

Arbuthnot Banking Group PLC

2010 YEAR END RESULTS

17 March 2011



ARBUTHNOT BANKING GROUP PLC

Business Review

ANDREW SALMON – Chief Operating Officer

17 March 2011



ARBUTHNOT BANKING GROUP PLC

Key Messages

- Year of continued progress in 2010 across all parts of the Group
 - All three divisions profitable
 - Profit before tax at £5.1m same as previous year
 - Underlying business growth of 85% excluding one off items
 - Recommended dividend increased by 1p to 23p
- 2011
 - Retail Banking – Continue to build out diversified lending portfolios and accelerate Current account growth
 - Private Banking - Returns in core business are improving, focus now on wealth proposition
 - Investment Banking – Continued growth in the core proposition



Private Banking

- Improved returns even with investment in Gilliat Financial Solutions
- Liquidity, funding and capital remain strong
- Loan book remains healthy with robust loan to value ratios
- Maintaining focus on:
 - Selectively lending
 - Providing exceptional service to clients
 - Wealth Management: whole of market wealth planning and discretionary investment management
 - Continued independence of advice

**Arbuthnot Latham
grew its profitability,
with the focus on the
core private banking
and wealth proposition**



Retail Banking

- Building Diversified Lending portfolios

- Asset Finance

- Motor
 - Music
 - Cycles
 - Personal Computers (Rentsmart)
 - Pay 4 Later / Retail Finance
 - Fitness and leisure

- Personal Lending

- Existing bank customers
 - Strategic partnership channels

- Current Account with Prepaid Card growth accelerating

- Increased number of relationships with affinity partners
 - Significant growth in online new business volumes
 - Cash based rewards scheme proving popular

- New Partnership / Product development

Secure Trust Bank is creating embedded value in its niche portfolios. The Current Account now has an attractive cash reward scheme paying up to 4%



Investment Banking

- Arbutnot Securities returned to profitability
- AIM Broker of the year 2010
- Completed 16 corporate transactions included main market IPO of Shaft Sinkers Holdings plc
- Average market cap of AIM clients rose to £32m (2009:£17m)
- Build out
 - Business Services
 - Closed End Funds
 - Financials
 - Macroeconomics
 - Natural Resources
 - Real Estate
- Continued quality recruitment

**Arbutnot Securities
returned to profitability
in the year**



Financial Review

JAMES COBB – Group Finance Director

17 March 2011



ARBUTHNOT BANKING GROUP PLC

Headline Results

	2010	2009
Operating Income	£54.8m	£51.7m
Profit Before Tax	£5.1m	£5.1m
Profit attributable to Equity holders of the Company	£3.7m	£3.5m
Basic Earnings Per Share	25p	23.4p
Total Dividend Per Share	23p	22p
Total Assets	£565.1m	£452.5m
Regulatory Capital	£43.2m	£44.3m

- Operating Income increased 6%
- Significant Items:
 - All businesses profitable
 - 85% Underlying growth
- Profit before tax level at £5.1m
- Recommended 1p increase in total dividend
- Dividend covered by earnings
- Total asset growth 25% - Total assets above ½ billion for first time in Group's history
- Regulatory capital broadly unchanged



Divisional Performance 1/2

	2010	2009	Change
	£(000)	£(000)	
Private Banking (Arbuthnot Latham)	1,045	206	407%
Retail Banking (Secure Trust)	8,511	10,219	(17%)
Investment Banking (Arbuthnot Securities)	1,039	(147)	N/M
Switzerland	(100)	(506)	80%
Group Costs	(5,391)	(4,722)	(14%)
Profit Before Tax	5,104	5,050	
Tax	(1,383)	(1,679)	
Profit After Tax	3,721	3,371	
Of which			
Attributable to Group Share Holders	3,747	3,507	
Minority Interests	(26)	(136)	



Divisional Performance 2/2

Private Banking

- Profit before tax £1.0m
- Core Private banking business increased profits by £1.0m to £1.67m offset by share of investment in Gilliat Financial Solutions (£0.6m)
- Comments:
 - Customer assets up 19%
 - Customer deposits up 20%
 - Customer margins widened offset by cost of liquidity
 - Credit losses continue at less than 0.5% of book
 - LTV remain robust

Retail Banking

- Profit before tax £8.5m
- Comments:
 - Prior year comparative distorted by release of provisions from cessation of insurance business £1.1m
 - Cost of surplus deposits £1.7m
 - Management restructure cost £0.7m
 - Underlying business grew 19%, driven mainly by lending growth.
 - Customer assets up 73%
 - Customer deposit up 65%
 - Continued OneBill customer numbers declining but now offset by Current account growth

Investment Banking

- Profit before tax £1.0m
- Comments:
 - Business returns to profit despite volatile markets
 - Corporate Finance Fees consistent at £9.1m
 - Secondary revenues level at £8.0m
 - Cost base lower by £1.0m
- Minority Interest unchanged at 40.4%



Key Message

- Good progress in all divisions
- Aim to be the significant lender in niche asset classes
- Diversification of portfolios key to long term sustainability
- Balance sheet growth creating embedded earnings to be realised over time
- Controlled growth, not sacrificing long term value for short term volume



Forward Looking Statements

This document is a summary only of certain information contained in the announcement dated 17 March 2011 and should be read in conjunction with the full text of the announcement.

This document contains forward looking statements with respect to the business, strategy and plans of the Arbutnot Banking Group and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical facts, including statements about Arbutnot Banking Group's or management's beliefs and expectations, are forward looking statements. By their nature, forward looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Arbutnot Banking Group's actual future results may differ materially from the results expressed or implied in these forward looking statements as a result of a variety of factors, including UK domestic and global economic and business conditions, risks concerning borrower credit quality, market related risks such as interest rate risk and exchange rate risk in its banking businesses and equity risk in its investment banking businesses, inherent risks regarding market conditions and similar contingencies outside Arbutnot Banking Group's control, any adverse experience in inherent operational risks, any unexpected developments in regulation or regulatory and other factors. The forward looking statements contained in this document are made as of the date hereof, and Arbutnot Banking Group undertakes no obligation to update any of its forward looking statements.

