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Arbuthnot Banking Group PLC
(Incorporated and registered in England and Wales
under the Companies Act 1985 with registered number 01954085)

Directors:

Henry Angest (Chairman)
Robert Wickham (Deputy Chairman)
James Cobb ACA (Group Finance Director)
James Fleming
Ruth Lea
Paul Lynam
Sir Christopher Meyer
Andrew Salmon ACA (Chief Operating Officer)

Registered Office:

One Arleston Way
Solihull
B90 4LH

2 April 2011

To the Shareholders of Arbuthnot Banking Group PLC

Dear Shareholder

Notice of 2012 Annual General Meeting and Cancellation of Share Premium Account

I am writing to give you notice of this year's Annual General Meeting of the Company to be held at 3.00 p.m. on 16 May 2012 at Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR.

The resolutions (Resolutions) to be proposed at the Annual General Meeting are set out in the enclosed notice of Annual General Meeting. These Resolutions seek the approval of the shareholders (Shareholders) in the Company to:

- (a) certain matters which are usually proposed at the Company's Annual General Meeting, for example the approval of the Company's audited accounts and the grant of authority for the Company's directors (Directors) to allot shares in the Company on a non-pre-emptive basis; and
- (b) a proposal that the share premium account of the Company (Share Premium Account) is cancelled.

Further information on these Resolutions is set out below.

Shareholders should read the contents of this document in conjunction with the audited financial statements of the Company for the financial year ended 31 December 2011, together with the reports of the Directors and Company auditors thereon and the report of the remuneration committee of the Directors, each of which is enclosed with this letter.

Annual General Meeting

Resolutions nos. 1-7 – Ordinary Business

Resolutions nos. 1 to 7 to be proposed at the Annual General Meeting are all 'ordinary business' and will each be proposed as an ordinary resolution as follows:

- (a) the receipt and adoption of the report of the Directors and the financial statements for the year ended 31 December 2011 (resolution no. 1);
- (b) the receipt of the report of the remuneration committee of the Directors (resolution no. 2);

- (c) the approval of the payment of a final dividend in respect of the year ended 31 December 2011 which the Directors propose should be 13 pence per ordinary share (Ordinary Share) payable on 18 May 2012 to Shareholders on the register of members at the close of business on 20 April 2012 (resolution no. 3);
- (d) the re-election of Mr J.W. Fleming, Ms R.J. Lea and Mr R.J.J. Wickham who retire as Directors under Article 75 of the Articles of Association of the Company (Articles) or by rotation under Article 78 of the Articles, and, being eligible, offer themselves for re-election at the Annual General Meeting (resolution nos. 4 to 6); and
- (e) the re-appointment of KPMG Audit Plc as auditors of the Company and the authorisation of the Directors to fix their remuneration (resolution no. 7).

Resolutions nos. 8-10 – ‘Special Business’

Resolutions nos. 8 to 10 comprise three items of ‘special business’ of the Annual General Meeting and will each be proposed as a special resolution as follows:

Resolution no. 8 – Renewal of authority of Directors to allot Ordinary Shares for cash disapplying statutory pre-emption rights

Resolution no. 8 will be proposed as a special resolution to authorise the Directors to allot Ordinary Shares for cash or sell Ordinary Shares out of treasury for cash: (i) in connection with an offer by way of rights which is made strictly in accordance with section 561 of the Companies Act 2006 (Act), or (ii) otherwise up to a maximum aggregate nominal amount of £7,440 (representing approximately 5 per cent. of the issued share capital of the Company (excluding Ordinary Shares held in treasury) as at 14 March 2012). If approved, this authority will replace the similar authority (to the extent unused) given to the Directors at the annual general meeting held on 11 May 2011 and would be given for the period ending on 31 May 2013 or, if earlier, the date of next year’s annual general meeting. The resolution will enable the Directors, at their discretion, to allot equity securities for cash and also provide the Directors with greater flexibility to take advantage of business opportunities as they arise.

Resolution no. 9 – Authority to purchase Ordinary Shares

Resolution no. 9, to be proposed as a special resolution, will authorise the Company to purchase up to 1,488,000 Ordinary Shares in the market (being approximately 10 per cent. of the issued share capital of the Company (excluding Ordinary Shares held in treasury) as at 14 March 2012) on the terms set out in resolution 9 in the notice of Annual General Meeting. The authority would be given for the period ending on 31 May 2013 or, if earlier, the date of next year’s annual general meeting and a resolution for the renewal of such authority will be proposed at each future annual general meeting.

The Company will make such purchases of Ordinary Shares when circumstances allow and the Directors consider it appropriate to do so.

Resolution no. 10 – Cancellation of Share Premium Account

Resolution no. 10, to be proposed as a special resolution, will authorise the Company (subject to the confirmation of the High Court of Justice in England and Wales (Court)) to cancel the Company’s share premium account. Further details of the proposed cancellation of the share premium account (Cancellation) are set out below.

Cancellation of the Share Premium Account

Background to the Share Premium Account

When a company issues shares at a premium (whether for cash or otherwise) to the nominal value of those shares, the company is required to record a sum equal to the value of the premium in an account called the share premium account. The Act imposes restrictions on the use of the share premium account (for example reserves held in the share premium account cannot be treated as distributable reserves and cannot be used by a company to declare dividends or to purchase its own shares). The amount standing to the credit of the Share Premium Account is treated as part of the capital of the Company.

The Company's share premium account at 31 December 2011 was £21,085,000 and there has been no change to it since that date.

Proposal to Cancel the Share Premium Account

A public company may only reduce or cancel its share premium account by a special resolution of its shareholders followed by an order of the Court confirming the reduction or cancellation. The capital that is released following this process is treated as a realised profit, unless the Court orders otherwise or the company has undertaken that it will not treat the reserve arising as a realised profit.

Any such realised profit will be available to the company for the purposes of declaring a dividend or making any other distribution. These distributable reserves must first be applied to satisfy any accumulated deficit on the company's profit and loss account.

The Cancellation (if approved by the Shareholders and the Court) is intended to create additional distributable reserves which will allow the Directors greater flexibility to declare future dividends or for any other permitted purpose. The Directors have no present intention to use that part of the distributable reserve created by the Cancellation to make dividend payments, or for any other purpose, but would like to be in a position to do so if circumstances arose.

On completion of the Cancellation, the share premium account will be reduced by £21,085,000 to nil. The value of the capital cancelled will be £21,085,000. The Company did not have an accumulated deficit on its profit and loss account at 31 December 2011 and there has been no change up to the date of this letter. Accordingly, it is expected that the sum of £21,085,000 will be added to the distributable reserves of the Company (disclosed in the future accounts of the Company under the heading "retained earnings") as a result of the Cancellation.

There will be no change in the number of Ordinary Shares as a consequence of the Cancellation and no change in their nominal value.

Regulatory Aspects

The share premium account forms part of the regulatory capital of the Arbutnot Banking Group (Group), as will the distributable reserves realised upon the Cancellation. Therefore, the Group's regulatory capital is not expected to change as a result of the Cancellation.

Cancellation Process

The Cancellation is subject to and conditional on: (a) the approval of the Shareholders at the Annual General Meeting; (b) confirmation by the Court; and (c) the order of the Court and the statement of capital approved by the Court being registered by the Registrar of Companies. If, for any reason, the Court declines to approve the Cancellation, then the Cancellation will not take place.

The Directors reserve the right at any time prior to the Cancellation becoming effective, and at their sole discretion, not to proceed with the proposed Cancellation.

The passing of the special resolution approving the Cancellation (Cancellation Resolution) requires the support of not less than 75 per cent. of the votes cast at the Annual General Meeting (whether in person or by proxy).

If the Cancellation Resolution is passed, the Directors intend that an application will be made to the Court promptly after the Annual General Meeting. It is expected that on or around 13 June 2012 the Court will hear the Company's application for an order to cancel the share premium account.

The Court will require to be satisfied that the interests of the Company's creditors will not be prejudiced as a result of the Cancellation. It is for the Court to determine the question of whether any protection is required for creditors and, if so, what form it should take. If required to do so, the Company will put in place such form of creditor protection as the Court considers is appropriate in the circumstances and which is acceptable to the Company.

Action to be taken by Shareholders

The distribution of this document in certain jurisdictions may be restricted by law. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. In particular, this document should not be forwarded to or sent in, into or from the United States, Canada or Australia.

If you have recently sold Ordinary Shares

If you have sold or otherwise transferred all of your Ordinary Shares, please send this document, together with the accompanying Form of Proxy as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

If you have sold or transferred some (but not all) of your Ordinary Shares, you should contact your stockbroker, bank or other agent through whom the sale or transfer was effected without delay who will then advise you on how to deal with this circular.

Non-United Kingdom Shareholders

It is the responsibility of any Shareholder not resident in the United Kingdom to satisfy himself as to the full observance of any law or regulation or the compliance with other necessary formalities needing to be observed in any other jurisdictions.

Voting at the Annual General Meeting

Shareholders will find enclosed with this document a Form of Proxy for use at the Annual General Meeting. Whether or not Shareholders intend to be present at the Annual General Meeting, they are requested to complete and return the Form of Proxy, in accordance with the instructions printed thereon, as soon as possible and in any event, to be valid, so as to be received by the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU (Registrars) not later than 48 hours before the time for which the Annual General Meeting is convened. The completion and return of the Form of Proxy will not preclude Shareholders from attending the Annual General Meeting and voting in person should they wish to do so.

Recommendation

The Directors consider that the Resolutions outlined above are in the best interests of the Company and the Shareholders as a whole. The Directors recommend that you vote in favour of the Resolutions set out in the notice of Annual General Meeting as they intend to do in respect of their own beneficial holdings which total 8,252,200 Ordinary Shares, comprising approximately 54 per cent. of the existing issued share capital in the Company in aggregate.

Further Information

Further copies of this letter (and the documents referred to in it) may be obtained from the Registrars at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or from the Company Secretary at Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR up to 16 May 2012.

Yours sincerely

Henry Angest
Chairman

Notice of Meeting

NOTICE IS HEREBY GIVEN that the twenty-sixth Annual General Meeting of Arbuthnot Banking Group PLC (Company) will be held at Arbuthnot House, 20 Ropemaker Street, London EC2Y 9AR on Wednesday 16 May 2012 at 3.00p.m. for the following purposes:

Ordinary Business

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the report of the directors (Directors) and the financial statements for the year ended 31 December 2011.
2. To receive the report of the remuneration committee of the Directors.
3. To declare a final dividend in respect of the year ended 31 December 2011 which the Directors propose should be 13 pence per ordinary share of £0.01 each (Ordinary Share) in the share capital of the Company, payable on 18 May 2012 to shareholders (Shareholders) on the register of members at the close of business on 20 April 2012.
4. To elect Mr J.W. Fleming as a Director who, having been appointed as a Director since the last annual general meeting, offers himself for election in accordance with Article 75 of the Articles of Association of the Company (Articles).
5. To re-elect Ms R.J. Lea as a Director who retires by rotation in accordance with Article 78 of the Articles and offers herself for re-election.
6. To re-elect Mr R.J.J. Wickham as a Director who retires by rotation in accordance with Article 78 of the Articles and offers himself for re-election.
7. To re-appoint KPMG Audit plc as auditors of the Company and to authorise the Directors to fix their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as special resolutions:

8. That, in substitution for all subsisting authorities to the extent unused, the Directors be and they are hereby empowered to allot or make offers or agreements to allot equity securities (as defined in Section 560 of the Companies Act 2006 (Act)) for cash either pursuant to the authority conferred by the resolution of the Company passed at the annual general meeting held on 11 May 2011 or by way of a sale of treasury shares as if Section 561(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
 - (a) the allotment or sale of equity securities in connection with any issue of shares to holders of relevant shares or relevant employee shares, or in connection with any other form of issue of such securities in which such holders are offered the right to participate, in proportion (as nearly as may be) to their respective holdings, but subject to such exclusions or other arrangements as the Directors consider necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws of any territory or the requirements of any stock exchange or regulatory authority; and
 - (b) the allotment or sale (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount of £7,440 (being approximately 5 per cent. of the issued share capital of the Company (excluding Ordinary Shares held in treasury) as at 14 March 2012).

and this authority shall expire on 31 May 2013 or, if earlier, on the conclusion of the next annual general meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

9. That the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined in section 693(4) of the Act) of Ordinary Shares provided that:

- (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 1,488,000 (being approximately 10 per cent. of the issued share capital of the Company as at 14 March 2012);
 - (b) the minimum price which may be paid for an Ordinary Share shall be £0.01;
 - (c) the maximum price which may be paid for an Ordinary Share shall be 5 per cent. above the average of the closing middle market price of the Ordinary Shares (as derived from the London Stock Exchange Daily Official List) for the 10 business days prior to the date the purchase is made;
 - (d) the authority hereby conferred shall expire on 31 May 2013 or, if earlier, on the conclusion of the next annual general meeting of the Company unless such authority is renewed prior to such time; and
 - (e) the Company may enter into contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which contracts will or may be executed wholly or partly after the expiry of such authority, and may make purchases of Ordinary Shares pursuant to any such contracts.
10. That, subject to the confirmation of the High Court of Justice in England and Wales, the share premium account of the Company be cancelled by the reduction of the share premium account from £21,085,000 to nil.

By order of the Board

J.R. Kaye
Secretary

2 April 2011

Registered Office

One Arlestone Way
Solihull
B90 4LH

Notes:

1. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the relevant register of members (Register) for certificated or uncertificated shares of the Company (as the case may be) at 6 p.m. on 14 May 2012 (Specified Time) will be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting. Should the Annual General Meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Annual General Meeting. Should the Annual General Meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned Annual General Meeting, or, if the Company gives notice of the adjourned Annual General Meeting, at the time specified in the notice.
2. Any member may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member, but must attend the meeting in person. A proxy need not be a member. Proxy Forms should be lodged with the Company's Registrars or submitted not later than 48 hours before the time for which the Annual General Meeting is convened. Completion of the appropriate Proxy Form does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.
3. There are no service contracts of the Directors other than ones which may be terminated on up to 12 months' notice at any time. Copies of these service agreements will be available for inspection at the registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting for 15 minutes prior to and during the Annual General Meeting.

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