Close Brothers

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Press Release

Close Brothers Group plc announces
Half year results for the six months to 31 January 2015

10 March 2015

Good performance continues

- The group continued to deliver a good performance with adjusted operating profit up 16% to £108.6 million and adjusted basic earnings per share up 19% to 58.2p
- Continued strong performance in the Banking division with adjusted operating profit 19% higher at £106.4 million, reflecting 3.2% loan book growth year to date to £5.5 billion and an improved bad debt ratio of 0.7%
- Winterflood was affected by difficult market conditions throughout the period and adjusted operating profit reduced 23% to £10.3 million, including £3.4 million net profit related to an investment gain
- Continued steady progress in Asset Management with adjusted operating profit of £5.1 million and Assets under Management up 5% to £10.2 billion
- Interim dividend per share increased 9% to 18.0p
- Strong return on opening equity[1] of 19% and common equity tier 1 capital ratio improved to 13.6%

Financial Highlights (continuing operations)[2] for the six months ended 31 January	**2015**	2014
Adjusted operating profit[3]	**£108.6m**	£94.0m
Adjusted basic earnings per share[4]	**58.2p**	49.0p
Operating profit before tax	**£106.2m**	£91.6m
Basic earnings per share	**56.9p**	47.7p
Profit attributable to shareholders	**£84.1m**	£70.3m
Ordinary dividend per share	**18.0p**	16.5p

1 Return on opening equity ("RoE") calculated as adjusted operating profit after tax and non-controlling interests on opening equity, excluding non-controlling interests.
2 The disposal of Seydler was completed on 5 January 2015. The profit on disposal of £9.9 million and profit after tax of £1.3 million have been classified as a discontinued operation and the prior period results have been restated.
3 Adjusted operating profit is before amortisation of intangible assets on acquisition.
4 Adjusted basic earnings per share is before amortisation of intangible assets on acquisition and the tax effect of such adjustment.

Note: All figures in this report relate to the six month period to 31 January unless otherwise indicated.

Preben Prebensen, Chief Executive, commenting on the results said:

"We achieved another good result in the first half, building on our long track record of performance. We continued to achieve strong returns in the Banking division and Asset Management has made steady progress, although performance in Securities was affected by difficult trading conditions.

Looking forward, we remain committed to our strategic priorities and remain confident in the outlook for the current financial year."

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A presentation to analysts and investors will be held today at 9.30 am GMT at our offices at 10 Crown Place, London EC2A 4FT. A listen-only dial-in facility will be available by dialling +44 203 059 8125. A recording of this call will be available for replay for two weeks by dialling +44 121 260 4861, access code 0271039#.

About Close Brothers:

Close Brothers is a leading UK merchant banking group providing lending, deposit taking, wealth management services and securities trading.

Our Banking division provides lending to small businesses and individuals, with an emphasis on specialist finance. We also offer deposit taking services to UK businesses and individuals.

In Securities, we provide trading services in the UK through Winterflood, a leading market-maker.

Close Brothers Asset Management provides a range of financial advice, investment management and online investing services, helping clients to secure their financial future.

Established in 1878, we believe our traditional merchant banking values, based on service and integrity, continue to be relevant today. We define our approach to business as "Modern Merchant Banking" – values that are embedded in our culture and that underpin everything we do.

Today, Close Brothers Group plc employs 2,800 people, principally in the UK. We are listed on the London Stock Exchange and are a member of the FTSE 250.

Chairman's and Chief Executive's Statement

We are pleased to report a good result in the first half, as adjusted operating profit increased 16% year on year to £108.6 million, driven by continued strong performance from the Banking division. This once again demonstrates that our business model continues to deliver good financial performance in a variety of market conditions.

The Banking division achieved strong profit growth, benefiting from the high quality loan book growth achieved in recent years and lower impairments. Although Winterflood has experienced difficult market conditions, it has continued to trade profitably and maintained its market leading position. Asset Management is benefiting from the development of our attractive client led service proposition in recent years, achieving good growth in Assets under Management ("AuM") and improved profitability year on year.

In an evolving and often challenging market environment, we remain fully committed to our strategy of building leading positions in niche markets, through strong customer relationships and maintaining a prudent financial position. This allows us to support our customers and deliver strong shareholder returns in all market conditions. Our business model is underpinned by our core values of expertise, service and relationships, which drive our commitment to supporting small businesses and individuals in meeting their financial needs.

Good results support strong financial position

Overall, adjusted operating profit increased 16% to £108.6 million (2014: £94.0 million), and adjusted earnings per share increased 19% to 58.2p (2014: 49.0p). As a result, we have again delivered a strong return on opening equity of 19% (2014: 17%).

In the first half, our capital position improved further, with a common equity tier 1 ratio of 13.6% (31 July 2014: 13.1%), and a leverage ratio of 9.9% (31 July 2014: 9.2%). As the market and regulatory environment continue to evolve, we will continue to maintain a prudent level of capital to ensure we can meet current and future requirements, while giving us the flexibility to pursue growth opportunities.

We will also maintain our strong funding and liquidity position, and have further diversified our sources of funding in the period through participation in the government's Funding for Lending Scheme.

The Board has declared an interim dividend of 18.0p (2014: 16.5p), a 9% increase reflecting our strong financial performance and our commitment to delivering sustainable, progressive dividend growth to our shareholders.

In the period we completed the sale of Seydler, our German securities business. As a result, statutory basic earnings per share from continuing and discontinued operations, which includes a £9.9 million profit on disposal, increased to 64.5p (2014: 49.2p).

Proven business model in evolving market conditions

The market and regulatory environment is constantly evolving, but our proven business model, prudent approach and strong financial position leave us well placed to adapt and make the most of prevailing market conditions.

In Banking, we continued to deliver a strong performance, benefiting from our specialist market positions, local presence, strong client relationships, and prudent underwriting criteria. Adjusted operating profit increased by 19% to £106.4 million (2014: £89.6 million) in the first half, reflecting 12.5% loan book growth year on year to £5.5 billion (31 July 2014: £5.3 billion), a strong and stable net interest margin of 8.8% and lower impairments. We continue to see opportunities for growth across the business, and our priority remains to maintain our loan book quality through prudent and consistent underwriting to ensure that we continue to price risk appropriately through the cycle.

As we continue to see the supply of credit increase in our market, we will remain focused on our core attributes which differentiate us and underpin our long track record of profitable growth through the cycle. We have a strong distribution network, with over 500 direct sales people and a network of specialist intermediaries, motor dealers and insurance brokers. Our people are experts in their specific fields, and have local underwriting responsibility allowing us to make fast decisions. We build deep and lasting client relationships, with repeat business levels of up to 90% across our businesses. Our lending is short term, predominantly secured, with small loan sizes diversified across industry sectors.

Winterflood has experienced difficult market conditions, characterised by both low retail investor risk appetite throughout the period, and episodes of increased volatility. Overall, adjusted operating profit reduced 23% to £10.3 million (2014: £13.4 million), which includes £3.4 million in respect of an investment gain. Winterflood continues to benefit from our unique business model which allows us to provide liquidity and trade profitably, maintaining our market position even in challenging market conditions. Our model is characterised by its focus on market-making, the skill and experience of our traders, tight risk management standards and proprietary technology, and allows us to maintain capacity even during periods of reduced market activity.

In Asset Management we are well positioned to benefit from ongoing changes in the market and regulatory environment. We have developed high quality client propositions, which offer integrated financial planning advice and investment management, supported by our platform technology. Our strategy of operating a number of distribution channels including our own financial advisers and fund managers, as well as third party IFAs, is working well. We achieved good growth in the first half with gross inflows of over £700 million, and continued strong demand for our discretionary funds which now have total AuM close to £3 billion. Profitability continued to improve reflecting the leverage in our scalable model, with adjusted operating profit rising to £5.1 million (2014: £3.2 million).

Strengthening our people, technology and infrastructure

We are always seeking ways to enhance our client offering and improve our processes. Our strong financial position and good levels of profitability mean that we have the financial resources to make the necessary investment in people, systems and operational capabilities. At the same time we are small enough to implement changes effectively across our businesses.

The knowledge and experience of our people and our shared values of integrity, prudence and commitment to service underpin the strength of our long-term client relationships. Today we employ 2,800 people throughout the UK and continue to focus on attracting, retaining and developing talent in each of our specialist fields.

Building on the success of our existing recruitment programmes for school leavers and graduates, we are introducing a new sales training programme for recruits in our asset finance business. In Asset Management, we are continuing to invest in the training and development of our professional adviser force. We have recently reorganised our advisers into regional practices, and strengthened our client service teams in order to maximise adviser productivity and enhance client experience.

Ongoing regulatory reform remains a significant challenge, but our strong client focus, straightforward products and prudent approach leave us well placed to respond. However, monitoring and implementing regulatory change is resource intensive and we are investing in people, systems and processes to ensure that we continue to meet increasing regulatory reporting requirements and operate in the best interests of our clients.

We also continue to invest considerable resource in strengthening our IT infrastructure to ensure it remains robust, secure and efficient. Our service proposition is built on personal relationships, service and expertise, but we continually evaluate and implement new technology to improve our client offering and support our processes.

Outlook

We remain well positioned to deliver good results in a range of market conditions.

We see continued opportunities for growth in the Banking division, and our priority remains to maintain our prudent risk profile and strong returns.

Winterflood remains sensitive to the current environment, but is well positioned as conditions improve.

In Asset Management we continue to expect steady growth in AuM and increasing profitability.

Overall, we remain confident in the outlook for the current financial year.

BUSINESS REVIEW

Close Brothers has delivered a good result for the first half of the 2015 financial year driven by continued strong performance in the Banking division and steady progress in Asset Management, partly offset by difficult market conditions in Securities. Overall, adjusted operating profit increased 16% to £108.6 million (2014: £94.0 million) and the group's operating margin improved to 33% (2014: 31%). We continued to deliver a strong return on opening equity of 19% (2014: 17%).

Group Income Statement

	First half 2015 £ million	First half 2014 £ million	Change %
Continuing operations[1]			
Operating income	**330.4**	306.8	8
Adjusted operating expenses	**(202.5)**	(190.1)	7
Impairment losses on loans and advances	**(19.3)**	(22.7)	(15)
Adjusted operating profit	**108.6**	94.0	16
Amortisation of intangible assets on acquisition	**(2.4)**	(2.4)	-
Operating profit before tax	**106.2**	91.6	16
Tax	**(22.2)**	(21.1)	5
Non-controlling interests	**0.1**	(0.2)	
Profit attributable to shareholders: continuing operations	**84.1**	70.3	20
Profit from discontinued operations, net of tax	**11.2**	2.1	
Profit attributable to shareholders: continuing and discontinued operations	**95.3**	72.4	32
Adjusted basic earnings per share: continuing operations	**58.2p**	49.0p	19
Basic earnings per share: continuing operations	**56.9p**	47.7p	19
Basic earnings per share: continuing and discontinued operations	**64.5p**	49.2p	31
Ordinary dividend per share	**18.0p**	16.5p	9

1 Results from continuing operations exclude Seydler, the sale of which was completed on 5 January 2015 and which has been classified as a discontinued operation under IFRS 5.

Note: Adjusted operating expenses, operating profit and earnings per share exclude the effect of amortisation of intangible assets on acquisition, and the tax effect of such adjustment. There were no exceptional items in the period.

Consistent profit growth

Total operating income grew 8% to £330.4 million (2014: £306.8 million) in the first half of the financial year. This was driven by income growth across all businesses in the Banking division and continued growth in Asset Management's private client asset base, offsetting weaker trading conditions in Securities.

While we have maintained a disciplined approach to costs, we nonetheless remain committed to investing as required to support continued growth in our businesses. Total operating expenses increased 7% to £202.5 million (2014: £190.1 million), due to loan book growth and continued investment in our people and systems in the Banking division. The variable cost model in the Securities division meant that its expenses decreased with income, while Asset Management costs increased modestly. As a result the group's expense/income ratio improved slightly to 61% (2014: 62%) and the compensation ratio (total staff costs on operating income) also improved slightly to 37% (2014: 38%).

Impairment losses on loans and advances ("bad debts") reduced to £19.3 million (2014: £22.7 million) reflecting our continued focus on credit quality and favourable economic conditions. As a result, the bad debt ratio improved to 0.7% (2014: 1.0%).

BUSINESS REVIEW

The group has achieved good profit growth in the period with adjusted operating profit up 16% to £108.6 million (2014: £94.0 million). The loan book has grown 3.2% in the first half of the year and 12.5% over the last 12 months which, together with the continued improvement in credit performance, led to adjusted operating profit growth in the Banking division of 19% to £106.4 million (2014: £89.6 million). Weaker equity market trading conditions resulted in a 23% decline in Securities' adjusted operating profit to £10.3 million (2014: £13.4 million). The Asset Management division continued to make progress, delivering adjusted operating profit of £5.1 million (2014: £3.2 million). Net group expenses, which include staff and property related costs of group functions, increased slightly to £13.2 million (2014: £12.2 million).

There were no exceptional items in the period but we have recorded a charge for amortisation of intangible assets on acquisition of £2.4 million (2014: £2.4 million). Including this, operating profit before tax increased 16% to £106.2 million (2014: £91.6 million).

The tax charge for the period was £22.2 million (2014: £21.1 million), which corresponds to an effective tax rate of 21% (2014: 23%), in line with the UK corporation tax rate of 21% (2014: 22%). Profit attributable to shareholders from continuing operations increased 20% to £84.1 million (2014: £70.3 million) and basic earnings per share increased 19% to 56.9p (2014: 47.7p). Excluding amortisation of intangible assets on acquisition, adjusted basic earnings per share increased 19% to 58.2p (2014: 49.0p).

The disposal of Seydler completed on 5 January 2015. The profit on disposal of £9.9 million and the profit after tax up to the date of disposal of £1.3 million (2014: £2.1 million) have been classified as a discontinued operation, and the prior period results have been restated.

Profit attributable to shareholders including discontinued operations increased 32% to £95.3 million (2014: £72.4 million) and basic earnings per share on the same basis increased 31% to 64.5p (2014: 49.2p).

Divisional Adjusted Operating Profit (continuing operations)

	First half 2015		First half 2014		Change
	£ million	**%**	£ million	%	%
Banking	**106.4**	**87**	89.6	84	19
Securities	**10.3**	**9**	13.4	13	(23)
Asset Management	**5.1**	**4**	3.2	3	59
Total divisions	**121.8**	**100**	106.2	100	15
Group	**(13.2)**		(12.2)		8
Adjusted operating profit	**108.6**		94.0		16

Simple and transparent balance sheet

The group has maintained its simple and transparent balance sheet. During the period, total assets were broadly stable at £7,639.7 million (31 July 2014: £7,700.4 million) as loan book growth was offset by lower liquid assets and settlement balances at the balance sheet date.

Loans and advances to customers increased by 3.2% to £5,461.0 million (31 July 2014: £5,289.7 million) and accounted for 71% (31 July 2014: 69%) of the group's total assets. The group continues to apply consistent lending principles, underpinned by strong credit discipline and prudent loan-to-value ratios, as it grows. The overall characteristics of the loan book remained unchanged, being small ticket, around 90% secured and short term with an average maturity of 14 months (31 July 2014: 14 months).

At the end of the last financial year we held surplus funding following the £300 million unsecured bond issued in June 2014. In the first half, these funds were deployed into the loan book and as a result, cash and loans and advances to banks reduced by 11% to £1,125.2 million (31 July 2014: £1,259.2 million).

Group Balance Sheet

	31 January 2015 £ million	31 July 2014 £ million
Assets		
Cash and loans and advances to banks	**1,125.2**	1,259.2
Settlement balances, long trading positions and loans to money brokers	**560.4**	634.8
Loans and advances to customers	**5,461.0**	5,289.7
Non-trading debt securities	**20.3**	45.6
Intangible assets	**141.6**	146.3
Other assets	**331.2**	324.8
Total assets	**7,639.7**	7,700.4
Liabilities		
Settlement balances, short trading positions and loans from money brokers	**493.8**	522.4
Deposits by banks	**65.3**	49.6
Deposits by customers	**4,257.4**	4,513.7
Borrowings	**1,687.4**	1,441.0
Other liabilities	**195.4**	256.1
Total liabilities	**6,699.3**	6,782.8
Equity	**940.4**	917.6
Total liabilities and equity	**7,639.7**	7,700.4

Settlement balances, long and short trading positions and loans to and from money brokers reflect the market-making activity in the Securities division at the balance sheet date. As a result of the disposal of Seydler and lower trading positions at the end of the period, these assets decreased to £560.4 million (31 July 2014: £634.8 million) and to £493.8 million (31 July 2014: £522.4 million) on the liability side, and the net balance decreased to £66.6 million (31 July 2014: £112.4 million).

Borrowings increased 17% to £1,687.4 million (31 July 2014: £1,441.0 million) at the period end reflecting new funds raised under the Funding for Lending Scheme. As a result, we did not replace all maturing retail deposits and therefore deposits by customers decreased by 6% to £4,257.4 million (31 July 2014: £4,513.7 million).

Total equity increased to £940.4 million (31 July 2014: £917.6 million) reflecting profit for the period of £95.2 million offset by the final dividend payment of £47.7 million and other reserve movements.

Prudent funding and liquidity

The Treasury function provides funding for the group's lending with a focus on diversity and maturity, ensuring that an appropriate level of liquidity is maintained to meet the group's requirements. To achieve this, we access a range of funding sources which include equity, secured and unsecured loan facilities, bonds and deposits. This gives flexibility in our funding choices and ensures we can optimise cost while maintaining a prudent maturity profile relative to the loan book.

In the first half we have further diversified our sources of funding through the Funding for Lending Scheme which offers an additional source of term funding at attractive rates. At 31 January 2015 we had drawn down £225 million of funding secured against a portion of the asset finance loan book for a period of four years.

Total funding remained broadly stable at £7,193.0 million (31 July 2014: £7,127.9 million) in the first half, as funds raised through the £300 million unsecured bond issue in June 2014 were sufficient to fund loan book growth in the period. This represents a prudent level of funding relative to the loan book at 132% (31 July 2014: 135%).

Overall, drawn and undrawn facilities increased £277.5 million to £1,468.7 million (31 July 2014: £1,191.2 million), partially offset by the reduction in deposits by customers to £4,257.4 million (31 July 2014: £4,513.7 million).

Group Funding

	31 January 2015 £ million	31 July 2014 £ million	Change £ million
Deposits by customers	**4,257.4**	4,513.7	(256.3)
Drawn and undrawn facilities[1]	**1,468.7**	1,191.2	277.5
Senior unsecured bonds	**526.5**	505.4	21.1
Equity	**940.4**	917.6	22.8
Total available funding	**7,193.0**	7,127.9	65.1

1 Includes £320.0 million (31 July 2014: £265.0 million) of undrawn facilities and excludes £12.2 million (31 July 2014: £9.4 million) of non-facility overdrafts included in borrowings.

The group has maintained a prudent maturity profile with a weighted average maturity of term funding at 30 months (31 July 2014: 30 months), more than double that of the loan book at 14 months (31 July 2014: 14 months). The level of term funding, greater than one year, increased slightly to £3,871.5 million (31 July 2014: £3,699.5 million) and now covers 71% (31 July 2014: 70%) of the total loan book.

Group Funding Maturity Profile

	Less than one year £ million	One to two years £ million	Greater than two years £ million	Total £ million
Deposits by customers	2,990.3	1,074.2	192.9	4,257.4
Drawn and undrawn facilities	302.8	280.4	885.5	1,468.7
Senior unsecured bonds	28.4	-	498.1	526.5
Equity	-	-	940.4	940.4
Total available funding at 31 January 2015	**3,321.5**	**1,354.6**	**2,516.9**	**7,193.0**
Total available funding at 31 July 2014	3,428.4	1,777.1	1,922.4	7,127.9

We manage liquidity prudently to ensure we meet all external requirements as well as our own rigorous stress testing scenarios. We also expect to comfortably exceed the minimum requirements of the Liquidity Coverage Ratio when it comes into force in October 2015.

Overall, we held £1,061.7 million (31 July 2014: £1,217.3 million) of liquid assets at the balance sheet date, substantially all in the form of deposits with the Bank of England.

Treasury Assets

	31 January 2015 £ million	31 July 2014 £ million	Change £ million
Gilts	**20.3**	45.6	(25.3)
Bank of England deposits	**1,041.4**	1,171.7	(130.3)
High quality liquid assets	**1,061.7**	1,217.3	(155.6)

Credit ratings

The credit ratings for Close Brothers Group plc ("CBG") and Close Brothers Limited ("CBL"), the group's regulated banking subsidiary, from Fitch Ratings ("Fitch") and Moody's Investors Services ("Moody's") were reviewed in the first half of the year. In November 2014, Fitch reaffirmed its ratings for CBG and CBL at A/F1, both with stable outlooks. Moody's ratings for CBG and CBL were reaffirmed in December 2014 at Baa1/P2 and A3/P2 respectively, with stable outlooks.

Maintaining a prudent capital position

Maintaining a prudent level of capital is a core part of our business model, and in recent years our strong capital position has given us the flexibility to grow our loan book against the backdrop of an increasingly demanding regulatory regime.

In the first half, our capital ratios under CRD IV improved, with a common equity tier 1 ("CET 1") ratio of 13.6% (31 July 2014: 13.1%) and leverage ratio of 9.9% (31 July 2014: 9.2%). We do not currently expect any further impact on our capital ratios from the full implementation of CRD IV, and accordingly our "fully loaded" CET 1 ratio at 31 January 2015 is also 13.6%.

The improvement in our CET 1 and leverage ratios reflects an increase in CET 1 capital to £756.2 million (31 July 2014: £710.8 million), due to strong profit in the period of £95.2 million. This was partly offset by a deduction of £46.3 million in respect of the foreseeable dividend, based on the average payout ratio for the previous three years in line with the European Banking Authority's technical standard on own funds.

At the same time, risk weighted assets increased modestly to £5,567.8 million (31 July 2014: £5,445.8 million), as the increase in credit and counterparty risk due to loan book growth was partly offset by a reduction in market risk due to the disposal of Seydler as well as lower trading balances at Winterflood. Our risk weighted assets continue to benefit from the provision of a discount to the risk weighting for lending to SMEs under CRD IV.

We are committed to maintaining a prudent level of capital, in order to ensure that we can adapt to any future changes in capital requirements while maintaining the flexibility to take advantage of future market opportunities. Our current capital position is strong and we remain comfortably ahead of all current regulatory requirements, but continue to closely monitor regulatory developments.

Group Capital Position

	31 January 2015 £ million	31 July 2014 £ million
Common equity tier 1 capital ratio	**13.6%**	13.1%
Total capital ratio	**14.6%**	14.3%
Leverage ratio[1]	**9.9%**	9.2%
Common equity tier 1 capital	**756.2**	710.8
Total regulatory capital	**812.0**	780.4
Risk weighted assets	**5,567.8**	5,445.8

1 The leverage ratio is calculated under the Basel Committee's 2014 methodology as required by the Prudential Regulation Authority. It is calculated as Tier 1 capital (£756.2 million) as a percentage of total balance sheet assets, adjusting for certain capital deductions, including intangible assets, and off balance sheet exposures (all of which total £7,668.5 million).

Banking

Key Financials

	First half 2015 £ million	First half 2014 £ million	Change %
Operating income	**244.8**	217.8	12
Net interest and fees on loan book[1]	**237.8**	208.6	14
Retail	**89.9**	81.1	11
Commercial	**101.2**	92.0	10
Property	**46.7**	35.5	32
Treasury and other non-lending income	**7.0**	9.2	(24)
Adjusted operating expenses	**(119.1)**	(105.5)	13
Impairment losses on loans and advances	**(19.3)**	(22.7)	(15)
Adjusted operating profit	**106.4**	89.6	19
Key Performance Indicators			
Net interest margin[2]	**8.8%**	8.8%	
Bad debt ratio[3]	**0.7%**	1.0%	
Expense/income ratio[4]	**49%**	48%	
Return on opening equity[5]	**28%**	25%	
Return on net loan book[6]	**4.0%**	3.8%	

1 Includes £189.8 million (2014: £161.9 million) net interest income and £48.0 million (2014: £46.7 million) other income. Other income includes net fees and commissions, operating lease income, and other miscellaneous income.
2 Net interest and fees on average net loans and advances to customers.
3 Impairment losses on average net loans and advances to customers.
4 Adjusted operating expenses on operating income.
5 Adjusted operating profit after tax and non-controlling interests on the division's opening equity, excluding non-controlling interests.
6 Adjusted operating profit after tax and non-controlling interests on average net loans and advances to customers.

Strong returns and sustainable growth

The Banking division's strategy remains to deliver strong returns and sustainable growth throughout the economic cycle, supported by our specialist market positions, local presence and strong client relationships. In recent years, the division has benefited from reduced credit supply and strong growth. At the same time, improving economic conditions have benefited the level of impairments, helping to drive increasingly strong returns.

As competition returns to some of our key markets, we remain focused on maintaining the high quality of the loan book, and ensuring that we continue to price risk appropriately. This will enable us to continue our long track record of delivering strong returns and sustainable growth through the cycle.

Distinctive business model drives good financial performance

The Banking division continued to deliver strong returns in the first half. Adjusted operating profit increased by 19% to £106.4 million (2014: £89.6 million) due to a 12% increase in adjusted operating income and lower impairment losses. As a result, the division's return on opening equity improved to 28% (2014: 25%) and the return on net loan book increased to 4.0% (2014: 3.8%).

Banking continued

Operating income increased 12% to £244.8 million (2014: £217.8 million) driven by increases across all our businesses with particularly strong growth in Property which increased 32% to £46.7 million (2014: £35.5 million). Despite seeing competition and pricing pressure increase in some markets, the net interest margin, which includes net interest income and other lending related income, remained strong at 8.8% (2014: 8.8%). Treasury and other income declined slightly to £7.0 million (2014: £9.2 million).

The bad debt ratio has improved steadily in recent years and reduced further in the first half to 0.7% (2014: 1.0%). The improvement in the period was driven by lower impairment charges across all businesses compared with the prior year period, and reflects our ongoing focus on credit quality and favourable economic conditions.

Adjusted operating expenses increased by 13% to £119.1 million (2014: £105.5 million) as we continue to invest in our service led business model. As a result the expense/income ratio has marginally increased to 49% (2014: 48%). Specifically, higher staff costs in the period reflect increased headcount as we invest in our operational and control functions to both support future loan book growth and ensure we operate effectively in our regulated environment. IT costs also increased to meet the continued need to invest in our systems and technology to enhance our customer proposition.

Continued loan book growth

We have a track record of growing consistently through the cycle and continue to deliver growth across the loan book despite increasing competition in some of our key markets. We continued to grow in asset finance despite the market remaining competitive, and in motor, where strong growth in the overall car market allowed us to deliver further growth in the loan book whilst maintaining our margins in the face of increased competition.

In the six months to 31 January 2015, the loan book increased 3.2% to £5.5 billion (31 July 2014: £5.3 billion), a 12.5% growth rate over the last 12 months. The key characteristics of the loan book remained consistent in the period, with an average duration of 14 months (31 July 2014: 14 months) and around 90% secured.

Loan Book Analysis

	31 January 2015 £ million	31 July 2014 £ million	Change %
Retail	**2,131.4**	2,092.8	1.8
Motor finance	**1,483.3**	1,458.9	1.7
Premium finance	**648.1**	633.9	2.2
Commercial	**2,096.5**	2,047.2	2.4
Asset finance	**1,720.6**	1,656.0	3.9
Invoice finance	**375.9**	391.2	(3.9)
Property	**1,233.1**	1,149.7	7.3
Closing loan book	**5,461.0**	5,289.7	3.2

Overall, the Retail loan book increased 1.8% to £2,131.4 million in the six months to 31 January 2015 (31 July 2014: £2,092.8 million). The motor finance loan book increased 1.7% to £1,483.3 million at 31 January 2015 (31 July 2014: £1,458.9 million) as underlying growth in car market volumes helped to offset the effect of increased price competition. The premium finance book increased 2.2% to £648.1 million (31 July 2014: £633.9 million) mainly due to strong demand for personal lines.

Banking continued

The Commercial loan book increased 2.4% to £2,096.5 million (31 July 2014: £2,047.2 million) driven by a 3.9% increase in asset finance to £1,720.6 million (31 July 2014: £1,656.0 million) due to good levels of new business across all sectors and the benefits of our growth initiatives in Ireland and energy finance. Invoice finance reduced by 3.9% to £375.9 million (31 July 2014: £391.2 million) reflecting a seasonal reduction in January.

In Property, we continue to benefit from our strong positioning in the residential development market. The first half of 2015 saw strong loan book growth of 7.3% to £1,233.1 million (31 July 2014: £1,149.7 million). We have maintained our strict and consistent lending criteria throughout this period of increased demand.

Well positioned for further growth at attractive margins

We remain confident in the outlook for the Banking division. Our business model is built upon strong customer relationships with high levels of repeat business, driven by our expertise in our chosen markets and our continued investment in both staff and technology. We remain focused on the quality of our lending and providing a sustainable demand led proposition to our customers. This will support strong returns over the long term and we continue to see growth opportunities for the division.

Securities

Key Financials (continuing operations)[1]

	First half 2015 £ million	First half 2014 £ million	Change %
Operating income[2]	**41.9**	48.3	(13)
Operating expenses	**(31.6)**	(34.9)	(9)
Adjusted operating profit[2]	**10.3**	13.4	(23)
Key Performance Indicators			
Income per bargain[2]	**£5.05**	£7.19	
Average bargains per day ('000)	**55**	52	
Operating margin[3]	**25%**	28%	
Return on opening equity[4]	**21%**	28%	

1 Results from continuing operations exclude Seydler, the sale of which was completed on 5 January 2015 and which has been classified as a discontinued operation under IFRS 5.
2 Operating income and adjusted operating profit include £6.7 million and £3.4 million respectively relating to the disposal of Euroclear shares. Income per bargain has been calculated excluding this impact.
3 Adjusted operating profit on operating income.
4 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 brought forward equity of Seydler due to its disposal in the period.

Difficult market conditions affect the first half

Winterflood has been affected by difficult market conditions since the start of the financial year, with economic and political uncertainty suppressing retail investor risk appetite.

In this challenging environment, Winterflood has maintained its leading market position, continued to provide liquidity to the markets and remained profitable with £10.3 million adjusted operating profit (2014: £13.4 million). This includes a £3.4 million net profit related to the partial disposal of Winterflood's long standing shareholding in Euroclear. The return on opening equity for the period was 21% (2014: 28%) and the operating margin was 25% (2014: 28%), both decreased due to the lower profitability compared with last year.

Trading results affected by volatile markets

Winterflood's operating income for the period was £41.9 million (2014: £48.3 million), as trading income declined reflecting lower investor risk appetite and volatile trading conditions, against the backdrop of the Scottish independence referendum, broader economic conditions and the upcoming general election.

Total bargains increased slightly to 7.0 million (2014: 6.7 million) and average daily bargains have increased to 55,000 (2014: 52,000), as growth in international trading more than offset a reduction in UK volumes.

However, income per bargain has declined significantly year on year to £5.05 (2014: £7.19) due to the difficult trading conditions. Winterflood had ten loss days in the first half (2014: one day) reflecting the volatile market conditions, especially in October 2014 which saw a sharp reduction in indices across UK markets. Increased international trading has also contributed to the decline in income per bargain, due to the high volumes and low margins in this business.

Securities continued

Operating expenses reduced to £31.6 million (2014: £34.9 million), a 9% reduction year on year as a result of lower variable costs. Variable compensation reduced as expected, although settlement fees have increased slightly due to the growth in volumes. This corresponds to a slight increase in the expense/income ratio to 75% (2014: 72%), while the compensation ratio remained stable at 48% (2014: 48%).

Total adjusted operating profit was £10.3 million (2014: £13.4 million), including the £3.4 million net benefit from the disposal of Euroclear shares.

Remains well positioned

During this period of market uncertainty, Winterflood has again demonstrated our ability to maintain a leading market position, and provide continuous liquidity whilst remaining solidly profitable. Although Winterflood remains sensitive to current market conditions, we are well positioned to benefit as conditions improve.

Seydler disposal completed

The disposal of Seydler to Oddo and Cie completed on 5 January 2015 for a gross cash consideration of €47.3 million (£36.9 million). The profit on disposal of £9.9 million and the profit after tax, £1.3 million, have been classified as a discontinued operation and the prior period results have been restated. As a result, going forward the operations of the Securities division will relate exclusively to Winterflood.

Asset Management

Key Financials

	First half 2015 £ million	First half 2014 £ million	Change %
Operating income	**43.3**	40.5	7
Income on AuM	**42.9**	40.0	7
Advice and other services[1]	**17.2**	17.6	(2)
Investment management	**25.7**	22.4	15
Other income[2]	**0.4**	0.5	(20)
Adjusted operating expenses	**(38.2)**	(37.3)	2
Adjusted operating profit	**5.1**	3.2	59
Key Performance Indicators			
Net inflows (£ million)	**121**	190	
Revenue margin (basis points)[3]	**86**	87	
Operating margin	**12%**	8%	
Return on opening equity[4]	**23%**	16%	

1 Income from financial advice and self directed services, excluding investment management income.
2 Interest income and expense, income on investment assets and other income.
3 Income from advice and other services and investment management over average AuM.
4 Adjusted operating profit after tax and non-controlling interests on opening equity, less non-controlling interests.

Steady progress

The Asset Management division has continued to achieve steady growth, with a 5% increase in Assets under Management ("AuM") to £10.2 billion and improved profitability in the first half. We have continued to see good demand for our client focused advice and investment management services, with good inflows into our investment management solutions, both on a standalone basis and as part of our integrated wealth management proposition.

Adjusted operating income increased 7% to £43.3 million (2014: £40.5 million), reflecting growth in our investment management revenues. Operating expenses increased slightly to £38.2 million (2014: £37.3 million), reflecting the operating leverage in the business with a broadly stable fixed cost base. This resulted in an improvement in both the expense/income ratio to 88% (2014: 92%) and the compensation ratio to 57% (2014: 60%).

Overall, the division delivered adjusted operating profit of £5.1 million (2014: £3.2 million), corresponding to an improved operating margin of 12% (2014: 8%) and a return on opening equity of 23% (2014: 16%).

Increasing proportion of managed AuM

AuM increased 5% over the six month period to £10.2 billion (31 July 2014: £9.7 billion), benefiting from both positive market movements and net inflows.

We achieved strong growth into our core investment management products, with good inflows from both our advisers and bespoke fund managers and from third party IFAs. Overall, gross inflows increased on the prior year to £711 million (2014: £588 million), 7% (2014: 6%) of opening AuM.

Although net inflows remained solid across our core propositions, overall net inflows reduced to £121 million (2014: £190 million), or 1% (2014: 2%) of opening AuM, due to the loss of a large, legacy pension mandate in the first quarter. Market movements added £382 million, benefiting from rising equity markets in the period.

Asset Management continued

Movement in Assets under Management

	£ million
At 1 August 2014	9,705
Inflows	711
Outflows	(590)
Net inflows	121
Market movement	382
At 31 January 2015	**10,208**
Change	5%

Our strategy remains to grow revenue and profits both by expanding our overall asset base, and by increasing the use of our investment management products as appropriate across our advised client base. In the period, managed AuM increased 8% to £7.5 billion (31 July 2014: £6.9 billion) and now accounts for 73% (31 July 2014: 71%) of our total AuM.

We continue to see good demand for our professional, integrated advice and investment management proposition and as a result, assets both managed and advised increased 8% to £2.5 billion (31 July 2014: £2.4 billion), and now account for 48% (31 July 2014: 46%) of our advised asset base.

Overall, the revenue margin has remained broadly stable in the period at 86 basis points (2014: 87 basis points).

Well positioned for further growth

In an evolving and highly regulated market environment, we believe that our business is well positioned for future growth. We have a strong client offering covering a full range of financial planning advice and investment management services, distributed through our own advisers and high net worth investment managers and as an outsourced investment management offering to third party IFAs.

We are continuing to develop our adviser force through training and development programmes, and improving internal processes to increase efficiency and accelerate the growth of both new advised business and, where appropriate, migration of existing advised assets into our range of investment management propositions. We will also continue to look at opportunities to support our organic growth potential with infill acquisitions and selective hiring of advisers and investment managers.

As we further develop our distribution capabilities, we are confident that we will continue to deliver growth in assets and revenues, and increase profitability over time.

PRINCIPAL RISKS AND UNCERTAINTIES

In delivering the group's strategy we face a number of risks. These risks are managed by:

- Adhering to our prudent and established business model;
- Following an integrated risk management approach; and
- Maintaining clearly defined risk appetites with clear limits and metrics.

A detailed description of the principal risks and uncertainties the group faces and its approach to managing and mitigating those risks is set out on pages 30 to 33 of the Annual Report 2014 which can be accessed via the link on the Investor Relations home page of the group's website at www.closebrothers.com.

During the six months to 31 January 2015, there has been no significant change to our business model, risk management approach or risk appetite.

The principal risks and uncertainties for the remaining six months of the financial year are unchanged and summarised below. This is not a comprehensive list of all potential risks and uncertainties faced by the group but rather those risks which it currently believes may have a significant impact on its performance and future prospects.

Key risk and uncertainty	Description
Credit losses	The group has £5.5 billion of loans to a range of small businesses and individuals and remains exposed to credit losses if customers are unable to repay loans and any outstanding interest and fees. The group is also exposed to counterparties with which it places deposits or trades.
Economic environment	Despite the improved outlook, any deterioration in the economic environment could lead to a reduction in demand for the group's products and services and adversely impact our customers and counterparties.
Legal and regulatory environment	Changes in legal and regulatory requirements could adversely impact on the group's performance, capital and liquidity and the markets in which we operate. Failing to safeguard client assets or providing advice and products which are not in our customer's best interest has the potential to damage the group's reputation, impact performance and may lead to sanctions including litigation and customer redress.
Competition	As the UK economy improves we expect to see increased competition, particularly in the lending businesses which may impact the group's performance.
Technology	Maintaining robust and secure IT infrastructure is fundamental to allow the group to operate effectively, respond to new technology, protect client and company data and counter the evolving cyber threat.
Employees	The calibre and expertise of our employees is critical to the success of the group. The loss of key individuals or teams may have an adverse impact on the group's operations and ability to deliver its strategy.
Funding	Access to funding remains key to support our lending activities and to manage the liquidity requirements of the group.
Exposure to markets	Volatility or a sudden dislocation in financial markets may impact the group's profitability particularly in our trading operations. Changes in interest and exchange rates have the potential to impact the group's earnings although the majority of these exposures are hedged.

DIRECTORS' RESPONSIBILITY STATEMENT

We confirm that to the best of our knowledge:

- The condensed set of consolidated financial statements has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting";
- The Interim Report 2015 includes a fair review of the information required by Disclosure and Transparency Rule 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The Interim Report 2015 includes a fair review of the information required by Disclosure and Transparency Rule 4.2.8R (disclosure of related parties' transactions and changes therein).

On behalf of the board

P.S.S. Macpherson	**P. Prebensen**
Chairman	Chief Executive

10 March 2015

INDEPENDENT REVIEW REPORT

Independent Review Report to Close Brothers Group plc

We have been engaged by the company to review the condensed set of consolidated financial statements in the Interim Report 2015 for the six months ended 31 January 2015 which comprises the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Statement of Changes in Equity, the Consolidated Cash Flow Statement and related notes 1 to 16. We have read the other information contained in the Interim Report 2015 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of consolidated financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The Interim Report 2015 is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Report 2015 in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The condensed set of consolidated financial statements included in this Interim Report 2015 has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of consolidated financial statements in the Interim Report 2015 based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of consolidated financial statements in the Interim Report 2015 for the six months ended 31 January 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

10 March 2015

CONSOLIDATED INCOME STATEMENT
for the six months ended 31 January 2015

	Note	Six months ended 31 January **2015 Unaudited £ million**	Six months ended 31 January 2014 Unaudited £ million	Year ended 31 July 2014 Audited £ million
Interest income		**264.5**	241.5	491.2
Interest expense		**(67.1)**	(70.9)	(139.1)
Net interest income		**197.4**	170.6	352.1
Fee and commission income		**88.8**	86.8	177.9
Fee and commission expense		**(14.7)**	(14.1)	(27.4)
Gains less losses arising from dealing in securities		**30.6**	45.0	87.3
Other income		**28.3**	18.5	38.0
Non-interest income		**133.0**	136.2	275.8
Operating income	2	**330.4**	306.8	627.9
Administrative expenses		**(202.5)**	(190.1)	(390.1)
Impairment losses on loans and advances	7	**(19.3)**	(22.7)	(44.1)
Total operating expenses before amortisation of intangible assets on acquisition		**(221.8)**	(212.8)	(434.2)
Operating profit before amortisation of intangible assets on acquisition		**108.6**	94.0	193.7
Amortisation of intangible assets on acquisition		**(2.4)**	(2.4)	(4.9)
Operating profit before tax		**106.2**	91.6	188.8
Tax	3	**(22.2)**	(21.1)	(43.2)
Profit after tax for the period from continuing operations		**84.0**	70.5	145.6
Profit for the period from discontinued operations, net of tax		**11.2**	2.1	4.6
Profit after tax for the period		**95.2**	72.6	150.2
(Loss)/profit attributable to non-controlling interests from continuing operations		**(0.1)**	0.2	0.4
Profit attributable to shareholders		**95.3**	72.4	149.8
From continuing operations				
Basic earnings per share	5	**56.9p**	47.7p	98.4p
Diluted earnings per share	5	**56.2p**	47.1p	96.9p
From continuing and discontinued operations				
Basic earnings per share	5	**64.5p**	49.2p	101.5p
Diluted earnings per share	5	**63.7p**	48.5p	100.0p
Ordinary dividend per share for the period	6	**18.0p**	16.5p	32.5p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the six months ended 31 January 2015

	Six months ended 31 January		Year ended 31 July
	2015	2014	2014
	Unaudited	Unaudited	Audited
	£ million	£ million	£ million
Profit after tax for the period	**95.2**	72.6	150.2
Other comprehensive (expense)/income that may be reclassified to income statement from continuing operations			
Currency translation losses	**(1.7)**	(1.2)	(1.7)
(Losses)/gains on cash flow hedging	**(7.6)**	2.7	4.7
(Losses)/gains on equity shares classified as available for sale	**(0.5)**	1.4	0.4
Available for sale investment gains transferred to income statement on disposal	**(6.7)**	-	-
Tax relating to items that may be reclassified	**2.4**	(0.9)	(0.8)
	(14.1)	2.0	2.6
Other comprehensive (expense)/income that will not be reclassified to income statement from continuing operations			
Defined benefit pension scheme losses	**(4.7)**	(3.2)	(1.6)
Tax relating to items that will not be reclassified	**1.0**	0.6	0.3
	(3.7)	(2.6)	(1.3)
Comprehensive (expense)/income for the period, net of tax from continuing operations	**(17.8)**	(0.6)	1.3
Comprehensive expense for the period, net of tax from discontinued operations	**(1.2)**	(1.8)	(2.5)
Total comprehensive income for the period	**76.2**	70.2	149.0
Attributable to			
Non-controlling interests	**(0.1)**	0.2	0.4
Shareholders	**76.3**	70.0	148.6
	76.2	70.2	149.0

CONSOLIDATED BALANCE SHEET
at 31 January 2015

	Note	31 January 2015 Unaudited £ million	31 January 2014 Unaudited £ million	31 July 2014 Audited £ million
Assets				
Cash and balances at central banks		**1,041.4**	864.0	1,171.8
Settlement balances		**436.9**	606.3	465.8
Loans and advances to banks		**83.8**	94.6	87.4
Loans and advances to customers	7	**5,461.0**	4,855.5	5,289.7
Debt securities	8	**46.5**	119.1	94.2
Equity shares	9	**45.0**	79.4	76.1
Loans to money brokers against stock advanced		**64.1**	58.2	63.9
Derivative financial instruments		**49.5**	56.3	27.8
Intangible assets		**141.6**	142.8	146.3
Property, plant and equipment		**125.1**	105.8	117.0
Deferred tax assets		**36.8**	29.3	31.7
Prepayments, accrued income and other assets		**108.0**	124.9	128.7
Total assets		**7,639.7**	7,136.2	7,700.4
Liabilities				
Settlement balances and short positions	10	**457.6**	616.6	494.0
Deposits by banks	11	**65.3**	75.8	49.6
Deposits by customers	11	**4,257.4**	4,149.3	4,513.7
Loans and overdrafts from banks	11	**235.3**	12.4	9.4
Debt securities in issue	11	**1,374.8**	1,055.6	1,354.4
Loans from money brokers against stock advanced		**36.2**	66.7	28.4
Derivative financial instruments		**13.2**	44.4	19.5
Current tax liabilities		**17.9**	24.1	24.1
Accruals, deferred income and other liabilities		**164.3**	149.3	212.5
Subordinated loan capital		**77.3**	77.3	77.2
Total liabilities		**6,699.3**	6,271.5	6,782.8
Equity				
Called up share capital		**37.7**	37.7	37.7
Share premium account		**283.9**	283.8	283.8
Retained earnings		**632.2**	538.8	589.8
Other reserves		**(13.7)**	2.1	5.2
Total shareholders' equity		**940.1**	862.4	916.5
Non-controlling interests		**0.3**	2.3	1.1
Total equity		**940.4**	864.7	917.6
Total liabilities and equity		**7,639.7**	7,136.2	7,700.4

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the six months ended 31 January 2015

				Other reserves						
	Called up share capital £ million	Share premium account £ million	Retained earnings £ million	Available for sale movements reserve £ million	Share-based payments reserve £ million	Exchange movements reserve £ million	Cash flow hedging reserve £ million	Total attributable to equity holders £ million	Non-controlling interests £ million	Total equity £ million
At 1 August 2013 (audited)	37.7	283.7	511.9	9.1	(13.1)	5.2	(1.7)	832.8	3.7	836.5
Profit for the period	-	-	72.4	-	-	-	-	72.4	0.2	72.6
Other comprehensive (expense)/income for the period	-	-	(2.6)	1.1	-	(3.0)	2.1	(2.4)	-	(2.4)
Total comprehensive income/(expense) for the period	-	-	69.8	1.1	-	(3.0)	2.1	70.0	0.2	70.2
Exercise of options	-	0.1	-	-	-	-	-	0.1	-	0.1
Dividends paid	-	-	(42.9)	-	-	-	-	(42.9)	(0.1)	(43.0)
Shares purchased	-	-	-	-	(7.8)	-	-	(7.8)	-	(7.8)
Shares issued	-	-	-	-	-	-	-	-	-	-
Shares released	-	-	-	-	12.7	-	-	12.7	-	12.7
Other movements	-	-	(3.3)	-	(2.5)	-	-	(5.8)	(1.5)	(7.3)
Income tax	-	-	3.3	-	-	-	-	3.3	-	3.3
At 31 January 2014 (unaudited)	37.7	283.8	538.8	10.2	(10.7)	2.2	0.4	862.4	2.3	864.7
Profit for the period	-	-	77.4	-	-	-	-	77.4	0.2	77.6
Other comprehensive income/(expense) for the period	-	-	1.3	(0.6)	-	(1.2)	1.7	1.2	-	1.2
Total comprehensive income/(expense) for the period	-	-	78.7	(0.6)	-	(1.2)	1.7	78.6	0.2	78.8
Exercise of options	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	(24.2)	-	-	-	-	(24.2)	(0.1)	(24.3)
Shares purchased	-	-	-	-	-	-	-	-	-	-
Shares issued	-	-	-	-	-	-	-	-	-	-
Shares released	-	-	-	-	1.0	-	-	1.0	-	1.0
Other movements	-	-	(2.4)	-	2.2	-	-	(0.2)	(1.3)	(1.5)
Income tax	-	-	(1.1)	-	-	-	-	(1.1)	-	(1.1)
At 31 July 2014 (audited)	37.7	283.8	589.8	9.6	(7.5)	1.0	2.1	916.5	1.1	917.6
Profit/(loss)for the period	-	-	95.3	-	-	-	-	95.3	(0.1)	95.2
Other comprehensive (expense)/income for the period	-	-	(3.7)	(6.3)	-	(2.9)	(6.1)	(19.0)	-	(19.0)
Total comprehensive income/(expense) for the period	-	-	91.6	(6.3)	-	(2.9)	(6.1)	76.3	(0.1)	76.2
Exercise of options	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	(47.6)	-	-	-	-	(47.6)	(0.1)	(47.7)
Shares purchased	-	-	-	-	(18.0)	-	-	(18.0)	-	(18.0)
Shares issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Shares released	-	-	-	-	15.5	-	-	15.5	-	15.5
Other movements	-	-	(4.3)	-	(1.1)	-	-	(5.4)	(0.6)	(6.0)
Income tax	-	-	2.7	-	-	-	-	2.7	-	2.7
At 31 January 2015 (unaudited)	**37.7**	**283.9**	**632.2**	**3.3**	**(11.1)**	**(1.9)**	**(4.0)**	**940.1**	**0.3**	**940.4**

CONSOLIDATED CASH FLOW STATEMENT
for the six months ended 31 January 2015

	Note	Six months ended 31 January 2015 Unaudited £ million	Six months ended 31 January 2014 Unaudited £ million	Year ended 31 July 2014 Audited £ million
Net cash (outflow)/inflow from operating activities	15(a)	**(73.3)**	9.4	339.6
Net cash (outflow)/inflow from investing activities				
Purchase of:				
Property, plant and equipment		**(4.4)**	(2.4)	(5.9)
Intangible assets – software		**(7.5)**	(8.1)	(19.9)
Equity shares held for investment		**-**	(0.1)	(0.1)
Non-controlling interest	15(b)	**(0.2)**	(3.8)	(7.5)
Sale of:				
Property, plant and equipment		**0.1**	-	-
Equity shares held for investment		**4.9**	0.6	8.7
Subsidiary and associate	15(c)	**23.2**	2.7	-
		16.1	(11.1)	(24.7)
Net cash (outflow)/inflow before financing activities		**(57.2)**	(1.7)	314.9
Financing activities				
Issue of ordinary share capital, net of transaction costs	15(d)	**0.1**	0.1	0.1
Purchase of own shares for employee share award schemes		**(18.0)**	(7.8)	(7.8)
Equity dividends paid		**(47.6)**	(42.9)	(67.1)
Dividends paid to non-controlling interests		**(0.1)**	(0.1)	(0.2)
Interest paid on subordinated loan capital and debt financing		**(9.4)**	(9.3)	(18.6)
Net (decrease)/increase in cash		**(132.2)**	(61.7)	221.3
Cash and cash equivalents at beginning of period		**1,238.7**	1,017.4	1,017.4
Cash and cash equivalents at end of period	15(e)	**1,106.5**	955.7	1,238.7

THE NOTES

1. Basis of preparation and accounting policies

The interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and in accordance with the International Financial Reporting Standards ("IFRS") endorsed by the European Union. These include International Accounting Standard ("IAS") 34, Interim Financial Reporting, which specifically addresses the contents of condensed interim financial statements. The consolidated financial statements incorporate the individual financial statements of Close Brothers Group plc and the entities it controls, using the acquisition method of accounting. The accounting policies used are consistent with those set out on pages 91 to 96 of the Annual Report 2014 except for the adoption of the following standards, amendments and interpretations with effect from 1 August 2014:

- IFRS 10 "Consolidated financial statements"
- IFRS 11 "Joint arrangements"
- IFRS 12 "Disclosure of interests in other entities"
- IAS 27 "Separate financial statements"
- IAS 28 "Investments in associates and joint ventures"
- IAS 32 "Financial instruments: Presentation - Offsetting financial assets and financial liabilities"
- IFRS Annual Improvements 2010 to 2012 and 2011 to 2013
- IFRIC 21 "Levies"

The adoption of these standards, amendments and interpretations did not have a material impact on these financial statements.

After making enquiries, the directors have a reasonable expectation that the company and the group as a whole have adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

The preparation of the Interim Report requires management to make estimates and assumptions that affect the reported income and expense, assets and liabilities and disclosure of contingencies at the date of the Interim Report. Although these estimates and assumptions are based on the management's best judgement at that date, actual results may differ from these estimates. There have been no significant changes in the basis upon which estimates have been determined compared to that applied at 31 July 2014.

The Interim Report is unaudited and does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. However, the information has been reviewed by the company's auditor, Deloitte LLP, and their report appears on page 20.

The financial information for the year ended 31 July 2014 contained within this Interim Report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of those statutory accounts has been reported on by Deloitte LLP and delivered to the Registrar of Companies. The report of the auditor on those statutory accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

2. Segmental analysis

The directors manage the group primarily by class of business and present the segmental analysis on that basis. The group's activities are organised in three primary divisions: Banking, Securities and Asset Management.

Divisions charge market prices for services rendered to other parts of the group. Funding charges between segments are determined by the Banking division's Treasury operation taking into account commercial demands. More than 90% of all the group's activities, revenue and assets are located in the UK.

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Summary Income Statement for the six months ended 31 January 2015							
Net interest income/(expense)	**197.5**	**(0.4)**	**(0.1)**	**0.4**	**197.4**	**-**	**197.4**
Non-interest income	**47.3**	**42.3**	**43.4**	**-**	**133.0**	**11.3**	**144.3**
Operating income	**244.8**	**41.9**	**43.3**	**0.4**	**330.4**	**11.3**	**341.7**
Administrative expenses	**(103.1)**	**(31.2)**	**(37.5)**	**(13.2)**	**(185.0)**	**(9.4)**	**(194.4)**
Depreciation and amortisation	**(16.0)**	**(0.4)**	**(0.7)**	**(0.4)**	**(17.5)**	**-**	**(17.5)**
Impairment losses on loans and advances	**(19.3)**	**-**	**-**	**-**	**(19.3)**	**-**	**(19.3)**
Total operating expenses	**(138.4)**	**(31.6)**	**(38.2)**	**(13.6)**	**(221.8)**	**(9.4)**	**(231.2)**
Adjusted operating profit/(loss)[1]	**106.4**	**10.3**	**5.1**	**(13.2)**	**108.6**	**1.9**	**110.5**
Amortisation of intangible assets on acquisition	**(0.2)**	**-**	**(2.2)**	**-**	**(2.4)**	**-**	**(2.4)**
Profit on disposal of discontinued operations	**-**	**-**	**-**	**-**	**-**	**9.9**	**9.9**
Operating profit/(loss) before tax	**106.2**	**10.3**	**2.9**	**(13.2)**	**106.2**	**11.8**	**118.0**
Tax	**(21.9)**	**(2.1)**	**(0.6)**	**2.4**	**(22.2)**	**(0.6)**	**(22.8)**
Non-controlling interests	**-**	**-**	**0.1**	**-**	**0.1**	**-**	**0.1**
Profit/(loss) after tax and non-controlling interests	**84.3**	**8.2**	**2.4**	**(10.8)**	**84.1**	**11.2**	**95.3**

1 Adjusted operating profit/(loss) is stated before amortisation of intangible assets on acquisition, profit on disposal of discontinued operations and tax.

2. Segmental analysis continued

The following table provides further detail on operating income:

	Six months ended 31 January		Year ended 31 July
	2015	2014	2014
	£ million	£ million	£ million
Banking			
Retail	**89.9**	81.1	164.6
Commercial	**101.2**	92.0	187.3
Property	**46.7**	35.5	75.4
Treasury and other non-lending income	**7.0**	9.2	19.4
Securities			
Market-making and related activities	**41.9**	48.3	96.1
Asset Management			
Advice and other services	**17.2**	17.6	36.6
Investment management	**25.7**	22.4	47.2
Other income	**0.4**	0.5	0.6
Group	**0.4**	0.2	0.7
Operating income from continuing operations	**330.4**	306.8	627.9
Operating income from discontinued operations	**11.3**	15.2	31.3
Operating income	**341.7**	322.0	659.2

	Banking £ million	**Securities £ million**	**Asset Management £ million**	**Group £ million**	**Total £ million**
Summary Balance Sheet at 31 January 2015					
Assets					
Cash and loans and advances to banks	**1,093.3**	**18.7**	**12.9**	**0.3**	**1,125.2**
Settlement balances, long trading positions and loans to money brokers	**-**	**560.4**	**-**	**-**	**560.4**
Loans and advances to customers	**5,461.0**	**-**	**-**	**-**	**5,461.0**
Non-trading debt securities	**20.3**	**-**	**-**	**-**	**20.3**
Intangible assets	**63.3**	**24.6**	**53.6**	**0.1**	**141.6**
Other assets	**279.1**	**12.0**	**27.1**	**13.0**	**331.2**
Total assets	**6,917.0**	**615.7**	**93.6**	**13.4**	**7,639.7**
Liabilities					
Settlement balances, short trading positions and loans from money brokers	**-**	**493.8**	**-**	**-**	**493.8**
Deposits by banks	**65.3**	**-**	**-**	**-**	**65.3**
Deposits by customers	**4,257.4**	**-**	**-**	**-**	**4,257.4**
Borrowings	**1,475.4**	**6.5**	**-**	**205.5**	**1,687.4**
Other liabilities	**126.6**	**20.0**	**35.3**	**13.5**	**195.4**
Intercompany balances	**342.9**	**23.6**	**19.1**	**(385.6)**	**-**
Total liabilities	**6,267.6**	**543.9**	**54.4**	**(166.6)**	**6,699.3**
Equity	**649.4**	**71.8**	**39.2**	**180.0**	**940.4**
Total liabilities and equity	**6,917.0**	**615.7**	**93.6**	**13.4**	**7,639.7**

2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Summary Income Statement for the six months ended 31 January 2014							
Net interest income/(expense)	171.1	(0.5)	(0.2)	0.2	170.6	0.1	170.7
Non-interest income	46.7	48.8	40.7	-	136.2	15.1	151.3
Operating income	217.8	48.3	40.5	0.2	306.8	15.2	322.0
Administrative expenses	(93.4)	(34.3)	(36.6)	(12.0)	(176.3)	(11.7)	(188.0)
Depreciation and amortisation	(12.1)	(0.6)	(0.7)	(0.4)	(13.8)	(0.3)	(14.1)
Impairment losses on loans and advances	(22.7)	-	-	-	(22.7)	-	(22.7)
Total operating expenses	(128.2)	(34.9)	(37.3)	(12.4)	(212.8)	(12.0)	(224.8)
Adjusted operating profit/(loss)[1]	89.6	13.4	3.2	(12.2)	94.0	3.2	97.2
Amortisation of intangible assets on acquisition	(0.2)	-	(2.2)	-	(2.4)	-	(2.4)
Profit on disposal of discontinued operations	-	-	-	-	-	-	-
Operating profit/(loss) before tax	89.4	13.4	1.0	(12.2)	91.6	3.2	94.8
Tax	(20.2)	(3.1)	(0.2)	2.4	(21.1)	(1.1)	(22.2)
Non-controlling interests	(0.1)	-	-	(0.1)	(0.2)	-	(0.2)
Profit/(loss) after tax and non-controlling interests	69.1	10.3	0.8	(9.9)	70.3	2.1	72.4

1 Adjusted operating profit/(loss) is stated before amortisation of intangible assets on acquisition, profit on disposal of discontinued operations and tax.

2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Balance Sheet at 31 January 2014					
Assets					
Cash and loans and advances to banks	912.7	30.7	14.8	0.4	958.6
Settlement balances, long trading positions and loans to money brokers	-	775.6	-	-	775.6
Loans and advances to customers	4,855.5	-	-	-	4,855.5
Non-trading debt securities	61.2	-	-	-	61.2
Intangible assets	55.6	28.2	58.9	0.1	142.8
Other assets	270.3	19.4	27.8	25.0	342.5
Total assets	6,155.3	853.9	101.5	25.5	7,136.2
Liabilities					
Settlement balances, short trading positions and loans from money brokers	-	683.3	-	-	683.3
Deposits by banks	75.8	-	-	-	75.8
Deposits by customers	4,139.2	10.1	-	-	4,149.3
Borrowings	932.5	7.7	-	205.1	1,145.3
Other liabilities	140.1	29.0	39.1	9.6	217.8
Intercompany balances	328.7	27.8	29.9	(386.4)	-
Total liabilities	5,616.3	757.9	69.0	(171.7)	6,271.5
Equity	539.0	96.0	32.5	197.2	864.7
Total liabilities and equity	6,155.3	853.9	101.5	25.5	7,136.2

2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Continuing operations £ million	Discontinued operations £ million	Total £ million
Summary Income Statement for the year ended 31 July 2014							
Net interest income/(expense)	352.9	(1.2)	(0.3)	0.7	352.1	-	352.1
Non-interest income	93.8	97.3	84.7	-	275.8	31.3	307.1
Operating income	446.7	96.1	84.4	0.7	627.9	31.3	659.2
Administrative expenses	(194.7)	(68.6)	(73.1)	(24.4)	(360.8)	(23.9)	(384.7)
Depreciation and amortisation	(26.3)	(0.9)	(1.4)	(0.7)	(29.3)	(0.5)	(29.8)
Impairment losses on loans and advances	(44.1)	-	-	-	(44.1)	-	(44.1)
Total operating expenses	(265.1)	(69.5)	(74.5)	(25.1)	(434.2)	(24.4)	(458.6)
Adjusted operating profit/(loss)[1]	181.6	26.6	9.9	(24.4)	193.7	6.9	200.6
Amortisation of intangible assets on acquisition	(0.5)	-	(4.4)	-	(4.9)	-	(4.9)
Profit on disposal of discontinued operations	-	-	-	-	-	-	-
Operating profit/(loss) before tax	181.1	26.6	5.5	(24.4)	188.8	6.9	195.7
Tax	(42.0)	(5.5)	(0.9)	5.2	(43.2)	(2.3)	(45.5)
Non-controlling interests	(0.3)	-	-	(0.1)	(0.4)	-	(0.4)
Profit/(loss) after tax and non-controlling interests	138.8	21.1	4.6	(19.3)	145.2	4.6	149.8

1 Adjusted operating profit/(loss) is stated before amortisation of intangible assets on acquisition, profit on disposal of discontinued operations and tax.

2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Balance Sheet at 31 July 2014					
Assets					
Cash and loans and advances to banks	1,225.1	16.2	17.5	0.4	1,259.2
Settlement balances, long trading positions and loans to money brokers	-	634.8	-	-	634.8
Loans and advances to customers	5,289.7	-	-	-	5,289.7
Non-trading debt securities	45.6	-	-	-	45.6
Intangible assets	61.7	28.1	56.4	0.1	146.3
Other assets	251.6	19.6	34.0	19.6	324.8
Total assets	6,873.7	698.7	107.9	20.1	7,700.4
Liabilities					
Settlement balances, short trading positions and loans from money brokers	-	522.4	-	-	522.4
Deposits by banks	49.6	-	-	-	49.6
Deposits by customers	4,510.3	3.4	-	-	4,513.7
Borrowings	1,229.7	6.0	-	205.3	1,441.0
Other liabilities	145.5	40.8	52.7	17.1	256.1
Intercompany balances	330.6	27.1	18.8	(376.5)	-
Total liabilities	6,265.7	599.7	71.5	(154.1)	6,782.8
Equity	608.0	99.0	36.4	174.2	917.6
Total liabilities and equity	6,873.7	698.7	107.9	20.1	7,700.4

3. Tax expense

	Six months ended 31 January		Year ended 31 July
	2015	2014	2014
	£ million	£ million	£ million
Tax charged/(credited) to the income statement			
Current tax:			
UK corporation tax	**22.0**	23.6	48.8
Foreign tax	**2.0**	0.7	1.2
Adjustments in respect of previous periods	**-**	-	0.4
	24.0	24.3	50.4
Deferred tax:			
Deferred tax credit for the current period	**(1.8)**	(3.1)	(7.2)
Adjustments in respect of previous periods	**-**	(0.1)	-
	22.2	21.1	43.2
Tax on items not (credited)/charged to the income statement			
Current tax relating to:			
Share-based transactions tax allowance in excess of expense recognised	**(2.8)**	(2.7)	(3.0)
Deferred tax relating to:			
Cash flow hedging	**(1.5)**	0.6	0.9
Defined benefit pension scheme	**(1.0)**	(0.6)	(0.3)
Financial instruments classified as available for sale	**(0.9)**	0.3	(0.1)
Share-based transactions tax allowance in excess of expense recognised	**0.1**	(0.6)	0.8
	(6.1)	(3.0)	(1.7)

The effective tax rate for the period is 20.9% (six months ended 31 January 2014: 23.0%; year ended 31 July 2014: 22.9%), representing the best estimate of the annual effective tax rate expected for the full year, applied to the operating profit before tax for the six month period.

The effective tax rate is broadly in line with the UK corporation tax rate for the period of 20.7% (six months ended 31 January 2014: 22.3%; year ended 31 July 2014: 22.3%).

4. Discontinued operations

On 5 January 2015, the group completed the sale of Close Brothers Seydler Bank AG ("Seydler") to Oddo & Cie for a gross cash consideration of €47.3 million (£36.9 million) subject to finalisation of the closing accounts which is not expected to have a significant impact on the total consideration. The profit on disposal was £9.9 million.

Based in Frankfurt, Seydler provided equity and debt capital markets services, securities trading and research primarily in German small and mid-sized companies and was part of the Securities division.

The transaction fulfilled the requirements of IFRS 5 to be classified as "Discontinued operations" in the consolidated income statement, the results of which are set out below:

Results of discontinued operations

	Six months ended 31 January		Year ended 31 July
	2015[1]	2014	2014
	£ million	£ million	£ million
Operating income	**11.3**	15.2	31.3
Operating expenses	**(9.4)**	(12.0)	(24.4)
Operating profit before tax	**1.9**	3.2	6.9
Tax	**(0.6)**	(1.1)	(2.3)
Profit after tax	**1.3**	2.1	4.6
Profit on disposal of discontinued operations, net of tax	**9.9**	-	-
Profit for the period from discontinued operations	**11.2**	2.1	4.6

1 Profit after tax is up until the point of disposal.

Cash flow from discontinued operations

	Six months ended 31 January		Year ended 31 July
	2015[1]	2014	2014
	£ million	£ million	£ million
Net cash flow from operating activities	**6.6**	(0.7)	(9.5)
Net cash flow from investing activities	**(0.1)**	-	(0.2)
Net cash flow from financing activities	**-**	-	-

1 Up until the point of disposal.

5. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to shareholders and the number of basic weighted average shares. When calculating the diluted earnings per share, the weighted average number of shares in issue is adjusted for the effects of all dilutive share options and awards.

	Six months ended 31 January		Year ended 31 July
	2015	2014	2014
Earnings per share			
Continuing operations			
Basic	**56.9p**	47.7p	98.4p
Diluted	**56.2p**	47.1p	96.9p
Adjusted basic[1]	**58.2p**	49.0p	101.0p
Adjusted diluted[1]	**57.5p**	48.3p	99.5p
Continuing and discontinued operations			
Basic	**64.5p**	49.2p	101.5p
Diluted	**63.7p**	48.5p	100.0p
Discontinued operations			
Basic	**7.6p**	1.4p	3.1p
Diluted	**7.5p**	1.4p	3.1p

1 Excludes amortisation of intangible assets on acquisition, discontinued operations and their tax effects.

	Six months ended 31 January		Year ended 31 July
	2015 £ million	2014 £ million	2014 £ million
Profit attributable to shareholders	**95.3**	72.4	149.8
Less profit for the period from discontinued operations, net of tax	**11.2**	2.1	4.6
Profit attributable to shareholders on continuing operations	**84.1**	70.3	145.2
Adjustments:			
Amortisation of intangible assets on acquisition	**2.4**	2.4	4.9
Tax effect of adjustments	**(0.5)**	(0.5)	(1.0)
Adjusted profit attributable to shareholders on continuing operations	**86.0**	72.2	149.1

	Six months ended 31 January		Year ended 31 July
	2015 million	2014 million	2014 million
Average number of shares			
Basic weighted	**147.7**	147.3	147.6
Effect of dilutive share options and awards	**1.9**	2.1	2.2
Diluted weighted	**149.6**	149.4	149.8

6. Dividends

	Six months ended 31 January 2015 £ million	Six months ended 31 January 2014 £ million	Year ended 31 July 2014 £ million
For each ordinary share			
Interim dividend for previous financial year paid in April 2014: 16.5p	**-**	-	24.2
Final dividend for previous financial year paid in November 2014: 32.5p (2013: 29.5p)	**47.6**	42.9	42.9
	47.6	42.9	67.1

An interim dividend relating to the six months ended 31 January 2015 of 18.0p, amounting to an estimated £26.5 million, is declared. This interim dividend, which is due to be paid on 22 April 2015, is not reflected in these financial statements.

7. Loans and advances to customers

The contractual maturity of loans and advances to customers is set out below:

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Impairment provisions £ million	Total £ million
At 31 January 2015	**64.5**	**1,595.2**	**1,669.9**	**1,054.6**	**1,094.6**	**34.2**	**(52.0)**	**5,461.0**
At 31 January 2014	59.5	1,351.5	1,487.7	1,000.7	998.2	17.3	(59.4)	4,855.5
At 31 July 2014	60.9	1,463.3	1,660.8	1,038.3	1,093.3	21.4	(48.3)	5,289.7

	31 January 2015 £ million	31 January 2014 £ million	31 July 2014 £ million
Impairment provisions on loans and advances to customers			
Opening balance	**48.3**	61.9	61.9
Charge for the period	**19.3**	22.7	44.1
Amounts written off net of recoveries	**(15.6)**	(25.2)	(57.7)
Impairment provisions	**52.0**	59.4	48.3

At 31 January 2015, gross impaired loans were £171.2 million (31 January 2014: £190.4 million; 31 July 2014: £159.9 million) and equate to 3% (31 January 2014: 4%; 31 July 2014: 3%) of the gross loan book before impairment provisions. The majority of the group’s lending is secured and therefore the gross impaired loans quoted do not reflect the expected loss.

8. Debt securities

	Held for trading £ million	**Available for sale £ million**	**Loans and receivables £ million**	**Total £ million**
Long trading positions in debt securities	**26.2**	**-**	**-**	**26.2**
Certificates of deposit	**-**	**-**	**-**	**-**
Gilts	**-**	**20.3**	**-**	**20.3**
At 31 January 2015	**26.2**	**20.3**	**-**	**46.5**

	Held for trading £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions in debt securities	57.9	-	-	57.9
Certificates of deposit	-	-	15.1	15.1
Gilts	-	46.1	-	46.1
At 31 January 2014	57.9	46.1	15.1	119.1

	Held for trading £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions in debt securities	48.6	-	-	48.6
Certificates of deposit	-	-	-	-
Gilts	-	45.6	-	45.6
At 31 July 2014	48.6	45.6	-	94.2

Movements in the book value of gilts and floating rate notes ("FRNs") held during the period comprise:

	Available for sale		
	Gilts £ million	Floating rate notes £ million	Total £ million
At 1 August 2013	46.7	39.4	86.1
Disposals	-	(37.8)	(37.8)
Redemptions at maturity	-	-	-
Currency translation differences	-	(1.6)	(1.6)
Movement in value	(0.6)	-	(0.6)
At 31 January 2014	46.1	-	46.1
Disposals	-	-	-
Redemptions at maturity	-	-	-
Currency translation differences	-	-	-
Movement in value	(0.5)	-	(0.5)
At 31 July 2014	45.6	-	45.6
Disposals	-	-	-
Redemptions at maturity	(25.0)	-	(25.0)
Currency translation differences	-	-	-
Movement in value	(0.3)	-	(0.3)
At 31 January 2015	**20.3**	**-**	**20.3**

9. Equity shares

	31 January 2015 £ million	31 January 2014 £ million	31 July 2014 £ million
Long trading positions	**33.2**	53.2	56.5
Other equity shares	**11.8**	26.2	19.6
	45.0	79.4	76.1

Movements in the book value of other equity shares held during the period comprise:

	Available for sale £ million	Fair value through profit or loss £ million	Total £ million
At 1 August 2013	27.1	0.6	27.7
Additions	0.1	-	0.1
Disposals	(2.7)	(0.4)	(3.1)
Currency translation differences	(0.9)	-	(0.9)
Movement in value of:			
Equity shares classified as available for sale	-	-	-
Unlisted equity shares held at fair value	2.3	0.1	2.4
At 31 January 2014	25.9	0.3	26.2
Additions	-	-	-
Disposals	(5.5)	(0.1)	(5.6)
Currency translation differences	(0.9)	-	(0.9)
Movement in value of:			
Equity shares classified as available for sale	-	-	-
Unlisted equity shares held at fair value	-	(0.1)	(0.1)
At 31 July 2014	19.5	0.1	19.6
Additions	-	-	-
Disposals	(7.1)	-	(7.1)
Currency translation differences	-	-	-
Movement in value of:			
Equity shares classified as available for sale	(0.7)	-	(0.7)
Unlisted equity shares held at fair value	-	-	-
At 31 January 2015	**11.7**	**0.1**	**11.8**

10. Settlement balances and short positions

	31 January 2015 £ million	31 January 2014 £ million	31 July 2014 £ million
Settlement balances	**433.4**	561.7	444.1
Short positions held for trading:			
Debt securities	**12.8**	39.0	34.3
Equity shares	**11.4**	15.9	15.6
	24.2	54.9	49.9
	457.6	616.6	494.0

11. Financial liabilities

The contractual maturity of financial liabilities is set out below:

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
Deposits by banks	**37.2**	**6.6**	**18.0**	**3.5**	**-**	**-**	**65.3**
Deposits by customers	**122.4**	**810.5**	**2,057.4**	**1,074.2**	**192.9**	**-**	**4,257.4**
Loans and overdrafts from banks	**7.2**	**228.1**	**-**	**-**	**-**	**-**	**235.3**
Debt securities in issue	**21.1**	**0.5**	**107.2**	**205.4**	**741.8**	**298.8**	**1,374.8**
At 31 January 2015	**187.9**	**1,045.7**	**2,182.6**	**1,283.1**	**934.7**	**298.8**	**5,932.8**

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
Deposits by banks	46.1	19.1	8.1	2.5	-	-	75.8
Deposits by customers	166.2	1,183.0	1,610.2	1,092.3	97.6	-	4,149.3
Loans and overdrafts from banks	7.4	5.0	-	-	-	-	12.4
Debt securities in issue	-	6.7	-	850.0	198.9	-	1,055.6
At 31 January 2014	219.7	1,213.8	1,618.3	1,944.8	296.5	-	5,293.1

	On demand £ million	Within three months £ million	Between three months and one year £ million	Between one and two years £ million	Between two and five years £ million	After more than five years £ million	Total £ million
Deposits by banks	21.1	20.0	8.5	-	-	-	49.6
Deposits by customers	165.0	1,256.5	1,532.5	1,399.3	160.4	-	4,513.7
Loans and overdrafts from banks	4.4	5.0	-	-	-	-	9.4
Debt securities in issue	-	6.7	350.5	227.8	470.4	299.0	1,354.4
At 31 July 2014	190.5	1,288.2	1,891.5	1,627.1	630.8	299.0	5,927.1

11. Financial liabilities continued

On 6 November 2014 the group accessed the Funding for Lending Scheme ("FLS") which enables it to borrow highly liquid UK Treasury Bills from the Bank of England in exchange for eligible collateral. At 31 January 2015, asset finance loan receivables of £679.5 million were positioned. The term of these transactions is four years from the date of drawdown. The group also had repurchase agreements whereby £225.0 million Treasury Bills have been drawn and lent in exchange for cash included within loans and overdrafts from banks.

The Treasury Bills are not recorded on the group's consolidated balance sheet as ownership remains with the Bank of England. The risk and rewards of the loans and advances to customers remains with the group and continue to be recognised in the consolidated balance sheet.

The group has securitised without recourse and restrictions £1,175.4 million (31 January 2014: £1,164.4 million; 31 July 2014: £1,134.1 million) of its insurance premium and motor loan receivables in return for debt securities in issue of £850.0 million (31 January 2014: £850.0 million; 31 July 2014: £848.6 million). As the group has retained exposure to substantially all the credit risk and rewards of the residual benefit of the underlying assets it continues to recognise these assets in loans and advances to customers in its consolidated balance sheet.

12. Capital

The group's individual regulated entities and the group as a whole complied with all of the externally imposed capital requirements to which they were subject for the periods to 31 January 2015 and 31 January 2014 and the year ended 31 July 2014. The table below summarises the composition of regulatory capital and Pillar 1 risk weighted assets at those financial period ends.

	31 January		31 July
	2015	2014	2014
	£ million	£ million	£ million
Common equity tier 1 capital			
Called up share capital	**37.7**	37.7	37.7
Share premium account	**283.9**	283.8	283.8
Retained earnings	**632.2**	538.8	589.8
Other reserves recognised for common equity tier 1 capital	**17.4**	20.5	21.4
Deductions from common equity tier 1 capital			
Intangible assets, net of associated deferred tax liabilities	**(137.9)**	(138.1)	(142.1)
Foreseeable dividend[1]	**(46.3)**	(43.5)	(47.7)
Investment in own shares	**(30.4)**	(29.0)	(27.9)
Pension asset, net of associated deferred tax liabilities	**(0.2)**	(2.5)	(3.9)
Additional valuation adjustments	**(0.2)**	-	(0.3)
Common equity tier 1 capital	**756.2**	667.7	710.8
Tier 2 capital			
Subordinated debt[2]	**52.5**	60.0	60.0
Unrealised gains on available for sale equity shares	**3.3**	10.2	9.6
Tier 2 capital	**55.8**	70.2	69.6
Total regulatory capital	**812.0**	737.9	780.4
Risk weighted assets (notional) - unaudited			
Credit and counterparty risk	**4,779.7**	4,179.9	4,564.5
Operational risk[3]	**695.5**	679.1	695.5
Market risk[3]	**92.6**	202.7	185.8
	5,567.8	5,061.7	5,445.8
Common equity tier 1 capital ratio	**13.6%**	13.2%	13.1%
Total capital ratio	**14.6%**	14.6%	14.3%

1 Under the Regulatory Technical Standard on own funds, a deduction has been recognised for a foreseeable dividend. In accordance with this standard, for 31 January 2014 and 31 January 2015 a foreseeable dividend has been determined based on the average payout ratio over the previous three years applied to the retained earnings for the period. For 31 July 2014 a foreseeable dividend was determined as the proposed final dividend (subsequently paid).

2 Under CRD IV transitional arrangements, 70% (31 January 2014: 80%, 31 July 2014: 80%) of the principal value of subordinated debt is recognised.

3 Operational and market risk include a notional adjustment at 8% in order to determine notional risk weighted assets.

12. Capital continued

The following table shows a reconciliation between equity and common equity tier 1 capital after deductions:

	31 January 2015 £ million	31 January 2014 £ million	31 July 2014 £ million
Equity	**940.4**	864.7	917.6
Regulatory deductions from equity:			
Intangible assets, net of associated deferred tax liabilities	**(137.9)**	(138.1)	(142.1)
Foreseeable dividend[1]	**(46.3)**	(43.5)	(47.7)
Pension asset, net of associated deferred tax liabilities	**(0.2)**	(2.5)	(3.9)
Additional valuation adjustments	**(0.2)**	-	(0.3)
Other reserves not recognised for common equity tier 1 capital:			
Available for sale movements reserve	**(3.3)**	(10.2)	(9.6)
Cash flow hedging reserve	**4.0**	(0.4)	(2.1)
Non-controlling interests	**(0.3)**	(2.3)	(1.1)
Common equity tier 1 capital	**756.2**	667.7	710.8

1 Under the Regulatory Technical Standard on own funds, a deduction has been recognised for a foreseeable dividend. In accordance with this standard, for 31 January 2014 and 31 January 2015 a foreseeable dividend has been determined based on the average payout ratio over the previous three years applied to the retained earnings for the period. For 31 July 2014 a foreseeable dividend was determined as the proposed final dividend (subsequently paid).

13. Contingent liabilities

Financial Services Compensation Scheme ("FSCS")

As disclosed in note 26 of the Annual Report 2014, the group is exposed to the FSCS which provides compensation to customers of financial institutions in the event that an institution is unable, or is likely to be unable, to pay claims against it. The FSCS raises levies on UK licensed deposit-taking institutions to meet such claims based on their share of UK deposits on 31 December of the year preceding the scheme year (which runs from 1 April to 31 March).

Following the default of a number of deposit takers in 2008, the FSCS borrowed funds from HM Treasury to meet the compensation costs for customers of those firms. The interest rate on the borrowings with HM Treasury, which total approximately £20 billion, increased from 12 month LIBOR plus 30 basis points to 12 month LIBOR plus 100 basis points on 1 April 2012. Whilst it is expected that the substantial majority of the principal will be repaid from funds the FSCS receives from asset sales, surplus cash flow or other recoveries in relation to the assets of the institutions that defaulted, to the extent that there remains a shortfall, the FSCS will raise compensation levies on all deposit-taking participants.

The amount of any future compensation levies payable by the group also depends on a number of factors including participation in the market at 31 December, the level of protected deposits and the population of deposit-taking participants. The group continues to accrue for its share of levies that have been raised by the FSCS.

14. Related party transactions

Related party transactions, including salary and benefits provided to directors and key management, did not have a material effect on the financial position or performance of the group during the period. There were no changes to the type and nature of the related party transactions disclosed in the Annual Report 2014 that could have a material effect on the financial position and performance of the group in the six months to 31 January 2015.

15. Consolidated cash flow statement reconciliation

	31 January 2015 £ million	31 January 2014 £ million	31 July 2014 £ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities			
Operating profit before tax from continuing operations	**106.2**	91.6	188.8
Operating profit before tax on discontinued operations	**11.8**	3.2	6.9
Tax paid	**(28.2)**	(8.6)	(35.3)
Depreciation and amortisation	**19.9**	16.5	34.7
Decrease/(increase) in:			
Interest receivable and prepaid expenses	**1.2**	(2.1)	4.9
Net settlement balances and trading positions	**22.3**	(32.7)	(8.8)
Net loans to/from money broker against stock advanced	**7.6**	44.2	0.2
(Decrease)/increase in interest payable and accrued expenses	**(29.7)**	(24.8)	15.9
Net cash inflow from trading activities	**111.1**	87.3	207.3
Decrease/(increase) in:			
Loans and advances to banks not repayable on demand	**1.8**	(0.1)	(2.6)
Loans and advances to customers	**(172.0)**	(209.9)	(644.1)
Assets held under operating leases	**(14.8)**	(22.3)	(41.4)
Floating rate notes classified as available for sale	**-**	37.8	37.8
Debt securities held for liquidity	**25.0**	-	-
Other assets less other liabilities	**(18.8)**	(1.3)	30.5
Increase/(decrease) in:			
Deposits by banks	**15.7**	9.2	(17.0)
Deposits by customers	**(247.2)**	133.9	498.3
Loans and overdrafts from banks	**225.9**	(25.2)	(28.2)
Debt securities in issue, net of transaction costs	**-**	-	299.0
Net cash (outflow)/inflow from operating activities	**(73.3)**	9.4	339.6
(b) Analysis of net cash outflow in respect of the purchase of non-controlling interests			
Cash consideration paid	**(0.2)**	(3.8)	(7.5)
(c) Analysis of net cash inflow in respect of the sale of subsidiary and associate			
Cash consideration received	**36.9**	2.7	-
Cash and cash equivalents disposed of	**(13.7)**	-	-
	23.2	2.7	-
(d) Analysis of changes in financing activities			
Share capital (including premium) and subordinated loan capital[1]:			
Opening balance	**396.5**	396.4	396.4
Shares issued for cash	**0.1**	0.1	0.1
Closing balance	**396.6**	396.5	396.5

15. Consolidated cash flow statement reconciliation continued

	31 January 2015 £ million	31 January 2014 £ million	31 July 2014 £ million
(e) Analysis of cash and cash equivalents[2]			
Cash and balances at central banks	**1,034.0**	857.2	1,164.7
Loans and advances to banks repayable on demand	**72.5**	83.4	74.0
Certificates of deposit	**-**	15.1	-
	1,106.5	955.7	1,238.7

1 Excludes accrued interest.
2 Excludes Bank of England cash reserve account and amounts held as collateral.

16. Fair value of financial assets and liabilities

The fair values of the group's financial assets and liabilities are not materially different from their carrying values, with the exception of subordinated loan capital, and the Close Brothers Group plc ("CBG") and Close Brothers Limited ("CBL") bonds.

	31 January 2015		31 January 2014		31 July 2014	
	Fair value	**Carrying value**	Fair value	Carrying value	Fair value	Carrying value
Subordinated loan capital	**90.9**	**77.3**	88.6	77.3	88.3	77.2
CBG bond	**225.2**	**205.5**	223.0	205.1	224.9	205.2
CBL bond[1]	**329.9**	**321.0**	-	-	306.5	300.2

1 CBL bond issued on 25 June 2014.

The group holds financial instruments that are measured at fair value subsequent to initial recognition. Each instrument has been categorised within one of three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. These levels are based on the degree to which the fair value is observable and are defined in note 31 "Financial risk management" of the Annual Report 2014.

The table below shows the classification of financial instruments held at fair value into the valuation hierarchy:

	Level 1 £ million	**Level 2 £ million**	**Level 3 £ million**	**Total £ million**
At 31 January 2015				
Assets				
Debt securities:				
Long trading positions in debt securities held for trading	**22.0**	**4.2**	**-**	**26.2**
Gilts classified as available for sale	**20.3**	**-**	**-**	**20.3**
Equity shares:				
Held for trading	**33.2**	**-**	**-**	**33.2**
Fair value through profit or loss	**0.1**	**-**	**-**	**0.1**
Available for sale	**-**	**-**	**11.7**	**11.7**
Derivative financial instruments	**-**	**49.5**	**-**	**49.5**
	75.6	**53.7**	**11.7**	**141.0**
Liabilities				
Short positions:				
Debt securities	**9.9**	**2.9**	**-**	**12.8**
Equity shares	**11.4**	**-**	**-**	**11.4**
Derivative financial instruments	**-**	**13.2**	**-**	**13.2**
	21.3	**16.1**	**-**	**37.4**

16. Fair value of financial assets and liabilities continued

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
At 31 January 2014				
Assets				
Debt securities:				
Long trading positions in debt securities held for trading	52.7	5.2	-	57.9
Gilts classified as available for sale	46.1	-	-	46.1
Equity shares:				
Held for trading	53.2	-	-	53.2
Fair value through profit or loss	0.1	-	0.2	0.3
Available for sale	-	-	25.9	25.9
Derivative financial instruments	0.6	55.7	-	56.3
	152.7	60.9	26.1	239.7
Liabilities				
Short positions:				
Debt securities	34.6	4.4	-	39.0
Equity shares	15.9	-	-	15.9
Derivative financial instruments	-	44.4	-	44.4
	50.5	48.8	-	99.3

	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
At 31 July 2014				
Assets				
Debt securities:				
Long trading positions in debt securities held for trading	45.9	2.7	-	48.6
Gilts classified as available for sale	45.6	-	-	45.6
Equity shares:				
Held for trading	56.5	-	-	56.5
Fair value through profit or loss	-	-	0.1	0.1
Available for sale	-	-	19.5	19.5
Derivative financial instruments	0.4	27.4	-	27.8
	148.4	30.1	19.6	198.1
Liabilities				
Short positions:				
Debt securities	31.1	3.2	-	34.3
Equity shares	15.6	-	-	15.6
Derivative financial instruments	-	19.5	-	19.5
	46.7	22.7	-	69.4

There were no significant transfers between Level 1 and 2 during the periods.

16. Fair value of financial assets and liabilities continued

Movements in financial assets categorised as Level 3 during the periods were:

	Equity shares	
	Available for sale £ million	Fair value through profit/(loss) £ million
At 1 August 2013	27.1	0.6
Total gains recognised in the consolidated income statement	-	0.2
Total gains recognised in other comprehensive income	1.4	-
Purchases and issues	0.1	-
Sales and settlements	(2.7)	(0.6)
At 31 January 2014	25.9	0.2
Total losses recognised in the consolidated income statement	-	(0.2)
Total losses recognised in other comprehensive income	(0.9)	-
Purchases and issues	-	0.1
Sales and settlements	(5.5)	-
At 31 July 2014	19.5	0.1
Total gains recognised in the consolidated income statement	-	-
Total losses recognised in other comprehensive income	(0.7)	-
Purchases and issues	-	-
Sales and settlements	(7.1)	-
Transfers out	-	(0.1)
At 31 January 2015	**11.7**	**-**

There were no gains/(losses) recognised in the consolidated income statement relating to instruments held at 31 January 2015 (31 January 2014: £nil; 31 July 2014: £nil).

Cautionary Statement

Certain statements included or incorporated by reference within this announcement may constitute “forward-looking statements” in respect of the group’s operations, performance, prospects and/or financial condition. Forward-looking statements are sometimes, but not always, identified by their use of a date in the future or such words as “anticipates”, “aims”, “due”, “could”, “may”, “will”, “should”, “expects”, “believes”, “intends”, “plans”, “potential”, “targets”, “goal” or “estimates”. By their nature, forward-looking statements involve a number of risks, uncertainties and assumptions and actual results or events may differ materially from those expressed or implied by those statements. Accordingly, no assurance can be given that any particular expectation will be met and reliance should not be placed on any forward-looking statement. Additionally, forward-looking statements regarding past trends or activities should not be taken as a representation that such trends or activities will continue in the future. No responsibility or obligation is accepted to update or revise any forward-looking statement resulting from new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement does not constitute or form part of any offer or invitation to sell, or any solicitation of any offer to purchase any shares or other securities in the company, nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on in connection with, any contract or commitment or investment decisions relating thereto, nor does it constitute a recommendation regarding the shares and other securities of the company. Past performance cannot be relied upon as a guide to future performance and persons needing advice should consult an independent financial adviser. Statements in this announcement reflect the knowledge and information available at the time of its preparation. Liability arising from anything in this announcement shall be governed by English Law. Nothing in this announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.