **via acquisition**
  - Create **wealth management platform**

- Consolidate **multi-manager, multi-asset** investment management capabilities

Business Update

Conclusion

- **Banking** – continue to **focus on growth opportunities**
- **Securities – maintain leadership,** principally through Winterflood
- **Asset Management** – **transformation** to become a leader in UK wealth and asset management

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15 March 2011

Appendix

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Banking

Loan book and lending statistics by business

£ million	31 January 2011 £ million	31 July 2010 £ million	Change %
Retail	**1,348.2**	**1,201.9**	**12%**
Premium finance	611.3	553.6	10%
Motor finance	736.9	648.3	14%
Commercial	**1,250.4**	**1,162.9**	**8%**
Invoice finance	270.1	262.1	3%
Asset finance	980.3	900.8	9%
Property	**571.0**	**547.8**	**4%**
Closing loan book	**3,169.6**	**2,912.6**	9%

Lending statistics	Typical LTV %[1]	Average loan size[2]	Typical loan maturity[3]
Premium finance	90%	£0.6k	10 mths
Motor finance	75-80%	£4.7k	2-3 yrs
Invoice finance	80%	£229.5k	2-3 mths
Asset finance	80%	£29.2k	3 yrs
Property finance	50-60%	£760.3k	12-18 mths

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
2 At 31 January 2011
3 Typical loan maturity for new business on a behavioural basis

Funding maturity profile

Enhanced funding maturity

£ million	Total	<3 months	3-12 months	1-2 years	2-5 years	>5 years
Loans and overdrafts from banks[1]	509	-	225	-	284	-
Non-recourse borrowings	350	-	-	350	-	-
Debt securities in issue	219	-	-	-	21	198
Subordinated loan capital	75	-	-	-	-	75
Loans against FRN portfolio	304	30	167	41	66	-
Drawn facilities	**1, 457**	**30**	**392**	**391**	**371**	**273**
Undrawn facilities	166	75	20	20	51	-
Deposits by customers[2]	2,656	1,448	816	346	43	3
Equity	739	-	-	-	-	739
Total available funding – 31 January 2011	**5,018**	**1,553**	**1,228**	**757**	**465**	**1,015**
Total available funding – 31 July 2010	**5,554**	**2,029**	**1,968**	**431**	**97**	**1,029**
Movement	**(536)**	**(476)**	**(740)**	**326**	**368**	**(14)**

Notes:
1 Drawn facilities exclude £13.9 million (31 July 2010: £13.7 million) of non-facility overdrafts included in borrowings in the group's financial statements
2 Deposits by customers at 31 January 2011 exclude £549.3 million (31 July 2010: nil) of deposits relating to the UK offshore business classified as held for sale and excludes £1.3 million (31 July 2010: £1.2 million) of deposits < 12 months held within the Securities division

Discontinued operations – UK offshore

Sale announced 10 March 2011, cash consideration £29 million[1]

£ million	First half 2011 to 31 January	First half 2010 to 31 January	% change	Full year 2010 to 31 July
Operating income	14.1	12.7	11%	25.8
Operating expense	(14.2)	(12.2)	16%	(25.1)
Operating (loss)/profit	**(0.1)**	**0.5**	**(80)%**	**0.7**
Tax	(0.1)	(0.1)	-	-
(Loss)/profit after tax before exceptional items	**(0.2)**	**0.4**	**(150)%**	**0.7**
Loss on re-measurement to fair value less costs to sell	(13.5)	-	-	-
Impairment of goodwill	(11.2)	-	-	(6.2)
Loss from discontinued operations	**(24.9)**	**0.4**		**(5.5)**
Total assets classified as held for sale	**190.3**	-	-	-
Total liabilities classified as held for sale	**562.4**	-	-	-
Basic EPS from continuing and discontinued operations	**10.1p**	**32.2p**	**(69)%**	**46.0p**

Note:
1 Subject to adjustment by reference to the net asset position of the business at the time of completion