

Arbuthnot Banking Group PLC

2009 YEAR END RESULTS

11 March 2010



ARBUTHNOT BANKING GROUP PLC

Business Review

ANDREW SALMON – Chief Operating Officer

11 March 2010



ARBUTHNOT BANKING GROUP PLC

- Year of progress in 2009 for the Group

- Profit Before Tax at £5.1m - a £7.3m improvement on previous year
- Recommended dividend increased by 1p
- Underlying performance of all three divisions improved

- Expect to build on the progress in 2010

- Retail Banking - both balance sheet and fee income businesses are growing
- Private Banking - returns in core business are continuing to improve
- Investment Banking - overall results greatly improved



Private Banking

- Positive return despite investment in Gilliat Financial Solutions
- Liquidity, funding and capital remain strong
- Loan book remains healthy with low loan to value ratios
- New management team focusing on:
 - Wealth Management: whole of market financial planning and discretionary investment management
 - Enhancing overall proposition and products via superior service and performance
 - Continued independence of advice

Arbuthnot Latham
remains strong,
profitable with growth
led by enhanced client
service



Retail Banking

- Profit Before Tax increased 40% to £10.2m
- Successfully completed two loan portfolio acquisitions
- Loan purchases have built foundations for organic portfolio growth
- Building Asset Finance portfolios
 - Motor
 - Music
 - Bicycles
 - Rentsmart
- Prepaid Current Account gaining momentum
 - Currently live with 18 affinity partners
 - Paperless account opening live from April
- Strong balance sheet :
 - Significant growth in retail deposit base

Secure Trust Bank is positioning itself as a successful niche lender, while maintaining fee income via its leading Prepaid Current Account



Investment Banking

- Arbutnot Securities returned a loss £0.1m before tax
- Traded profitably during second half, earning £1.2m
- Corporate Finance fees increased from £7.2m to £9m
- Strong performance by reduced trading book returned £3.7m profit (2008: loss £3.1m)
- Number of retained corporate clients fell from 97 to 93 (now 98)
- Average market cap of clients risen to £147m
- Significant enhancement of personnel base
 - Headcount unchanged at 72
 - Turnover of staff 35% in last 18 months

Arbutnot Securities saw a strong turnaround and returned to profit in the second half.



Financial Review

JAMES COBB – Group Finance Director

11 March 2010



ARBUTHNOT BANKING GROUP PLC

Headline Results

	2009	2008
Operating Income	£51.7m	£41.9m
Profit Before Tax/(Loss)	£5.1m	(£2.2)m
Profit attributable to Equity holders of the Company	£3.5m	£0.5m
Basic Earnings Per Share	23.4p	3.5p
Total Dividend Per Share	22p	21p
Total Assets	£452.5m	£359.8m
Regulatory Capital	£44.3m	£45.5m

- Operating Income increased 23%
- Significant Items:
 - Purchased loan portfolios contributed £5.5m Gross
 - Trading book returned to profit
- Profit Before Tax increased by £7.3m
- Recommended 1p increase in total dividend
- Dividend covered by earnings
- Total asset growth 25%
- Regulatory capital broadly unchanged



Divisional Performance 1/2

	2009	2008	Change
	£(000)	£(000)	
Private Banking (Arbuthnot Latham)	206	2,119	(90%)
Retail Banking (Secure Trust)	10,219	7,277	40%
Investment Banking (Arbuthnot Securities)	(147)	(5,225)	97%
Switzerland	(506)	(1,160)	56%
Group Costs	(4,722)	(5,161)	9%
Profit/(Loss) Before Tax	5,050	(2,150)	
Tax	(1,679)	1,152	
Profit/(Loss) After Tax	3,371	(998)	
Of Which			
Attributable to Group Share Holders	3,507	519	
Minority Interests	(136)	(1,517)	



Divisional Performance 2/2

Private Banking

- Profit Before Tax £0.2m
- Profits grew by £0.7m excluding prior gain on sale and start up investment in Gilliat Financial Solutions
- Significant Items:
 - Customer assets up 11%
 - Customer deposits up 7%
 - Customer margins widened offset by reduced returns on treasury assets
 - Credit losses continue at less than 1% of book
 - LTV remain healthy

Retail Banking

- Profit Before Tax £10.2m
- Significant Items:
 - Acquired portfolios contribute £5.5m
 - Release of provisions from cessation of insurance business £1.1m
 - Customer assets up 292%
 - Customer deposit up 160%
 - Continued OneBill customer numbers declining but outpaced by growth in new products

Investment Banking

- Loss Before Tax £0.1m
- Significant Items:
 - Corporate Finance Fees increased £1.8m
 - Trading Income up £6.8m
 - Trading book remains tightly controlled at £3.5m
- Minority Interest unchanged at 40.4%



Key Message

- Good progress in all divisions
- Portfolio purchases have accelerated growth
- New sustainable business lines being created
- Diversification of businesses and revenues remains key

