Close Brothers

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Registered in England No. 520241

Press Release

Preliminary results for the year ended 31 July 2014

23 September 2014

Strong results with continued growth in all divisions

- Adjusted operating profit up 20% to £200.6 million and adjusted basic earnings per share up 25% to 104.1p
- Good growth in the Banking division, with adjusted operating profit up 15% to £181.6 million, reflecting continued loan book growth of 14% to £5.3 billion and an improved bad debt ratio of 0.9%
- In Securities, Winterflood's adjusted operating profit increased 57% to £26.6 million as trading conditions improved and investor risk appetite increased
- Adjusted operating profit in Asset Management more than doubled to £9.9 million and Assets under Management ("AuM") were up 7% to £9.7 billion driven by net inflows of 5%
- Common equity tier one capital ratio remains strong at 13.1% under CRD IV while return on opening equity[1] improves to 18.5%
- Full year dividend per share up 10% to 49.0p

Financial Highlights for the year ended 31 July	**2014**	2013[2]
Adjusted operating profit[3]	**£200.6m**	£167.2m
Adjusted basic earnings per share[4]	**104.1p**	83.5p
Operating profit before tax	**£195.7m**	£163.8m
Basic earnings per share	**101.5p**	82.0p
Ordinary dividend per share[5]	**49.0p**	44.5p
Common equity tier 1 capital ratio[6]	**13.1%**	13.3%

[1] Return on opening equity is calculated as adjusted operating profit after tax and non-controlling interests on opening equity less non-controlling interests.

[2] 2013 adjusted operating profit restated from £166.5 million following adoption of IAS 19 (Revised) Employee Benefits.

[3] Adjusted operating profit is before exceptional items and amortisation of intangible assets on acquisition. A reconciliation to operating profit before tax is shown on page 7.

[4] Adjusted basic earnings per share is before exceptional items, amortisation of intangible assets on acquisition and the tax effect of such adjustments. A reconciliation to operating profit before tax is shown on page 7.

[5] Represents the final dividend proposed for the respective years together with the interim dividend declared and paid in those years.

[6] The highest quality capital is now defined as "common equity tier 1" having previously been referred to as "core tier 1". Accordingly the comparative is based on the legislative definition in place at that time.

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

"Close Brothers has continued to execute its strategy, strengthening its market leading specialist propositions, and has delivered a strong result with growth in all of our divisions. We are well positioned to benefit from the growth opportunities we see in each of our businesses and have the resources available to pursue them. We enter the 2015 financial year with confidence."

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A presentation to analysts and investors will be held today at 9.30 am BST at our offices at 10 Crown Place, London EC2A 4FT. A listen-only dial-in facility will be available by dialling +44 20 3059 8125. A recording of this call will be available for replay for two weeks by dialling +44 121 260 4861, access code 8573084#.

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.

OVERVIEW

Chairman's and Chief Executive's Statement

In 2014 we have continued to execute our well established strategy, strengthening our market leading specialist propositions, and are delighted to be able to report a 20% increase in adjusted operating profit to £200.6 million (2013: £167.2 million) with growth across all of our three divisions. As the UK economic recovery continues, we remain well placed to continue to provide our clients with the highest levels of service while delivering strong returns for shareholders.

Overview of financial performance

This year's results build on the momentum established in 2013. In Banking, adjusted operating profit rose by 15% to £181.6 million (2013: £158.4 million) and the loan book increased by 14% to £5.3 billion (2013: £4.6 billion) with good demand in Property and motor finance more than offsetting additional competition in some of our markets. Adjusted operating profit in Securities increased by 30% to £33.5 million (2013: £25.7 million) as Winterflood benefited from more favourable trading conditions and improved retail investor risk appetite. Asset Management more than doubled its adjusted operating profit to £9.9 million (2013: £4.0 million) reflecting good inflows into our integrated management and advice proposition.

Adjusted basic earnings per share increased 25% to 104.1p (2013: 83.5p). Overall the group's return on opening equity improved to 18.5% (2013: 15.8%) and we have maintained our strong funding and capital positions.

In recognition of this year's excellent financial performance and the continued confidence in the group's longer-term prospects, the board is recommending a 10% increase to our final dividend to 32.5p per share (2013: 29.5p).

Differentiated businesses built for the long term

In the midst of the global financial crisis, we outlined a strategy to position Close Brothers as a group leveraging its specialist knowledge and relationships to generate sustainable returns through the economic cycle. We focused on our traditional values of service and integrity, underpinned by our conservative and prudent approach to capital and funding, to ensure that we could be there for our clients in all economic conditions. Five years on, Close Brothers is a Modern Merchant Banking group of three core divisions, specialised in their niche markets, united by our traditional values and delivering our services in a modern way.

In Banking, we are committed to our core proposition of building lasting customer relationships while delivering strong returns. This is achieved by maintaining a local presence in all our markets, recognising that every customer has particular needs, with specialist teams who are able to devise flexible solutions and make fast decisions. Our proposition is supported by a consistent approach to lending through the cycle; we write predominantly secured, short-term and small ticket loans to SMEs and individuals. These differentiated lending attributes have allowed us to price and manage risk appropriately, and together with our conservative approach to funding and liquidity, have enabled our consistent and profitable loan book growth over the last 30 years.

In Securities, Winterflood is a market-maker, committed to providing continuous liquidity while maintaining its trading capacity and market leading position. Winterflood tailors its offering to its clients' specific requirements, by combining the expertise of its staff with the technological advantages of its proprietary IT systems, to assist them in meeting their best execution requirements. By focusing principally on market-making, Winterflood has been able to trade continuously and profitably in all market conditions.

OVERVIEW

Chairman's and Chief Executive's Statement continued

In Asset Management, we have shaped and positioned the division to benefit from regulatory, market and demographic changes. We remain focused on meeting the needs of our clients through our high quality, integrated proposition which offers financial advice, investment management and an online investment portal. This proposition provides our clients with the flexibility they need to create and implement a lifetime financial plan according to their personal circumstances. In a highly competitive but fragmented marketplace, our multi-channel distribution and diverse sources of revenue are compelling differentiators and, as a result, the division is well positioned for future growth.

Successfully executing this group strategy during an unprecedented period of volatility and market dislocation has demonstrated our ability to navigate challenging periods while generating strong growth and excellent net returns as well as mitigating downside risk. As the economy recovers and competition returns, it is this emphasis on service and integrity which will allow us to strengthen our competitive positioning and continue to grow.

Investing in building our competitive advantage

Our traditional principles of service, expertise and building long-term relationships underpin our financial performance and market leading specialist propositions. Evolving consumer behaviour, regulatory reform and technological advances are all impacting what constitutes excellent service. The group is committing resources to ensure that our products and services meet client needs and increasing regulatory focus. This investment is significant but appropriate to ensure we have the capacity to support our high touch model, manage risks and deliver long-term growth for shareholders. We have the resources to support large scale investment programmes while being small enough to implement them effectively and, by investing as we grow, can maintain and build our competitive advantage.

Importance of our people

Across the group, our people are characterised by their focus on serving our clients and communities with dedication. The way we do business resonates with our client base and our trusted, reliable service is rewarded by long-term relationships. In order to ensure we can continue to provide our clients with the service they have come to expect, we are committed to enabling our people to perform at the highest level.

The group has made good progress in a number of areas this year. As each of our divisions operate in niche markets, we need to identify and train tomorrow's revenue generators internally. For example, we are developing the concept of the financial planner as a true professional who provides the highest quality financial advice to their clients. Aspire, a two year programme for school leavers, provides participants with an apprenticeship in a number of front office roles.

Additionally, to engage with and develop our next set of leaders, we have created an Emerging Leaders Programme that enables us to improve our succession pipeline into senior roles and build a culture of career development across the group.

Keeping pace with regulatory reform

Our three divisions share the same commitment to provide straightforward and transparent products tailored to their clients' needs. This ethos, alongside our simple corporate structure, means that we are well placed to respond to regulatory reform.

Chairman's and Chief Executive's Statement continued

However the evolution of regulatory policy is an increasing burden. Identifying, reviewing and implementing regulatory policy changes is resource intensive and requires investment in both our people and our operations. We have expanded our risk and compliance functions as well as enhancing our systems and processes to ensure we continue to operate in the best interests of our clients.

Technology investment to compliment our service proposition

Technology both supports the effectiveness of our people and enables us to adapt to changes in client behaviour and the wider market environment. We have invested significant resources in strengthening our IT infrastructure and enhancing our front-end technology. We are focused on protecting our systems, clients and assets from cyber threats and data loss as well as ongoing programmes to replace legacy systems and develop technologies to enhance our front-end proposition.

Making the most of our opportunities

Pursuing existing opportunities in our three divisions will underpin the future success of the group. Our focus on traditional merchant banking values delivered in a modern way has created a proposition that is well regarded by clients. When applied to specialist niches, we can develop leading market positions with high levels of sustainable profitability. However, as markets and behaviours continually evolve, we always look to expand into complementary sectors or geographical segments to maintain our competitive positioning.

In Banking, we are confident that attractive opportunities are available within our core risk/return boundaries. Competition remains fragmented, albeit increasing, and our long-term loan book performance demonstrates our ability to grow in all market conditions. However, we are not complacent and always look for opportunities to expand into adjacent niche sectors or geographies while maintaining our strict underwriting discipline. As an example, in 2014 we successfully recruited a renewable energy team within our asset finance business to fund a range of technologies including land based wind, hydro and solar renewables.

Diversified income streams in our Securities division provide us with income protection through volatile market conditions. Winterflood has demonstrated the flexibility to adapt its products based on client requirements by offering a wider range of equities to its clients. Winterflood's specialism in providing liquidity in all market conditions and client led solutions to retail, institutional and international investors will allow it to adapt as client needs evolve.

In Asset Management, we have built a flexible and diverse proposition that provides clients with the services and tools to meet their investment objectives. The division is well positioned to build further scale through organic growth, infill acquisitions and selective portfolio manager and adviser hires. In 2014 we recruited a number of portfolio managers in our high net worth business and will seek to recruit selectively over the next few years to enhance our proposition and benefit from the structural market opportunities created by the Retail Distribution Review.

Board changes

There has been considerable change in the non-executive composition of the board following the Interim Results in March 2014. Ray Greenshields resigned from the board at the end of March 2014 following his decision to retire and return to Australia. Shonaid Jemmett-Page resigned from the board in July 2014 due to the requirements of the Capital Requirements Directive and Regulation (collectively known as CRD IV) that restrict the number of non-executive directorships which may be held by a director of some regulated entities.

Chairman's and Chief Executive's Statement continued

Bruce Carnegie-Brown has decided to stand down as a director of the company and consequently will not seek re-election at the Annual General Meeting on 20 November 2014. He was appointed to the board in June 2006 and has served as chairman of the Remuneration Committee and as senior independent director. We thank Ray, Shonaid and Bruce for their valued contributions to the group.

The board appointed Oliver Corbett as a non-executive director in June 2014 and chairman of the Audit Committee with effect from July 2014. Bridget Macaskill has been appointed to succeed Bruce Carnegie-Brown as chairman of the Remuneration Committee and Geoffrey Howe to succeed him as senior independent director with effect from 20 November 2014, following the conclusion of the Annual General Meeting.

Outlook

We are confident that our strategy, combined with our Modern Merchant Banking values of service and integrity, will continue to deliver the right propositions for our clients and provide ongoing returns and long-term value for our shareholders.

In Banking, we continue to see ongoing growth opportunities in our core markets. Winterflood remains well placed to benefit from a sustained cyclical recovery but remains susceptible to market conditions. As it continues to build scale, we expect Asset Management to continue to deliver growth at attractive margins.

We are well positioned to benefit from the growth opportunities we see in all of our core divisions and have the resources available to pursue them. We enter the 2015 financial year with confidence.

FINANCIAL REVIEW

Overview

Close Brothers has delivered another strong performance in 2014, reporting our fifth consecutive year of adjusted operating profit growth. The Banking division continued to be the main driver of group performance, benefiting from improved loan book growth of 14% (2013: 13%) and a favourable credit environment. Overall, adjusted operating profit increased 20% to £200.6 million (2013: £167.2 million), reflecting the strong performance in Banking, but also supported by better trading conditions for Securities and improved net flows and operating leverage in Asset Management.

Group Income Statement

	2014 £ million	2013 £ million	Change %
Adjusted operating income	**659.2**	582.9	13
Adjusted operating expenses	**(414.5)**	(365.1)	14
Impairment losses on loans and advances	**(44.1)**	(50.6)	(13)
Adjusted operating profit	**200.6**	167.2	20
Exceptional income	**-**	1.6	
Amortisation of intangible assets on acquisition	**(4.9)**	(5.0)	(2)
Operating profit before tax	**195.7**	163.8	19
Tax	**(45.5)**	(42.7)	7
Non-controlling interests	**(0.4)**	(1.1)	(64)
Profit attributable to shareholders	**149.8**	120.0	25
Adjusted basic earnings per share	**104.1p**	83.5p	25
Basic earnings per share	**101.5p**	82.0p	24
Ordinary dividend per share	**49.0p**	44.5p	10

Note: Adjusted operating income, expenses, profit and earnings per share exclude the effect of exceptional items and amortisation of intangible assets on acquisition, and in the case of earnings per share, the tax effect of such adjustments.

Delivering long-term sustainable growth

Revenue growth of 13% in the year was driven by the Banking division and improved trading conditions for Winterflood. In total, adjusted operating income increased by £76.3 million to £659.2 million (2013: £582.9 million).

Adjusted operating expenses increased by 14% to £414.5 million (2013: £365.1 million), predominantly reflecting an uplift in staff costs as the group grows. Banking costs increased principally due to continued investment and higher staff costs to support the loan book growth, while variable costs in Securities increased as trading performance improved. The Asset Management cost base has remained broadly stable since 2012 notwithstanding good growth in assets and revenues. Overall, the group's compensation ratio (total staff costs on adjusted operating income excluding associate income) and expense/income ratio have both remained stable at 37% (2013: 37%) and 63% (2013: 63%) respectively.

As a result of the ongoing favourable credit environment and our continued strong underwriting discipline, impairment losses on loans and advances ("bad debts") reduced further to £44.1 million (2013: £50.6 million) in the year despite the growth in the loan book. Reflecting this, the bad debt ratio improved to 0.9% (2013: 1.2%).

In total, adjusted operating profit for the group increased by £33.4 million, or 20%, to £200.6 million (2013: £167.2 million). This includes the net of group income and expenses which increased to a loss of £24.4 million (2013: loss of £20.9 million) with the prior year benefiting from one-off income of £1.7 million. The underlying increase in group costs is 8% to £25.1 million (2013: £23.2 million) due to higher performance related compensation. Overall, the group's operating margin improved to 30% (2013: 29%).

Overview continued

Divisional Adjusted Operating Profit/(Loss)

	2014		2013		Change
	£ million	**%**	£ million	%	%
Banking	**181.6**	**81**	158.4	84	15
Securities	**33.5**	**15**	25.7	14	30
Asset Management	**9.9**	**4**	4.0	2	148
Total divisions	**225.0**	**100**	188.1	100	20
Group	**(24.4)**		(20.9)		17
Adjusted operating profit	**200.6**		167.2		20

There were no exceptional items in the period. In the prior year we recorded exceptional income of £1.6 million relating to a partial sale of our holding in Mako from 27.3% to 21.3%. In 2014 we have further reduced our investment holding in Mako to 8.5%. Amortisation of intangible assets, principally relating to acquisitions in Asset Management, is consistent at £4.9 million (2013: £5.0 million). After exceptional income and amortisation of intangible assets on acquisition, operating profit before tax is up 19% to £195.7 million (2013: £163.8 million).

The group has recorded a tax charge for the 2014 financial year of £45.5 million (2013: £42.7 million), up 7% due to the increase in operating profit in the year. This corresponds to an effective tax rate of 23% (2013: 26%), slightly ahead of the UK corporate tax rate of 22% (2013: 24%) reflecting normal non-tax deductible items.

Generating strong shareholder returns

In total, the group delivered profit attributable to shareholders of £149.8 million (2013: £120.0 million), up 25% in the year. Basic earnings per share increased 24% to 101.5p (2013: 82.0p), and adjusted basic earnings per share, excluding exceptional income and amortisation of intangible assets on acquisition, increased 25% to 104.1p (2013: 83.5p). Overall, the group’s return on opening equity improved to 18.5% (2013: 15.8%).

Reflecting the strong profit growth in the period, the board is recommending a 3.0p increase in the final dividend to 32.5p (2013: 29.5p) per share. This increase maintains our progressive dividend policy and strengthens our dividend cover. In total, this corresponds to a 10% increase in the overall dividend to 49.0p (2013: 44.5p) per share. The final dividend will be paid on 25 November 2014 to shareholders on the register at 17 October 2014.

Maintaining a strong balance sheet

The group maintained its high quality and transparent balance sheet in the year through its ongoing focus on holding a strong funding position and a prudent, but efficient, level of liquidity. In 2014, total assets increased 13% to £7,700.4 million (2013: £6,831.1 million), principally reflecting the 14% growth in the loan book during the year.

Growing a high quality loan book

In the year, total loans and advances to customers increased 14% to £5,289.7 million (31 July 2013: £4,645.6 million), and now accounts for 69% (31 July 2013: 68%) of the group’s total assets.

We have maintained our strict underwriting criteria during the year, reflected in the low impairment charge, and the majority of our lending continues to be on a secured basis with low average loan sizes, and over a short-term duration. At 31 July 2014, over half of the loan book had a residual contractual maturity of less than one year, while the average maturity of the total loan book was 14 months (31 July 2013: 13 months).

FINANCIAL REVIEW

Overview continued

Group Balance Sheet

	31 July 2014 £ million	31 July 2013 £ million
Assets		
Cash and loans and advances to banks	**1,259.2**	1,025.2
Settlement balances, long trading positions and loans to money brokers	**634.8**	595.5
Loans and advances to customers	**5,289.7**	4,645.6
Non-trading debt securities	**45.6**	96.2
Intangible assets	**146.3**	141.6
Other assets	**324.8**	327.0
Total assets	**7,700.4**	6,831.1
Liabilities		
Settlement balances, short trading positions and loans from money brokers	**522.4**	491.7
Deposits by banks	**49.6**	66.6
Deposits by customers	**4,513.7**	4,015.4
Borrowings	**1,441.0**	1,170.2
Other liabilities	**256.1**	250.7
Total liabilities	**6,782.8**	5,994.6
Equity	**917.6**	836.5
Total liabilities and equity	**7,700.4**	6,831.1

Managing other assets and liabilities efficiently

The group remains focused on optimising the efficiency of our balance sheet management, while holding an appropriate level of high quality liquid assets to support its Banking operations. At 31 July 2014, we held £1,259.2 million (31 July 2013: £1,025.2 million) cash and loans and advances to banks, up £234.0 million in the year, reflecting funding raised in the second half to support loan book growth. The combined value of our customer loan book and high quality liquid assets now accounts for 85% of the group's total assets.

The remainder of the group's balance sheet assets remained broadly stable in the year. Non-trading debt securities reduced to £45.6 million (31 July 2013: £96.2 million) as the last of the group's less liquid floating rate notes ("FRNs") were sold (31 July 2013: £39.4 million), and the existing certificates of deposit ("CDs") portfolio matured (31 July 2013: £10.1 million). The remainder of the balance at 31 July 2014 relates to the group's holding of gilts, unchanged on 31 July 2013.

Settlement balances, long and short trading positions and loans to and from money brokers were higher at the balance sheet date, reflecting increased market-making activity in Securities. At 31 July 2014, the asset and liability balances were £634.8 million (31 July 2013: £595.5 million) and £522.4 million (31 July 2013: £491.7 million) respectively, slightly higher relative to the prior year. However overall, the net position of £112.4 million (31 July 2013: £103.8 million) was largely unchanged.

The majority of the group's liabilities relate to deposit and wholesale funding for the loan book. Total available funding at 31 July 2014 increased by 14% to £7,127.9 million (31 July 2013: £6,267.9 million), broadly in line with the growth in the loan book.

Overall, the group's equity increased by £81.1 million to £917.6 million (31 July 2013: £836.5 million) reflecting profit for the period of £149.8 million, offset by dividend payments of £67.1 million. This corresponds to an improved return on the group's assets of 1.9% in 2014, up from 1.8% in 2013.

FINANCIAL REVIEW

Overview continued

Focusing on funding diversity and maturity

The objective of our Treasury function is to provide funding for the Banking division's lending. We minimise interest rate risk by matching fixed and floating rate assets to liabilities where appropriate, and swapping our long-term interest rate exposure to short-term. In 2014 we have continued to benefit from favourable funding markets and low interest rates, and the group's strong financial position helped us to access deposit and wholesale markets, as well as debt capital markets, in the year.

At 31 July 2014, the group had £7,127.9 million (31 July 2013: £6,267.9 million) total available funding from a diverse range of funding sources with a prudent maturity profile. We manage the group's funding relative to the loan book, to ensure that the group always maintains an appropriate level of available funding to support continued growth. At year end this position remained strong at 135% (31 July 2013: 135%) of the loan book.

Group Funding

	31 July 2014 £ million	31 July 2013 £ million	Change £ million
Customer deposits	**4,513.7**	4,015.4	498.3
Drawn and undrawn facilities[1]	**1,191.2**	1,211.1	(19.9)
Senior unsecured bonds	**505.4**	204.9	300.5
Equity	**917.6**	836.5	81.1
Total available funding	**7,127.9**	6,267.9	860.0

[1] Includes £265.0 million (31 July 2013: £265.0 million) of undrawn facilities and excludes £4.4 million (31 July 2013: £19.3 million) of non-facility overdrafts included in borrowings.

Customer deposits comprise corporate deposits, representing around two thirds of the balance, and retail deposits, which are longer term in duration. In the year the balance increased by £498.3 million to £4,513.7 million (31 July 2013: £4,015.4 million) as the group grew its more competitively priced corporate deposit base. Overall the level of retail deposits remained stable, although two new term deposit offerings in the year replaced more expensive retail deposits as they matured.

None of the group's existing wholesale facilities matured in the year and, as a result, drawn and undrawn facilities remained stable at £1,191.2 million (31 July 2013: £1,211.1 million). 52% (31 July 2013: 53%) of the group's funding has a maturity profile greater than one year.

Taking advantage of favourable funding markets in 2014, the Banking division also issued a £300 million, 3.875%, seven year senior unsecured bond, which further enhanced the diversity and maturity profile of the group's funding position.

Group Funding Maturity Profile

	Less than one year £ million	One to two years £ million	Greater than two years £ million	Total £ million
Deposits by customers	2,954.0	1,399.3	160.4	4,513.7
Drawn and undrawn facilities	467.0	377.8	346.4	1,191.2
Senior unsecured bonds	7.4	-	498.0	505.4
Equity	-	-	917.6	917.6
Total available funding at 31 July 2014	**3,428.4**	**1,777.1**	**1,922.4**	**7,127.9**
Total available funding at 31 July 2013	2,953.1	1,324.0	1,990.8	6,267.9

FINANCIAL REVIEW

Overview continued

The group's funding maturity profile has improved and, at 31 July 2014, term funding with a residual maturity of greater than one year increased to £3,699.5 million (31 July 2013: £3,314.8 million). The weighted average maturity of this term funding, excluding equity, improved to 30 months (31 July 2013: 26 months) and remains significantly ahead of our weighted average total loan book maturity of 14 months (31 July 2013: 13 months). The group is committed to maintaining a prudent duration of funding relative to the loan book and, at the balance sheet date, the loan book was 70% (31 July 2013: 71%) covered by term funding. Given its prudent approach to funding and liquidity, the group also expects to meet the requirements for the new funding and liquidity ratios proposed under CRD IV when they come into force.

Holding an appropriate level of high quality liquid assets

The group's liquidity position is carefully managed by its Treasury function to ensure we hold sufficient liquid assets to support our Banking operations and remain comfortably ahead of the minimum regulatory requirements. As a core part of our liquidity risk management, we regularly carry out stress testing using various stress scenarios and are confident we hold sufficient liquidity to cover net cash outflows under stressed conditions.

Treasury Assets

	31 July 2014 £ million	31 July 2013 £ million	Change £ million
Gilts	**45.6**	46.7	(1.1)
Bank of England deposits	**1,171.7**	935.3	236.4
High quality liquid assets	**1,217.3**	982.0	235.3
Certificates of deposit	**-**	10.1	(10.1)
Floating rate notes	**-**	39.4	(39.4)
Total treasury assets	**1,217.3**	1,031.5	185.8

In the year, total treasury assets increased to £1,217.3 million (31 July 2013: £1,031.5 million) due to an increase in deposits at the Bank of England to £1,171.7 million (31 July 2013: £935.3 million) reflecting funding not yet deployed in the loan book. The group's gilt portfolio remained stable at £45.6 million (31 July 2013: £46.7 million).

High quality liquid assets now account for all of the group's treasury assets, up from 95% at 31 July 2013, after we sold the last of our less liquid FRNs in the year. The group currently has no holding of CDs (31 July 2013: £10.1 million) as those that have matured were not replaced in the low yield environment.

Credit ratings

The credit ratings for Close Brothers Group plc 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 year. In November 2013 Fitch reaffirmed its ratings for Close Brothers Group plc and CBL at A/F1, both with stable outlooks. Moody's ratings for Close Brothers Group plc and CBL were reaffirmed in June 2014 at Baa1/P2 and A3/P2 respectively, both with stable outlooks.

Strong capital position maintained

Under CRD IV, the group's capital remains strong and comfortably in excess of minimum capital ratios on both a transitional and fully loaded basis, including the new Capital Conservation Buffer which is due to be applied from 2016.

Overview continued

At 31 July 2014, the common equity tier 1 capital ratio remained stable at 13.1% (31 July 2013: core tier 1 ratio 13.3%) and the impact of CRD IV was broadly neutral. A beneficial discount to the risk weighting for lending to SMEs, which applies to a significant proportion of the group's risk weighted assets, was largely offset by a deduction for foreseeable dividends. The foreseeable dividend deduction at 31 July 2014 amounts to the proposed final dividend of £47.7 million which is subject to approval at the Annual General Meeting in November 2014. A reconciliation setting out the impact of CRD IV at 31 July 2014 is shown in note 15 of this announcement.

Group Capital Position

	31 July 2014 £ million	31 July 2013 £ million
Common equity tier 1 capital ratio[1]	**13.1%**	13.3%
Total capital ratio[1]	**14.3%**	14.6%
Leverage ratio[2]	**9.2%**	9.8%
Common equity tier 1 capital[1]	**710.8**	687.5
Total regulatory capital	**780.4**	758.9
Risk weighted assets	**5,445.8**	5,184.5

[1] The highest quality capital is now defined as "common equity tier 1" having previously been referred to as "core tier 1". Accordingly the comparative is based on the legislative definition of core tier 1 capital at that time.

[2] The leverage ratio is calculated under the Basel Committee methodology applicable at that time; the 2014 ratio is based on the January 2014 version as required by the Prudential Regulation Authority ("PRA"). It is calculated as Tier 1 capital as a percentage of total balance sheet assets, adjusting for certain capital deductions, including intangible assets, and off balance sheet exposures.

During the year, the common equity tier 1 capital increased to £710.8 million (31 July 2013: core tier 1 capital £687.5 million). Risk weighted assets increased to £5,445.8 million (31 July 2013: £5,184.5 million) due to the growth in credit and counterparty risk associated with the loan book net of the benefit of the SME discount. Notional risk weighted assets for market risk also increased by £46.9 million reflecting increased trading positions in Securities.

The PRA has accelerated the majority of the transitional arrangements set out in CRD IV meaning that, in the UK, CRD IV is now substantially in force. We therefore do not currently expect any material impact on our common equity tier 1 capital ratio from the full implementation of CRD IV and our pro forma, fully loaded common equity tier 1 capital ratio at 31 July 2014 is 13.1%. However, as the European Banking Authority is still developing and refining its technical standards, further impact from CRD IV may yet emerge.

The strength of the group's capital position is further supported by the strong leverage ratio, which is a transparent, comparable measure not affected by risk weightings. At 31 July 2014, the leverage ratio was 9.2% (31 July 2013: 9.8%) with the reduction largely reflecting the inclusion of the foreseeable dividend.

Over the last few years, our strong capital position has enabled us to continue to grow during a period of economic uncertainty and regulatory change. We remain focused on holding an appropriate level of capital and continue to monitor and manage capital resources carefully.

BUSINESS REVIEW

Banking

The Banking division's strategy is focused on delivering sustainable growth throughout the economic cycle. As our loan book has grown, we have maintained its high quality through disciplined underwriting, consistent lending parameters and strong risk management. This has enabled us to deliver strong returns through the cycle, which have been supported by our differentiated approach to banking. Our lenders are experts in their areas of specialism and remain focused on building long-term relationships and providing a high quality level of service to our customers and intermediaries. Overall, the strategic priorities of the Banking division are unchanged, having enabled us to deliver consistently strong profitability in all economic conditions:

- Optimising opportunities for sustainable growth
- Maintaining our strong returns
- Continuing investment to support the model, manage risks and deliver long-term growth

Overview of financial performance

Key Financials

	2014 £ million	2013 £ million	Change %
Adjusted operating income	**446.7**	396.2	13
Net interest and fees on loan book[1]	**427.3**	386.6	11
Retail	**164.6**	152.6	8
Commercial	**187.3**	173.4	8
Property	**75.4**	60.6	24
Treasury and other non-lending income	**19.4**	9.6	102
Adjusted operating expenses	**(221.0)**	(187.2)	18
Impairment losses on loans and advances	**(44.1)**	(50.6)	(13)
Adjusted operating profit	**181.6**	158.4	15

Key Performance Indicators

	2014	2013
Net interest margin[2]	**8.6%**	8.8%
Bad debt ratio[3]	**0.9%**	1.2%
Return on net loan book[4]	**3.7%**	3.6%
Return on opening equity[5]	**25%**	24%

1 Includes £332.2 million (2013: £294.0 million) net interest income and £95.1 million (2013: £92.6 million) other income. Other income includes net fees and commissions, operating lease income, and other miscellaneous income. For further information on our operating leases, please refer to note 11.

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 profit before tax on average net loans and advances to customers.

5 Adjusted operating profit after tax and non-controlling interests on opening equity less non-controlling interests.

The division delivered another strong result in 2014, with continued profit growth and a 14% increase in the loan book to £5.3 billion (31 July 2013: £4.6 billion). Overall we improved our returns in the year, with the return on net loan book increasing to 3.7% (2013: 3.6%) and the return on opening equity improving to 25% (2013: 24%).

Adjusted operating income increased 13% to £446.7 million (2013: £396.2 million), principally reflecting 11% growth in net interest and fees on the loan book to £427.3 million (2013: £386.6 million) across the Retail, Commercial and Property portfolios. Treasury and other non-lending income increased to £19.4 million (2013: £9.6 million) reflecting a reduction in the division's cost of funding as we grew our more competitively priced corporate deposit base, replacing retail deposits as they matured.

Banking continued

Adjusted operating expenses increased by 18% to £221.0 million (2013: £187.2 million). The uplift is principally volume driven, reflecting a higher headcount and loan book, but we have also continued to invest in strengthening our IT infrastructure and enhancing our front end technology. As a result of the favourable credit environment and our strict underwriting criteria, impairment losses on loans and advances continued to reduce in the year, down 13% to £44.1 million (2013: £50.6 million). Overall, adjusted operating profit for the division increased 15% to £181.6 million (2013: £158.4 million), corresponding to an improved operating margin of 41% (2013: 40%).

Optimising opportunities for sustainable growth

We have been able to grow organically across our core lending businesses through the cycle by providing a differentiated, local service to retain and attract new customers. We also aim to generate new business through marketing initiatives, intended to raise Close Brothers' profile and awareness of our lending capabilities as well as highlight the quality of the service we provide.

In the year the loan book grew 14% to £5.3 billion (31 July 2013: £4.6 billion). This was primarily driven by improving demand in our existing markets but we are also benefiting from new lending initiatives and an increased sales headcount. The portfolio composition remains largely unchanged year-on-year reflecting strong new business generated across the loan book.

While we are seeing a cyclical return in competition, overall credit supply in our markets still remains below pre-crisis levels and has been balanced by an improvement in demand in some of our niche markets. For example, our motor finance business has been most impacted by a return of competition and new entrants competing aggressively on price. However, demand is at a 10 year high and we have been able to deliver a good growth rate in the year while maintaining our strong returns.

Overall we continue to see good demand for our specialist and tailored finance solutions and we continue to generate strong levels of new and repeat business.

Loan Book Analysis

	31 July 2014 £ million	31 July 2013 £ million	Change %
Retail	**2,092.8**	1,906.0	10
Motor finance	**1,458.9**	1,278.3	14
Premium finance	**633.9**	627.7	1
Commercial	**2,047.2**	1,845.7	11
Asset finance	**1,656.0**	1,482.3	12
Invoice finance	**391.2**	363.4	8
Property	**1,149.7**	893.9	29
Closing loan book	**5,289.7**	4,645.6	14

Our Retail loan book, providing intermediated lending through motor dealers and insurance brokers, increased 10% to £2,092.8 million (31 July 2013: £1,906.0 million) driven by good growth in motor finance. The motor loan book increased 14% to £1,458.9 million (31 July 2013: £1,278.3 million) reflecting increased volumes from existing dealers as a result of the strong market growth. Premium finance is a relatively mature market but with strong repeat business levels, the loan book remained broadly flat in the year, up 1% at £633.9 million (31 July 2013: £627.7 million).

Banking continued

The Commercial loan book, which is focused on providing alternative lending for the SME market, grew 11% in the year to £2,047.2 million (31 July 2013: £1,845.7 million). Although we have yet to see a broad based increase in SME demand, we are benefiting from our expansion into new areas of lending.

Asset finance, the largest part of the loan book, was up 12% to £1,656.0 million (31 July 2013: £1,482.3 million), with growth across all asset classes. In particular, the intermediated broker sector saw good new business volumes while both the Irish and leasing businesses benefited from new hires. Invoice finance had good growth from new clients in the year, and increased its loan book by 8% to £391.2 million (31 July 2013: £363.4 million).

In Property we have seen strong growth in both residential development loans and bridging finance, largely from existing customer relationships as the developers we work with have benefited from the improvement in the property market in the year. Reflecting this, the loan book increased by 29% to £1,149.7 million (31 July 2013: £893.9 million). We continue to uphold our strict lending criteria which have sustained our low impairment levels in recent years, and we have maintained consistent average loan sizes and loan-to-value ratios, only lending where planning permission has already been granted.

Maintaining our strong returns

While the division has seen good growth in the year, we remain very focused on the quality of our lending and have maintained our lending model and strict underwriting criteria which support our strong returns. We also benefit from our continued focus on delivering a high quality and differentiated customer proposition. Our local distribution network of over 500 sales representatives is hard to replicate and we are continually growing and developing this network. For example, we have increased our presence in Ireland in the year and now have a loan book of £252.6 million (31 July 2013: £176.4 million) in this market, generating the same high quality returns as our UK book.

In 2014, the net interest margin, which includes net interest income and other lending related income, reduced slightly to 8.6% (2013: 8.8%). We have benefited from a lower cost of funding in the year but this has been offset by a reduction in default fees as the quality of our lending improves, as well as changes in the mix of the loan book. Other income, which includes net fees and commissions as well as operating lease income, accounted for around 22% (2013: 24%) of total net interest and fee income.

We continuously focus on maintaining the credit quality of the loan book as it grows, which has continued to benefit our level of impairments in the year. The bad debt ratio is now at 0.9% (2013: 1.2%) reflecting the favourable lending market in 2014 and our strong credit controls. In the year the reduction was mainly driven by an improvement in Property and asset finance.

Overall, the reduction in bad debts has more than offset the fall in the net interest margin, with the result that the division's returns have continued to improve. We have consistently maintained strong returns through the cycle, and our return on net loan book is now 3.7% (2013: 3.6%).

Continued investment to support the model, manage risks and deliver growth

To ensure the division is able to sustain its high levels of customer service, while protecting the business against risks and regulatory change, we continue to invest. While we operate a relatively high cost model, we believe our spend is necessary to support our lending, manage risks and deliver sustainable growth.

In 2014, adjusted operating expenses were 18% higher at £221.0 million (2013: £187.2 million). A large proportion of the increase was volume driven reflecting the loan book growth in the year. In particular, fixed staff costs have increased as we have expanded our front line sales team as well as our back-office risk, compliance and technology functions. Variable staff costs were also higher reflecting the division's strong performance, but overall the compensation ratio has remained stable at 27% (2013: 27%).

Banking continued

We also continue to invest to keep pace with regulatory change and improve our customer service offering. In the year, we continued to strengthen our IT infrastructure and technology, reducing risk by replacing legacy systems as well as enhancing our security to protect against cyber threats. Reflecting this ongoing investment, the depreciation expense was greater year-on-year, and we also recorded a higher marketing and project spend as we look to improve the quality of our customer service. Overall, the division's total expense/income ratio increased in the year to 49% (2013: 47%).

Well positioned for further growth at attractive margins

In 2015 we expect to benefit from ongoing growth opportunities in our core markets and the favourable credit environment. Our model remains focused on the customer, supported by our ongoing investment to strengthen our systems and protect our strong returns. We will also continue to look at new adjacent markets and explore opportunities within our existing risk/return boundaries. We look ahead to the next financial year with confidence.

BUSINESS REVIEW

Securities

Within the Securities division, our strategic focus continues to be on maintaining our leading market positions in all trading conditions. During the year we have delivered on our strategic priorities:

- Maximising revenue opportunities as trading conditions improved
- Maintaining trading capacity and market leading position
- Remaining well positioned for any sustained cyclical recovery

Overview of financial performance

Key Financials

	2014 £ million	2013 £ million	Change %
Adjusted operating income	**127.4**	106.3	20
Winterflood	**96.1**	74.6	29
Seydler	**31.3**	30.8	2
Mako (associate income after tax)[1]	**-**	0.9	
Adjusted operating expenses	**(93.9)**	(80.6)	17
Winterflood	**(69.5)**	(57.7)	20
Seydler	**(24.4)**	(22.9)	7
Adjusted operating profit	**33.5**	25.7	30
Winterflood	**26.6**	16.9	57
Seydler	**6.9**	7.9	(13)
Mako (associate income after tax)[1]	**-**	0.9	

Key Performance Indicators

Winterflood income per bargain	**£6.81**	£6.33
Winterflood average bargains per day ('000)	**56**	47
Securities operating margin[2]	**26%**	24%
Securities return on opening equity[3]	**26%**	20%

[1] In the 2013 financial year Mako was reclassified to an available for sale equity investment and no longer generates associate income.

[2] Adjusted operating profit on adjusted operating income excluding associate income.

[3] Adjusted operating profit excluding associate income after tax and non-controlling interests on opening equity less non-controlling interests.

Improved trading conditions

Over the last financial year, the strengthening UK economy has helped underpin a resilient equity market and a significant increase in companies raising capital via a stock market listing. Supported by a number of positive government initiatives, such as the inclusion of AIM shares in ISAs, investors have gained confidence and trading volumes have improved. However, this recovery has not been without volatility. Political uncertainty and a rotation out of mid caps into large caps in the third quarter of our financial year created periods of uncertainty, but overall, conditions have been more favourable than those seen in 2012 and 2013.

Adjusted operating income increased 20% to £127.4 million (2013: £106.3 million) reflecting increased trading volumes in the division and a change in mix towards higher margin sectors at Winterflood. Adjusted operating expenses increased 17% to £93.9 million (2013: £80.6 million) principally driven by higher variable costs as a result of the improved financial performance. Overall, the expense/income ratio improved to 74% (2013: 76%) and the compensation ratio was stable at 45% (2013: 45%).

During 2013 we recorded £0.9 million of associate income in relation to Mako, which was subsequently reclassified as an available for sale equity investment and is therefore no longer reported as part of the

Securities continued

Securities division. The group's current investment holding in Mako is 8.5% (2013: 21.3%).

In total, adjusted operating profit for the division increased by 30% to £33.5 million (2013: £25.7 million), corresponding to an improved operating margin of 26% (2013: 24%). The division's return on opening equity increased to 26%, up from 20% in 2013.

Improved trading in smaller cap stocks in Winterflood

Winterflood's broad market coverage, trading capacity and expertise allow it to respond quickly to changes in investor demand. As retail investor risk appetite increased, specifically in the volatile and less liquid AIM and small cap sectors where its market-makers are particularly experienced, Winterflood's performance improved.

Winterflood's adjusted operating income increased 29% to £96.1 million (2013: £74.6 million) reflecting an increase in income per bargain and stronger trading volumes. Despite periods of market volatility in the second half of the year, the number of loss days declined to four (2013: eight).

Income per bargain increased to £6.81 (2013: £6.33) principally due to a change in mix towards more profitable AIM trading. Investors were also encouraged by positive market sentiment and increased IPO activity; there were 80 IPOs on AIM in our 2014 financial year (2013: 49).

Average bargains per day also increased from 46,610 in 2013 to 55,749 due to stronger trading in AIM and international sectors. Winterflood joined the European exchange, Equiduct in 2013 and, as its brand has become more established, has benefited from an increase in international order flow. This trading generates strong revenues for Winterflood but it is high volume and low margin. This increased trading activity has had a positive impact on Winterflood's volumes per day but a negative impact on income per bargain, particularly in the second half of the year.

As market activity has improved, Winterflood has been able to benefit from its core operational efficiency. Adjusted operating expenses increased 20% to £69.5 million (2013: £57.7 million) predominantly reflecting an increase in variable performance related costs and settlement fees.

Overall Winterflood delivered a 57% increase to adjusted operating profit of £26.6 million (2013: £16.9 million) in the year with performance in the second half broadly consistent with the first.

Consistent performance in Seydler

Seydler's adjusted operating income remained broadly stable on 2013 at £31.3 million (2013: £30.8 million) as improved trading volumes on the Frankfurt Stock Exchange were offset by a modest decline in capital markets fees. Adjusted operating expenses were up 7% to £24.4 million (2013: £22.9 million) due to the recruitment of a number of senior hires, resulting in a £1.0 million decrease to adjusted operating profit to £6.9 million (2013: £7.9 million).

Seydler maintains its market leading position, with an established client base and strong capital markets franchise in the German small and mid-cap market.

Well positioned for stronger cyclical recovery

We have demonstrated the resilience of our model through the difficult trading conditions in 2012 and 2013; Winterflood, in particular, has generated stronger returns as markets and investor sentiment have improved. By maintaining our trading capability and market leading position, we are well placed to benefit should equity markets and retail investor risk appetite continue to recover. However, performance will continue to be sensitive to market conditions which have been subdued at the start of the 2015 financial year.

BUSINESS REVIEW

Asset Management

The Asset Management division has been shaped and positioned to benefit from regulatory, market and demographic changes. We remain focused on meeting the needs of our clients through our high quality, integrated proposition which offers financial advice, investment management and an online investment portal. The division is well positioned for future growth having performed well against its strategic priorities in the year:

- Driving organic private client inflows
- Continuing to build scale and maximise revenue generation
- Identify opportunities to further enhance the division

Overview of financial performance

Key Financials

	2014 £ million	2013 £ million	Change %
Adjusted operating income	**84.4**	78.1	8
Income on AuM	**83.8**	76.3	10
Advice and other services[1]	**36.6**	35.2	4
Investment management	**47.2**	41.1	15
Other income[2]	**0.6**	1.8	(67)
Adjusted operating expenses	**(74.5)**	(74.1)	1
Adjusted operating profit	**9.9**	4.0	148

Key Performance Indicators

Assets under Management (£ billion)	**9.7**	9.1
Revenue margin (bps)[3]	**89**	88
Operating margin	**12%**	5%
Return on opening equity[4]	**25%**	10%

1 Income from financial advice and self directed services, excluding investment management income.
2 Net interest income, 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.

The Asset Management division has built on the momentum it established in 2013, more than doubling its adjusted operating profit to £9.9 million (2013: £4.0 million).

Adjusted operating income increased 8% to £84.4 million (2013: £78.1 million). Income on Assets under Management ("AuM") was up 10% to £83.8 million (2013: £76.3 million), reflecting the 7% growth in AuM to £9.7 billion (31 July 2013: £9.1 billion) and a slightly improved revenue margin of 89 basis points (2013: 88 basis points). Other income declined to £0.6 million (2013: £1.8 million) as the prior year included the one-off gain on the sale of the division's residual investment in a private equity fund.

Demonstrating the operational efficiency within the division, adjusted operating expenses were held broadly flat at £74.5 million (2013: £74.1 million) despite the increased levels of income and AuM in the year. The expense/income ratio continued to improve to 88% (2013: 95%) and the compensation ratio declined to 58% (2013: 60%).

As a result the operating margin improved to 12% (2013: 5%), on track to meet our medium-term profitability target of 15% in 2015, and the return on opening equity increased to 25% (2013: 10%).

Asset Management continued

Good inflows across our distribution channels

Movement in Assets under Management

	£ million
At 1 August 2013	9,080
Inflows	1,312
Outflows	(874)
Net inflows	438
Market movement	187
At 31 July 2014	**9,705**
Change	7%

Reflecting the quality of our advice and investment proposition and the breadth of our distribution, AuM increased 7% to £9.7 billion at 31 July 2014 (31 July 2013: £9.1 billion). The increase was driven by good net inflows across our distribution channels and supported by positive market movements.

Gross inflows, at £1.3 billion, were 9% greater than the prior year. Validating the quality of our investment management, the strongest inflows have been from third party IFAs, where we are benefiting from a growing distribution network. We have also seen good inflows both from our high net worth business, where we have recruited a number of bespoke portfolio managers, and from our private client advisers.

The level of outflows reduced to £0.9 billion (2013: £1.4 billion) predominately due to client drawdowns in the normal course of business, although the prior year included £0.5 billion of one-off outflows. Overall net flows were positive at £0.4 billion and, at 5% of opening AuM, represent an improvement on the prior year's net outflows.

Over the last year the Diversified Income, Balanced and Growth funds have all outperformed their benchmarks whereas the Bond and Conservative funds, which provide high quality income while maintaining a low risk approach, underperformed their respective IMA benchmarks. In addition, we are benefiting from the continued strong investment performance in our bespoke high net worth portfolios, all of which have consistently outperformed their ARC peer groups over a five year period.

Continuing to build scale and maximise revenue generation

We are continuing to build scale and are establishing ourselves as a leading provider of wealth management services to the UK private client market. Our experienced team of advisers and investment managers have been able to leverage our infrastructure and client service capabilities and deliver good organic growth in revenue and assets.

Assets under Management by type

	2014 £ million	2013 £ million	Change %
Total AuM	**9,705**	9,080	7
Advised AuM[1]	**5,151**	5,067	2
Managed AuM[2]	**6,922**	6,193	12
Both advised and managed AuM	**2,368**	2,180	9

[1] All personal and corporate advised and self directed client assets, including those which are also managed by Close Brothers.

[2] All client assets which are invested in Close Brothers' investment products, including funds, separately managed accounts and bespoke high net worth client portfolios.

Asset Management continued

Total advised AuM grew 2% to £5.2 billion (31 July 2013: £5.1 billion) largely due to positive market movements. We continue to focus on improving the operational capacity of our personal advisers to increase net flows. Income from advice and other services increased 4% to £36.6 million (2013: £35.2 million) due to the uplift in higher margin private client assets and improved levels of initial fees. We have seen a small reduction in corporate advice income and as a result the revenue margin has declined slightly to 71 basis points (2013: 73 basis points).

Total managed AuM grew 12% to £6.9 billion (31 July 2013: £6.2 billion) due to strong inflows from third party IFAs and our bespoke portfolio managers, supported by modest market movements. In particular we have seen strong demand for our multi-asset Close Discretionary Funds. These Funds now manage £2.6 billion (2013: £2.1 billion) of assets, up 23% on the prior year. Investment management income increased 15% to £47.2 million (2013: £41.1 million), with the revenue margin improving to 72 basis points (2013: 71 basis points) due to the stronger growth in higher margin high net worth assets.

Importantly, we saw good inflows into our core integrated proposition providing both management and advice. These assets grew by 9% to £2.4 billion (2013: £2.2 billion), and now represent 46% (2013: 43%) of total advised assets. We are encouraged by the good demand from new clients, particularly in the second half of the financial year, as well as the continued progress in migrating existing clients.

Opportunities to further enhance our business

In a highly competitive and regulated market place, we believe our proposition, multi-channel distribution and diverse sources of revenue are strong differentiators.

Our primary focus is organic growth. To support this, we are developing the concept of the financial planner as a true professional who provides the highest quality financial advice to their clients. In addition, we will increase our advisers' capacity with more efficient processes and capitalise on our longer-term investment performance to help build stronger relationships with third party IFAs.

We will look to take advantage of opportunities to add further scale and geographic presence through selected infill acquisitions and hiring of advisers and portfolio managers.

We are positive about the far reaching reforms to the savings and retirement income rules announced earlier this year by the UK Government which should result in increased demand for high quality financial advice and flexible investment propositions. As our distribution channels continue to mature and the capability of our advice proposition improves, we are confident that we are well placed to deliver profitable growth at attractive and improving margins.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 July 2014

	Note	**2014 £ million**	2013[1] £ million
Interest income		**491.3**	450.2
Interest expense		**(139.2)**	(150.7)
Net interest income		**352.1**	299.5
Fee and commission income		**194.8**	189.0
Fee and commission expense		**(27.7)**	(26.4)
Gains less losses arising from dealing in securities		**100.8**	80.3
Share of profit of Mako		**-**	0.9
Other income		**39.2**	39.6
Non-interest income		**307.1**	283.4
Operating income		**659.2**	582.9
Administrative expenses		**(414.5)**	(365.1)
Impairment losses on loans and advances	7	**(44.1)**	(50.6)
Total operating expenses before exceptional income and amortisation of intangible assets on acquisition		**(458.6)**	(415.7)
Operating profit before exceptional income and amortisation of intangible assets on acquisition		**200.6**	167.2
Exceptional income	3	**-**	1.6
Amortisation of intangible assets on acquisition		**(4.9)**	(5.0)
Operating profit before tax		**195.7**	163.8
Tax	4	**(45.5)**	(42.7)
Profit after tax		**150.2**	121.1
Profit attributable to non-controlling interests		**0.4**	1.1
Profit attributable to shareholders		**149.8**	120.0
Basic earnings per share	5	**101.5p**	82.0p
Diluted earnings per share	5	**100.0p**	80.6p
Interim dividend per share paid	6	**16.5p**	15.0p
Final dividend per share	6	**32.5p**	29.5p

1 Restated – see notes 1 and 17.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 July 2014

	2014 £ million	2013[1] £ million
Profit after tax for the year	**150.2**	121.1
Other comprehensive (expense)/income that may be reclassified to income statement		
Currency translation (losses)/gains	**(4.2)**	4.0
Gains on cash flow hedging	**4.7**	4.8
Gains/(losses) on financial instruments classified as available for sale:		
Gilts	**-**	(0.1)
Floating rate notes	**-**	1.1
Equity shares	**0.4**	1.9
Transfer to income statement of realised currency translation gains	**-**	(7.4)
Tax relating to items that may be reclassified	**(0.8)**	(1.5)
Total other comprehensive income that may be reclassified to income statement	**0.1**	2.8
Other comprehensive (expense)/income that will not be reclassified to income statement		
Defined benefit pension scheme (losses)/gains	**(1.6)**	2.4
Tax relating to items that will not be reclassified	**0.3**	(0.5)
Total other comprehensive (expense)/income that will not be reclassified to income statement	**(1.3)**	1.9
Other comprehensive (expense)/income for the year, net of tax	**(1.2)**	4.7
Total comprehensive income for the year	**149.0**	125.8
Attributable to		
Non-controlling interests	**0.4**	1.1
Shareholders	**148.6**	124.7
	149.0	125.8

1 Restated – see notes 1 and 17.

CONSOLIDATED BALANCE SHEET
at 31 July 2014

	Note	**2014 £ million**	2013[1] £ million
Assets			
Cash and balances at central banks		**1,171.8**	935.4
Settlement balances		**465.8**	471.0
Loans and advances to banks		**87.4**	89.8
Loans and advances to customers	7	**5,289.7**	4,645.6
Debt securities	8	**94.2**	124.9
Equity shares	9	**76.1**	71.4
Loans to money brokers against stock advanced		**63.9**	52.1
Derivative financial instruments		**27.8**	56.8
Intangible assets	10	**146.3**	141.6
Property, plant and equipment		**117.0**	89.7
Deferred tax assets		**31.7**	25.8
Prepayments, accrued income and other assets		**128.7**	127.0
Total assets		**7,700.4**	6,831.1
Liabilities			
Settlement balances and short positions	13	**494.0**	475.3
Deposits by banks	14	**49.6**	66.6
Deposits by customers	14	**4,513.7**	4,015.4
Loans and overdrafts from banks	14	**9.4**	37.6
Debt securities in issue	14	**1,354.4**	1,055.3
Loans from money brokers against stock advanced		**28.4**	16.4
Derivative financial instruments		**19.5**	48.4
Current tax liabilities		**24.1**	10.0
Accruals, deferred income and other liabilities		**212.5**	192.3
Subordinated loan capital		**77.2**	77.3
Total liabilities		**6,782.8**	5,994.6
Equity			
Called up share capital		**37.7**	37.7
Share premium account		**283.8**	283.7
Retained earnings		**589.8**	511.9
Other reserves		**5.2**	(0.5)
Total shareholders' equity		**916.5**	832.8
Non-controlling interests		**1.1**	3.7
Total equity		**917.6**	836.5
Total liabilities and equity		**7,700.4**	6,831.1

1 Restated – see notes 1 and 17.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 July 2014

	Called up share capital £ million	Share premium account £ million	Retained earnings £ million	Other reserves: Available for sale movements reserve £ million	Other reserves: Share-based payments reserve £ million	Other reserves: Exchange movements reserve £ million	Other reserves: Cash flow hedging reserve £ million	Total attributable to equity holders £ million	Non-controlling interests £ million	Total equity £ million
At 1 August 2012	37.6	283.4	454.3	6.5	(19.0)	8.6	(5.3)	766.1	3.7	769.8
Restatement (see notes 1 and 17)	-	-	(6.5)	-	-	-	-	(6.5)	-	(6.5)
Restated	37.6	283.4	447.8	6.5	(19.0)	8.6	(5.3)	759.6	3.7	763.3
Profit for the year	-	-	120.0	-	-	-	-	120.0	1.1	121.1
Other comprehensive income/(expense)	-	-	1.9	2.6	-	(3.4)	3.6	4.7	-	4.7
Total comprehensive income/(expense) for the year	-	-	121.9	2.6	-	(3.4)	3.6	124.7	1.1	125.8
Exercise of options	-	0.2	-	-	-	-	-	0.2	-	0.2
Dividends paid	-	-	(61.5)	-	-	-	-	(61.5)	(0.1)	(61.6)
Shares purchased	-	-	-	-	-	-	-	-	-	-
Shares issued	0.1	0.1	-	-	-	-	-	0.2	-	0.2
Shares released	-	-	-	-	5.7	-	-	5.7	-	5.7
Other movements	-	-	0.3	-	0.2	-	-	0.5	(1.0)	(0.5)
Income tax	-	-	3.4	-	-	-	-	3.4	-	3.4
At 31 July 2013	37.7	283.7	511.9	9.1	(13.1)	5.2	(1.7)	832.8	3.7	836.5
Profit for the year	-	-	149.8	-	-	-	-	149.8	0.4	150.2
Other comprehensive (expense)/income	-	-	(1.3)	0.5	-	(4.2)	3.8	(1.2)	-	(1.2)
Total comprehensive income/(expense) for the year	-	-	148.5	0.5	-	(4.2)	3.8	148.6	0.4	149.0
Exercise of options	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	(67.1)	-	-	-	-	(67.1)	(0.2)	(67.3)
Shares purchased	-	-	-	-	(7.8)	-	-	(7.8)	-	(7.8)
Shares issued	-	0.1	-	-	-	-	-	0.1	-	0.1
Shares released	-	-	-	-	13.7	-	-	13.7	-	13.7
Other movements	-	-	(5.7)	-	(0.3)	-	-	(6.0)	(2.8)	(8.8)
Income tax	-	-	2.2	-	-	-	-	2.2	-	2.2
At 31 July 2014	**37.7**	**283.8**	**589.8**	**9.6**	**(7.5)**	**1.0**	**2.1**	**916.5**	**1.1**	**917.6**

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 July 2014

	Note	**2014 £ million**	2013[1] £ million
Net cash inflow from operating activities	16(a)	**339.6**	179.9
Net cash (outflow)/inflow from investing activities			
Purchase of:			
Property, plant and equipment		**(5.9)**	(4.1)
Intangible assets – software		**(19.9)**	(13.1)
Equity shares held for investment		**(0.1)**	(0.3)
Non-controlling interests	16(b)	**(7.5)**	(5.0)
Sale of:			
Equity shares held for investment		**8.7**	6.7
Associate	16(c)	**-**	4.8
		(24.7)	(11.0)
Net cash inflow before financing		**314.9**	168.9
Financing activities			
Issue of ordinary share capital, net of transaction costs	16(d)	**0.1**	0.4
Purchase of own shares for employee share award schemes		**(7.8)**	-
Equity dividends paid		**(67.1)**	(61.5)
Dividends paid to non-controlling interests		**(0.2)**	(0.1)
Interest paid on subordinated loan capital and debt financing		**(18.6)**	(18.6)
Net increase in cash		**221.3**	89.1
Cash and cash equivalents at beginning of year		**1,017.4**	928.3
Cash and cash equivalents at end of year	16(e)	**1,238.7**	1,017.4

1 Restated – see notes 1 and 17.

THE NOTES

1. Basis of preparation and accounting policies

The financial information contained in this announcement does not constitute the statutory accounts for the years ended 31 July 2014 or 31 July 2013 within the meaning of section 435 of the Companies Act 2006, but is derived from those accounts. The accounting policies used are consistent with those set out in the Annual Report 2013 except for the adoption of the following amendment with effect from 1 August 2013:

IAS 19 (Revised) "Employee benefits"

- The amendments to IAS 19 (Revised) principally affect the accounting for and disclosure of defined benefit plans. Actuarial gains and losses arising from the valuation of defined benefit pension schemes are no longer permitted to be deferred using the "corridor" approach and must be recognised immediately in other comprehensive income. In addition, IAS 19 (Revised) requires a single rate to be applied to the net defined benefit asset or liability to calculate the net interest income or expense, remove the options for presentation of gains and losses and enhances the disclosure requirements in respect of defined benefit plans and the risks arising on those plans. The amendments have been applied retrospectively with comparative information restated accordingly. The impact of the restatement is presented in note 17.

The financial statements are prepared on a going concern basis.

Whilst the financial information has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards ("IFRS"), this announcement does not itself contain sufficient information to comply with IFRS. The company expects to publish full financial statements that comply with IFRS by 17 October 2014.

The financial information for the year ended 31 July 2014 has been derived from the audited financial statements of Close Brothers Group plc for that year. Statutory accounts for 2013 have been delivered to the Registrar of Companies and those for 2014 will be delivered following the company's Annual General Meeting. The auditor, Deloitte LLP, has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under Section 498(2) or (3) of the Companies Act 2006.

2. Segmental analysis

The Executive Committee, which is considered to be the group's chief operating decision maker, manages the group by class of business as determined by the products and services offered and presents the segmental analysis on that basis. The group's activities are organised in three primary operating divisions: Banking, Securities and Asset Management. The Group segment includes the group's central functions which comprise Group Executive, Finance, Investor Relations, Legal, Human Resources, Audit, Compliance, Corporate Development, Company Secretariat and Risk. Group administrative expenses include staff costs, legal and professional fees and property costs attributable to the central functions which support and assist the development of the divisions. Income within Group is typically immaterial and will include interest on cash balances at Group. In the segmental reporting information which follows, Group consists of the central functions described above as well as various non-trading head office companies and consolidation adjustments, in order that the information presented reconciles to the consolidated income statement and balance sheet.

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

2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ 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**
Non-interest income	**93.8**	**128.6**	**84.7**	**-**	**307.1**
Operating income	**446.7**	**127.4**	**84.4**	**0.7**	**659.2**
Administrative expenses	**(194.7)**	**(92.5)**	**(73.1)**	**(24.4)**	**(384.7)**
Depreciation and amortisation	**(26.3)**	**(1.4)**	**(1.4)**	**(0.7)**	**(29.8)**
Impairment losses on loans and advances	**(44.1)**	**-**	**-**	**-**	**(44.1)**
Total operating expenses	**(265.1)**	**(93.9)**	**(74.5)**	**(25.1)**	**(458.6)**
Adjusted operating profit/(loss)[1]	**181.6**	**33.5**	**9.9**	**(24.4)**	**200.6**
Exceptional income	**-**	**-**	**-**	**-**	**-**
Amortisation of intangible assets on acquisition	**(0.5)**	**-**	**(4.4)**	**-**	**(4.9)**
Operating profit/(loss) before tax	**181.1**	**33.5**	**5.5**	**(24.4)**	**195.7**
Tax	**(42.0)**	**(7.8)**	**(0.9)**	**5.2**	**(45.5)**
Non-controlling interests	**(0.3)**	**-**	**-**	**(0.1)**	**(0.4)**
Profit/(loss) after tax and non-controlling interests	**138.8**	**25.7**	**4.6**	**(19.3)**	**149.8**
External operating income/(expense)	**459.5**	**127.4**	**85.5**	**(13.2)**	**659.2**
Inter segment operating (expense)/income	**(12.8)**	**-**	**(1.1)**	**13.9**	**-**
Segment operating income	**446.7**	**127.4**	**84.4**	**0.7**	**659.2**

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

The following table provides further detail on operating income:

	2014 £ million	2013 £ million
Banking		
Retail	**164.6**	152.6
Commercial	**187.3**	173.4
Property	**75.4**	60.6
Treasury and other non-lending income	**19.4**	9.6
Securities		
Market-making and related activities	**127.4**	106.3
Asset Management		
Advice and other services	**36.6**	35.2
Investment management	**47.2**	41.1
Other income	**0.6**	1.8
Group	**0.7**	2.3
Operating income	**659.2**	582.9

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**
Other segmental information for the year ended 31 July 2014					
Property, plant, equipment and intangible asset expenditure	**70.1**	**0.8**	**0.3**	**0.7**	**71.9**
Employees (average number)	**1,776**	**321**	**567**	**67**	**2,731**

2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Income Statement for the year ended 31 July 2013[1]					
Net interest income/(expense)	300.9	(1.0)	(0.8)	0.4	299.5
Non-interest income	95.3	107.3	78.9	1.9	283.4
Operating income	396.2	106.3	78.1	2.3	582.9
Administrative expenses	(168.2)	(78.7)	(72.6)	(22.5)	(342.0)
Depreciation and amortisation	(19.0)	(1.9)	(1.5)	(0.7)	(23.1)
Impairment losses on loans and advances	(50.6)	-	-	-	(50.6)
Total operating expenses	(237.8)	(80.6)	(74.1)	(23.2)	(415.7)
Adjusted operating profit/(loss)[2]	158.4	25.7	4.0	(20.9)	167.2
Exceptional income	-	1.6	-	-	1.6
Amortisation of intangible assets on acquisition	(0.6)	-	(4.4)	-	(5.0)
Operating profit/(loss) before tax	157.8	27.3	(0.4)	(20.9)	163.8
Tax	(40.3)	(7.1)	0.2	4.5	(42.7)
Non-controlling interests	(0.9)	-	-	(0.2)	(1.1)
Profit/(loss) after tax and non-controlling interests	116.6	20.2	(0.2)	(16.6)	120.0
External operating income/(expense)	408.4	106.3	79.6	(11.4)	582.9
Inter segment operating (expense)/income	(12.2)	-	(1.5)	13.7	-
Segment operating income	396.2	106.3	78.1	2.3	582.9

1 Restated – see notes 1 and 17.
2 Adjusted operating profit/(loss) is stated before exceptional income, amortisation of intangible assets on acquisition and tax.

2. Segmental analysis continued

	Banking £ million	Securities £ million	Asset Management £ million	Group £ million	Total £ million
Summary Balance Sheet at 31 July 2013[1]					
Assets					
Cash and loans and advances to banks	984.4	24.8	15.3	0.7	1,025.2
Settlement balances, long trading positions and loans to money brokers	-	595.5	-	-	595.5
Loans and advances to customers	4,645.6	-	-	-	4,645.6
Non-trading debt securities	96.2	-	-	-	96.2
Intangible assets	51.2	28.7	61.6	0.1	141.6
Other assets	251.8	30.6	24.9	19.7	327.0
Total assets	6,029.2	679.6	101.8	20.5	6,831.1
Liabilities					
Settlement balances, short trading positions and loans from money brokers	-	491.7	-	-	491.7
Deposits by banks	66.6	-	-	-	66.6
Deposits by customers	4,014.8	0.6	-	-	4,015.4
Borrowings	954.0	11.4	-	204.8	1,170.2
Other liabilities	148.5	37.4	45.5	19.3	250.7
Intercompany balances	294.3	40.5	24.6	(359.4)	-
Total liabilities	5,478.2	581.6	70.1	(135.3)	5,994.6
Equity	551.0	98.0	31.7	155.8	836.5
Total liabilities and equity	6,029.2	679.6	101.8	20.5	6,831.1
Other segmental information for the year ended 31 July 2013					
Property, plant, equipment and intangible asset expenditure	55.9	1.3	0.5	0.1	57.8
Employees (average number)	1,654	304	578	65	2,601

1 Restated – see notes 1 and 17.

3. Exceptional income

£1.6 million exceptional income in 2013 principally reflects realised foreign exchange gains offset by a revaluation on reclassification of Mako from an associate to an available for sale equity investment.

THE NOTES

4. Tax expense

	2014 £ million	2013[1] £ million
Tax charged/(credited) to the income statement		
Current tax:		
UK corporation tax	**48.8**	42.2
Foreign tax	**3.5**	3.3
Adjustments in respect of previous years	**0.4**	(7.8)
	52.7	37.7
Deferred tax:		
Deferred tax credit for the current year	**(7.2)**	(1.9)
Adjustments in respect of previous years	**-**	6.9
	45.5	42.7
Tax on items not charged/(credited) to the income statement		
Current tax relating to:		
Financial instruments classified as available for sale	**-**	0.2
Share-based transactions tax allowance in excess of expense recognised	**(3.0)**	(0.5)
Deferred tax relating to:		
Cash flow hedging	**0.9**	1.2
Defined benefit pension scheme	**(0.3)**	0.5
Financial instruments classified as available for sale	**(0.1)**	0.1
Share-based transactions tax allowance in excess of expense recognised	**0.8**	(2.9)
	(1.7)	(1.4)
Reconciliation to tax expense		
UK corporation tax for the year at 22.3% (2013: 23.7%) on operating profit	**43.7**	38.8
Gain on sale of subsidiary and associate	**-**	(0.4)
Effect of different tax rates in other jurisdictions	**0.2**	0.5
Share of associate consolidated profit after tax	**-**	(0.2)
Disallowable items and other permanent differences	**0.6**	1.2
Deferred tax impact of reduced UK corporation tax rate	**0.6**	3.7
Prior year tax provision	**0.4**	(0.9)
	45.5	42.7

1 Restated – see notes 1 and 17.

The effective tax rate for the year is 23.2% (2013: 26.1%) which is above the UK corporation tax rate of 22.3% (2013: 23.7%) principally due to normal disallowables and to deferral of the tax deduction for certain expenses until future periods when the standard UK corporation tax rate is lower than for the current period.

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.

	2014	2013[1]
Earnings per share		
Basic	**101.5p**	82.0p
Diluted	**100.0p**	80.6p
Adjusted basic[2]	**104.1p**	83.5p
Adjusted diluted[2]	**102.6p**	82.1p

1 Restated – see notes 1 and 17.
2 Excludes exceptional income, amortisation of intangible assets on acquisition and their tax effects.

	2014 £ million	2013[1] £ million
Profit attributable to shareholders	**149.8**	120.0
Adjustments:		
Exceptional income	**-**	(1.6)
Amortisation of intangible assets on acquisition	**4.9**	5.0
Tax effect of adjustments	**(1.0)**	(1.1)
Adjusted profit attributable to shareholders	**153.7**	122.3

1 Restated – see notes 1 and 17.

	2014 million	2013 million
Average number of shares		
Basic weighted	**147.6**	146.4
Effect of dilutive share options and awards	**2.2**	2.5
Diluted weighted	**149.8**	148.9

6. Dividends

	2014 £ million	2013 £ million
For each ordinary share		
Final dividend for previous financial year paid in November 2013: 29.5p (2012: 27.5p)	**42.9**	39.7
Interim dividend for current financial year paid in April 2014: 16.5p (2013: 15.0p)	**24.2**	21.8
	67.1	61.5

A final dividend relating to the year ended 31 July 2014 of 32.5p, amounting to an estimated £47.7 million, is proposed. This final dividend, which is due to be paid on 25 November 2014, is not reflected in these financial statements.

7. Loans and advances to customers

	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 July 2014	**60.9**	**1,463.3**	**1,660.8**	**1,038.3**	**1,093.3**	**21.4**	**(48.3)**	**5,289.7**
At 31 July 2013	78.2	1,414.1	1,344.9	936.7	916.8	16.8	(61.9)	4,645.6

	2014 £ million	2013 £ million
Impairment provisions on loans and advances to customers		
At 1 August	**61.9**	70.3
Charge for the year	**44.1**	50.6
Amounts written off net of recoveries	**(57.7)**	(59.0)
At 31 July	**48.3**	61.9
Loans and advances to customers comprise		
Hire purchase agreement receivables	**2,341.4**	2,040.5
Finance lease receivables	**466.5**	415.6
Other loans and advances	**2,481.8**	2,189.5
At 31 July	**5,289.7**	4,645.6

At 31 July 2014, gross impaired loans were £159.9 million (31 July 2013: £201.0 million) and equate to 3% (31 July 2013: 4%) 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	**48.6**	**-**	**-**	**48.6**
Certificates of deposit	**-**	**-**	**-**	**-**
Floating rate notes	**-**	**-**	**-**	**-**
Gilts	**-**	**45.6**	**-**	**45.6**
At 31 July 2014	**48.6**	**45.6**	**-**	**94.2**

	Held for trading £ million	Available for sale £ million	Loans and receivables £ million	Total £ million
Long trading positions	28.7	-	-	28.7
Certificates of deposit	-	-	10.1	10.1
Floating rate notes	-	39.4	-	39.4
Gilts	-	46.7	-	46.7
At 31 July 2013	28.7	86.1	10.1	124.9

8. Debt securities continued

Movements on the book value of gilts and floating rate notes ("FRNs") comprise:

	Available for sale		
	Gilts £ million	Floating rate notes £ million	Total £ million
At 1 August 2012	100.1	122.6	222.7
Disposals	-	(66.7)	(66.7)
Redemptions at maturity	(50.0)	(25.5)	(75.5)
Currency translation differences	-	7.8	7.8
Movement in value	(3.4)	1.2	(2.2)
At 31 July 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	(1.1)	-	(1.1)
At 31 July 2014	**45.6**	**-**	**45.6**

At 31 July 2013, £39.4 million of FRNs were due to mature within one year with £21.9 million issued by corporates and the remainder issued by banks and building societies.

9. Equity shares

	31 July 2014 £ million	31 July 2013 £ million
Long trading positions	**56.5**	43.7
Other equity shares	**19.6**	27.7
	76.1	71.4

Movements on the book value of other equity shares held during the year comprise:

	Available for sale £ million	Fair value through profit or loss £ million	Total £ million
At 1 August 2012	13.3	5.2	18.5
Additions	0.2	0.1	0.3
Disposals	(0.3)	(7.3)	(7.6)
Currency translation differences	1.4	-	1.4
Movement in value of:			
Equity shares classified as available for sale	0.2	-	0.2
Unlisted equity shares held at fair value	-	2.6	2.6
Reclassification from investment in Mako	12.3	-	12.3
At 31 July 2013	27.1	0.6	27.7
Additions	0.1	-	0.1
Disposals	(8.2)	(0.5)	(8.7)
Currency translation differences	(1.8)	-	(1.8)
Movement in value of:			
Equity shares classified as available for sale	2.3	-	2.3
Unlisted equity shares held at fair value	-	-	-
At 31 July 2014	**19.5**	**0.1**	**19.6**

10. Intangible assets

	Goodwill £ million	Software £ million	Intangible assets on acquisition £ million	Total £ million
Cost				
At 1 August 2012	156.0	38.7	42.4	237.1
Additions	-	13.1	-	13.1
Disposals	-	(0.2)	-	(0.2)
Foreign exchange	0.5	-	-	0.5
At 31 July 2013	156.5	51.6	42.4	250.5
Additions	-	19.9	-	19.9
Disposals	-	(2.7)	-	(2.7)
Foreign exchange	(0.4)	-	-	(0.4)
At 31 July 2014	**156.1**	**68.8**	**42.4**	**267.3**
Amortisation and impairment				
At 1 August 2012	68.0	21.5	7.9	97.4
Amortisation charge for the year	-	6.5	5.0	11.5
Disposals	-	-	-	-
At 31 July 2013	68.0	28.0	12.9	108.9
Amortisation charge for the year	-	9.8	4.9	14.7
Disposals	-	(2.6)	-	(2.6)
At 31 July 2014	**68.0**	**35.2**	**17.8**	**121.0**
Net book value at 31 July 2014	**88.1**	**33.6**	**24.6**	**146.3**
Net book value at 31 July 2013	88.5	23.6	29.5	141.6
Net book value at 1 August 2012	88.0	17.2	34.5	139.7

Intangible assets on acquisition relates to broker and customer relationships.

In the 2014 financial year, £4.9 million (2013: £5.0 million) of the amortisation charge is included in amortisation of intangible assets on acquisition and £9.8 million (2013: £6.5 million) of the amortisation charge is included in administrative expenses shown in the consolidated income statement.

11. Property, plant and equipment

	Leasehold property £ million	Fixtures, fittings and equipment £ million	Assets held under operating leases £ million	Motor vehicles £ million	Total £ million
Cost					
At 1 August 2012	8.5	42.5	77.0	1.0	129.0
Additions	0.8	3.0	40.6	0.3	44.7
Disposals	-	(4.6)	(18.5)	(0.1)	(23.2)
At 31 July 2013	9.3	40.9	99.1	1.2	150.5
Additions	0.8	4.6	46.1	0.5	52.0
Disposals	-	(10.6)	(12.5)	(0.5)	(23.6)
At 31 July 2014	**10.1**	**34.9**	**132.7**	**1.2**	**178.9**
Depreciation					
At 1 August 2012	3.4	31.8	18.2	0.6	54.0
Charge for the year	1.0	5.3	10.2	0.1	16.6
Disposals	-	(4.5)	(5.3)	-	(9.8)
At 31 July 2013	4.4	32.6	23.1	0.7	60.8
Charge for the year	1.3	4.5	13.9	0.3	20.0
Disposals	-	(10.4)	(8.1)	(0.4)	(18.9)
At 31 July 2014	**5.7**	**26.7**	**28.9**	**0.6**	**61.9**
Net book value at 31 July 2014	**4.4**	**8.2**	**103.8**	**0.6**	**117.0**
Net book value at 31 July 2013	4.9	8.3	76.0	0.5	89.7
Net book value at 1 August 2012	5.1	10.7	58.8	0.4	75.0

Assets held under operating leases relate to our rentals businesses within the Banking division. In addition to the depreciation charged in the year of £13.9 million (2013: £10.2 million), these assets generated other income of £32.4 million (2013: £27.5 million) and interest and fee expense of £11.1 million (2013: £8.6 million). The gains from the sale of assets held under operating leases for the year ended 31 July 2014 was £0.3 million (2013: £0.4 million).

12. Deferred tax assets

Movements in deferred tax assets and liabilities were as follows:

	Capital allowances £ million	Pension scheme £ million	Share-based payments and deferred compensation £ million	Available for sale assets £ million	Cash flow hedging £ million	Intangible assets £ million	Other £ million	Total £ million
At 1 August 2012[1]	26.0	(0.2)	9.0	(1.7)	1.6	(6.3)	1.3	29.7
(Charge)/credit to the income statement	(4.8)	(0.5)	-	-	-	1.1	(0.8)	(5.0)
Charge to other comprehensive income	-	(0.5)	-	(0.1)	(1.2)	-	-	(1.8)
Credit to equity	-	-	2.9	-	-	-	-	2.9
At 31 July 2013	21.2	(1.2)	11.9	(1.8)	0.4	(5.2)	0.5	25.8
Credit/(charge) to the income statement	6.6	(0.1)	(0.2)	-	-	1.0	(0.1)	7.2
Credit/(charge) to other comprehensive income	-	0.3	-	0.1	(0.9)	-	-	(0.5)
Charge to equity	-	-	(0.8)	-	-	-	-	(0.8)
At 31 July 2014	**27.8**	**(1.0)**	**10.9**	**(1.7)**	**(0.5)**	**(4.2)**	**0.4**	**31.7**

1 Restated – see notes 1 and 17.

As the group has been and is expected to continue to be consistently profitable, it is appropriate to recognise the full deferred tax assets.

13. Settlement balances and short positions

	31 July 2014 £ million	31 July 2013 £ million
Settlement balances	**444.1**	438.4
Short positions held for trading:		
Debt securities	**34.3**	22.4
Equity shares	**15.6**	14.5
	49.9	36.9
	494.0	475.3

14. Financial liabilities

	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**

	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	47.5	10.0	5.1	4.0	-	-	66.6
Deposits by customers	188.4	896.5	1,840.9	879.0	210.6	-	4,015.4
Loans and overdrafts from banks	19.3	18.3	-	-	-	-	37.6
Debt securities in issue	-	6.6	-	350.0	698.7	-	1,055.3
At 31 July 2013	255.2	931.4	1,846.0	1,233.0	909.3	-	5,174.9

Of the debt securities in issue, £299.0 million mature on 27 June 2021, £199.0 million mature on 10 February 2017 and £848.6 million relate to the insurance premium and motor loan receivables securitisations.

At 31 July 2013 the group has a repurchase agreement whereby FRNs to the value of £21.9 million were lent in exchange for cash of £18.3 million which were included within loans and overdrafts from banks. Residual maturities of the repurchase agreement were as follows:

	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
At 31 July 2013	-	18.3	-	-	-	-	18.3

15. Capital

At 31 July 2014, the group’s common equity tier 1 capital ratio remained broadly stable at 13.1% (31 July 2013: core tier 1 capital ratio 13.3%) even after the implementation of Capital Requirements Directive IV (“CRD IV”), the overall impact of which was neutral, as shown in the final table of this note.

Common equity tier 1 capital increased to £710.8 million (31 July 2013: core tier 1 capital £687.5 million) due to growth in profit attributable to shareholders which was partly offset by the foreseeable dividend deduction required under CRD IV, being the 2014 proposed final dividend of £47.7 million.

Risk weighted assets increased to £5,445.8 million (31 July 2013: £5,184.5 million) as a result of growth in credit and counterparty risk associated with the loan book, which was partly offset by the discount to the risk weighting for lending to SMEs set out in CRD IV. Notional risk weighted assets for market risk also increased reflecting increased trading positions in Securities.

The composition of capital remained stable with 91.1% (31 July 2013: 90.6%) of the total capital consisting of common equity tier 1 capital (2013: core tier 1 capital).

15. Capital continued

	31 July 2014 £ million	31 July 2013[1] £ million
Common equity tier 1 capital[2]		
Called up share capital	**37.7**	37.7
Share premium account	**283.8**	283.7
Retained earnings	**589.8**	511.9
Other reserves recognised for common equity tier 1 capital[2]	**21.4**	26.0
Non-controlling interests	**-**	3.7
Deductions from common equity tier 1 capital[2]		
Intangible assets[3]	**(142.1)**	(141.6)
Foreseeable dividend[4]	**(47.7)**	-
Investment in own shares	**(27.9)**	(33.9)
Pension asset, net of associated deferred tax liabilities	**(3.9)**	-
Additional valuation adjustments	**(0.3)**	-
Common equity tier 1 capital[2]	**710.8**	687.5
Deductions from tier 1 capital		
50% of material holdings	**-**	(6.2)
Tier 1 capital	**710.8**	681.3
Tier 2 capital		
Subordinated debt[5]	**60.0**	75.0
Unrealised gains on available for sale equity shares	**9.6**	9.1
Deductions from tier 2 capital		
50% of material holdings	**-**	(6.1)
Tier 2 capital	**69.6**	78.0
Deductions from total of tier 1 and tier 2 capital		
Other regulatory adjustments	**-**	(0.4)
Total regulatory capital	**780.4**	758.9
Risk weighted assets (notional) – unaudited		
Credit and counterparty credit risk	**4,564.5**	4,366.5
Operational risk[6]	**695.5**	679.1
Market risk[6]	**185.8**	138.9
	5,445.8	5,184.5
Common equity tier 1 capital ratio[2]	**13.1%**	13.3%
Total capital ratio	**14.3%**	14.6%

1 Restated – see notes 1 and 17.
2 Under CRD IV, the highest quality capital is now defined as “common equity tier 1” being previously referred to as “core tier 1”. Accordingly 2013 comparatives are based on the legislative definition of core tier 1 capital in force at that time.
3 At 31 July 2014, under CRD IV requirements intangible assets have been reduced by the level of associated deferred tax liabilities.
4 Under the Regulatory Technical Standard on own funds, a deduction has been recognised at 31 July 2014 for a foreseeable dividend being the proposed final dividend (as set out in note 9).
5 Under CRD IV transitional arrangements, 80% of the principal value of subordinated debt is recognised at 31 July 2014.
6 Operational and market risk include a notional adjustment at 8% in order to determine notional risk weighted assets.

15. Capital continued

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

	31 July 2014 £ million	31 July 2013[1] £ million
Equity	**917.6**	836.5
Regulatory deductions from equity:		
Intangible assets[2]	**(142.1)**	(141.6)
Foreseeable dividend[3]	**(47.7)**	-
Pension asset, net of associated deferred tax liabilities	**(3.9)**	-
Additional valuation adjustments	**(0.3)**	-
Other reserves not recognised for common equity tier 1 capital[4]:		
Available for sale movements reserve	**(9.6)**	(9.1)
Cash flow hedging reserve	**(2.1)**	1.7
Non-controlling interests	**(1.1)**	-
Common equity tier 1 capital[4]	**710.8**	687.5

1 Restated – see notes 1 and 17.
2 At 31 July 2014, under CRD IV requirements intangible assets have been reduced by the level of associated deferred tax liabilities.
3 Under the Regulatory Technical Standard on own funds, a deduction has been recognised at 31 July 2014 for a foreseeable dividend being the proposed final dividend (as set out in note 9).
4 Under CRD IV, the highest quality capital is now defined as "common equity tier 1" being previously referred to as "core tier 1". Accordingly 2013 comparatives are based on the legislative definition of core tier 1 capital in force at that time.

The following table shows a summary of the impact of CRD IV at 31 July 2014:

	31 July 2014 £ million
Core tier 1 capital (pre CRD IV)	**759.6**
CRD IV impact:	
Foreseeable dividend[1]	**(47.7)**
Associated deferred tax liabilities on intangible assets	**4.2**
Pension asset, net of associated deferred tax liabilities	**(3.9)**
Non-controlling interests	**(1.1)**
Additional valuation adjustments	**(0.3)**
Common equity tier 1 capital (post CRD IV)	**710.8**
Risk weighted assets (pre CRD IV)	**5,798.1**
CRD IV impact:	
SME lending discount	**(426.1)**
Other[2]	**73.8**
Risk weighted assets (post CRD IV) – unaudited	**5,445.8**
Core tier 1 capital ratio (pre CRD IV)	**13.1%**
Common equity tier 1 capital ratio (post CRD IV)	**13.1%**

1 Under the Regulatory Technical Standard on own funds, a deduction has been recognised at 31 July 2014 for a foreseeable dividend being the proposed final dividend (as set out in note 9).
2 Includes higher risk weighting on deferred tax assets and credit valuation adjustments on derivatives.

16. Consolidated cash flow statement reconciliation

	31 July 2014 £ million	31 July 2013[1] £ million
(a) Reconciliation of operating profit before tax to net cash inflow from operating activities		
Operating profit before tax	**195.7**	163.8
Tax paid	**(35.3)**	(36.0)
Depreciation and amortisation	**34.7**	28.1
Decrease/(increase) in:		
Interest receivable and prepaid expenses	**4.9**	(3.3)
Net settlement balances and trading positions	**(8.8)**	(3.8)
Net money broker loans against stock advanced	**0.2**	(3.2)
Increase in interest payable and accrued expenses	**15.9**	12.8
Net cash inflow from trading activities	**207.3**	158.4
(Increase)/decrease in:		
Loans and advances to banks not repayable on demand	**(2.6)**	0.9
Loans and advances to customers	**(644.1)**	(519.7)
Assets let under operating leases	**(41.4)**	(27.0)
Floating rate notes classified as available for sale	**37.8**	92.2
Debt securities held for liquidity	**-**	50.0
Other assets less other liabilities	**30.5**	46.6
(Decrease)/increase in:		
Deposits by banks	**(17.0)**	(21.4)
Deposits by customers	**498.3**	567.3
Loans and overdrafts from banks	**(28.2)**	(167.4)
Debt securities in issue, net of transaction costs	**299.0**	-
Net cash inflow from operating activities	**339.6**	179.9
(b) Analysis of net cash outflow in respect of the purchase of non-controlling interests		
Cash consideration paid	**(7.5)**	(5.0)
(c) Analysis of net cash inflow in respect of the sale of associate		
Cash consideration received	**-**	4.8
(d) Analysis of changes in financing activities		
Share capital (including premium) and subordinated loan capital[2]:		
Opening balance	**396.4**	396.0
Shares issued for cash	**0.1**	0.4
Closing balance	**396.5**	396.4
(e) Analysis of cash and cash equivalents[3]		
Cash and balances at central banks	**1,164.7**	929.1
Loans and advances to banks repayable on demand	**74.0**	78.2
Certificates of deposit	**-**	10.1
	1,238.7	1,017.4

1 Restated – see notes 1 and 17.
2 Excludes accrued interest.
3 Excludes Bank of England cash reserve account and amounts held as collateral.

17. Restatement of prior period information

As explained in note 1, the group adopted IAS 19 (Revised) on 1 August 2013. The group has restated information for the preceding comparative year. The amount of the restatement for each financial statement line item affected by retrospective application of IAS 19 (Revised) is provided below. The group has not presented a balance sheet for the beginning of the earliest comparative period as the impact is not material.

	As reported 2013 £ million	IAS 19 (Revised) £ million	Restated 2013 £ million
Consolidated Income Statement			
Administrative expenses	(365.8)	0.7	(365.1)
Total operating expenses before exceptional income and amortisation of intangible assets on acquisition	(416.4)	0.7	(415.7)
Operating profit before exceptional income and amortisation of intangible assets on acquisition	166.5	0.7	167.2
Operating profit before tax	163.1	0.7	163.8
Tax	(42.6)	(0.1)	(42.7)
Profit after tax for the period	120.5	0.6	121.1
Profit attributable to shareholders	119.4	0.6	120.0
Basic earnings per share	81.6p	0.4p	82.0p
Diluted earnings per share	80.2p	0.4p	80.6p
Consolidated Statement of Comprehensive Income			
Profit after tax for the period	120.5	0.6	121.1
Other comprehensive income that will not be reclassified to income statement			
Defined benefit pension scheme gains	-	2.4	2.4
Tax relating to items that will not be reclassified	-	(0.5)	(0.5)
Total other comprehensive income that will not be reclassified to income statement	-	1.9	1.9
Other comprehensive income for the period, net of tax	2.8	1.9	4.7
Total comprehensive income for the period	123.3	2.5	125.8
Attributable to shareholders	122.2	2.5	124.7

	As reported at 31 July 2013 £ million	IAS 19 (Revised) £ million	Restated at 31 July 2013 £ million
Consolidated Balance Sheet			
Deferred tax assets	24.7	1.1	25.8
Prepayments, accrued income and other assets	132.0	(5.0)	127.0
Total assets	6,835.0	(3.9)	6,831.1
Accruals, deferred income and other liabilities	202.2	0.1	202.3
Total liabilities	5,994.5	0.1	5,994.6
Retained earnings	515.9	(4.0)	511.9
Total shareholders' equity	836.8	(4.0)	832.8
Total equity	840.5	(4.0)	836.5
Total liabilities and equity	6,835.0	(3.9)	6,831.1

Consequential amendments have also been made to the consolidated statement of cash flows and the notes to the financial statements. The impact of retrospective application on each component of equity is shown in the consolidated statement of changes in equity, as required by IAS 1 "Presentation of financial statements".

Cautionary statement

Certain statements included or incorporated by reference within this preliminary results 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 preliminary results announcement should be construed as a profit forecast. This preliminary results 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 preliminary results announcement reflect the knowledge and information available at the time of its preparation. Liability arising from anything in this preliminary results announcement shall be governed by English Law. Nothing in this preliminary results announcement shall exclude any liability under applicable laws that cannot be excluded in accordance with such laws.