



ARBUTHNOT BANKING GROUP PLC

2017 Year-end Results
28 March 2018



2017 Year-end results

Group Overview

Financials

Business Update

Arbuthnot Banking Group PLC



One of the oldest specialist banks in the UK, having served our clients since 1833

Well capitalised with strong liquidity from its deposit-based funding model

Track record of developing profitable businesses, including Secure Trust Bank where we retain a 18.6% shareholding

Expanding into commercial lending sectors where management has proven capabilities

Focus on underserved niche lending sectors of the market where Arbuthnot can establish a prominent position

Group Structure



Arbuthnot Banking Group PLC

100%



ARBUTHNOT LATHAM
Private Bankers
Since 1833

18.6%



Private Banking

Provides traditional private banking services to over 4,500 clients, as well as offering financial planning and investment management services

- **Deposits:** £1,082 million, avg. size £304k
- **Loans:** £673 million, avg. size £791k
- **AUM:** £1,044 million
- **Total Revenue:** £40.1 million
- **Direct Costs:** £15.4 million

Commercial Banking

Provides bespoke commercial banking services to over 700 clients and provides tailored secured lending against property investments and other assets

- **Deposits:** £308 million, avg. size £549k
- **Loans:** £305 million, avg. size £1.18 million
- **Total Revenue:** £7.1 million
- **Direct Costs:** £4.6 million

New Business Areas



Soon to launch direct to depositors savings platform



New commercial lending business secured mainly on invoices



Commercial property fund to specialise in properties valued at £5-10 million



Specialist asset finance lender mainly in high value cars but also business assets



Substantial Track Record Of Value Creation

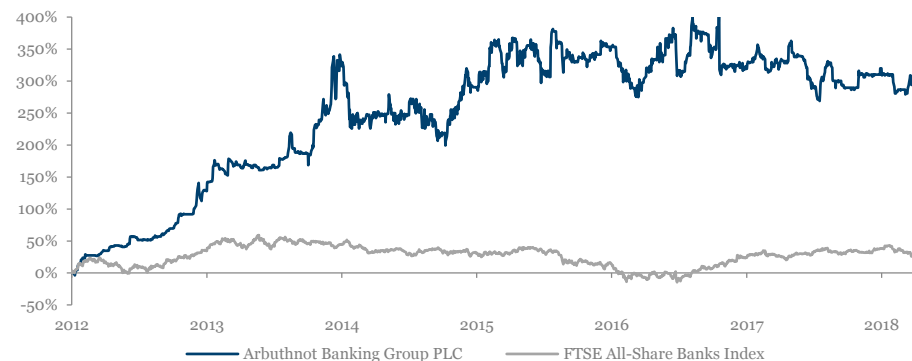
Overview

- Market capitalisation of £205 million¹
- Consistently provided shareholders with interim and year-end dividends
- Over the past seven years, net assets per share have risen almost sevenfold to £15.47 per share, even after the payment of two special dividends totalling 325p following the sale of Everyday Loans Group and a partial disposal of holding in Secure Trust Bank

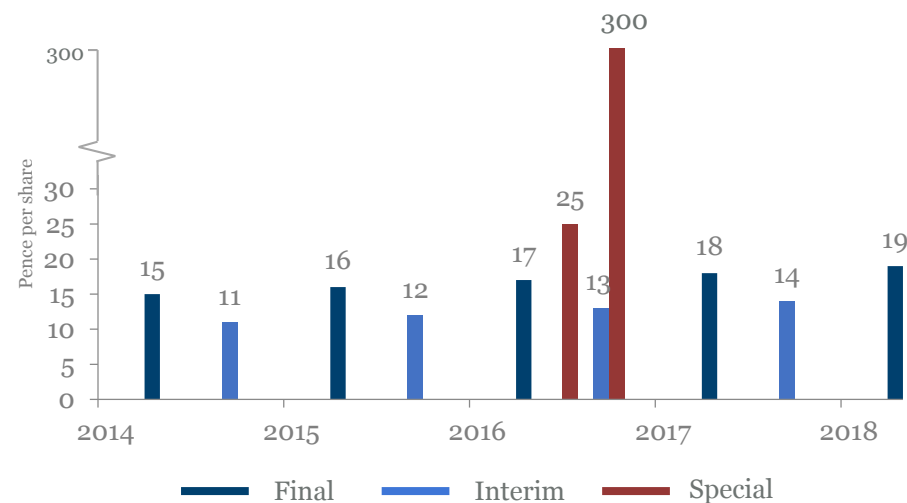
Shareholders

Sir Henry Angest	56.1%
Liontrust Asset Management Plc	6.3%
Prudential Plc	4.2%
Slater Investments	4.0%
Ronald Paston	3.6%
Miton Group Plc	2.7%
Unicorn Asset Management	1.4%
Hargreaves Lansdown Asset Management	1.1%
MB Paston	1.1%
Barclays plc	1.0%

Relative Share Price Performance



Dividend

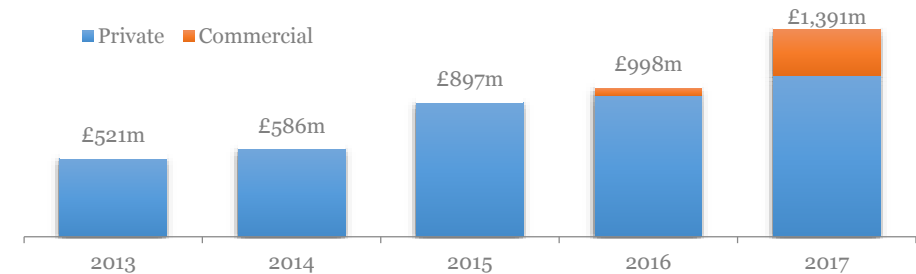




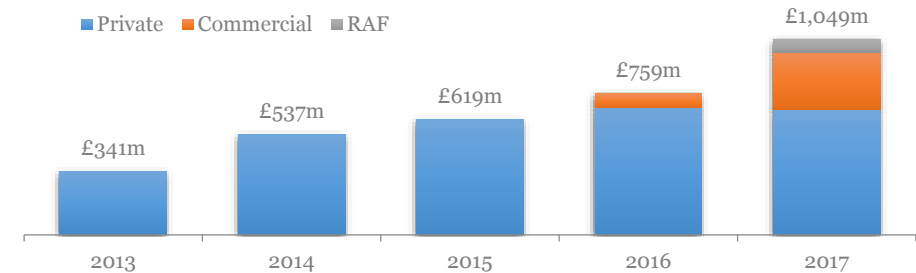
Arbuthnot Banking Group Profile

- Specialist UK bank providing services to both its private and commercial banking clients
- Listed since 1988 and moved to AIM in 2005 (ARBB:LN), with a common equity market capitalisation of £205 million¹
- Excels in providing bespoke financing solutions to its clients
- Conservatively managed with a loan to deposit ratio of 75.4%
- Deposits, Loans and Assets Under Management (AUM) each in excess of £ 1 billion, with strong CAGR since 2013 of:
 - 27.8% CAGR in deposits
 - 32.4% in loans
 - 18.6% in AUM

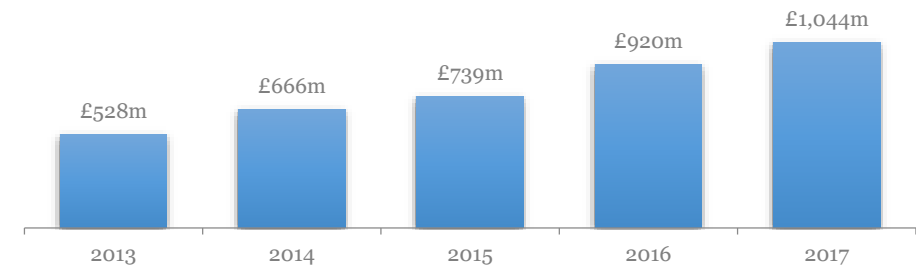
Deposits



Loans



Assets Under Management



2017 Year-end results



Group Overview

Financials

Business Update



Summary Financials – Income Statement

in£ millions	2013	2014	2015	2016	2017
Net interest income	12.2	18.9	24.8	30.4	41.1
Net fee and commission income	8.9	9.5	9.8	11.0	13.5
Operating income	21.0	28.4	34.6	41.5	54.6
Other income	1.2	-	-	3.2	3.0
Gain on sale of building	6.5	-	-	-	-
Profit from associates	-	-	-	2.1	4.4
Total Income	28.8	28.4	34.6	46.8	62.0
Operating expenses	(27.1)	(28.9)	(35.9)	(46.1)	(54.7)
Net impairment loss - financial investments	(0.2)	0.1	(0.0)	(0.0)	-
Net impairment loss - loans and advances to customers	(2.9)	(3.4)	(1.3)	(0.4)	(0.4)
Total expenses	(30.2)	(32.2)	(37.2)	(46.6)	(46.5)
Profit before tax	(1.5)	(3.8)	(2.6)	0.2	7.0
Tax	0.6	0.2	0.1	(0.7)	(0.5)
Profit for the year	(0.8)	(3.7)	(2.5)	(0.5)	6.5
Profit from discontinued operations	12.4	20.7	29.0	228.1	-
Reported profit for the year	11.5	17.0	26.5	227.6	6.6
<i>Dividends (announced - in pence)</i>	<i>44.0</i>	<i>27.0</i>	<i>29.0</i>	<i>356.0</i>	<i>33.0</i>



Summary Financials – Divisional Performance

in£ millions	2013	2014	2015	2016	2017	2017 Change
Arbuthnot Latham						
- Private and Commercial Banking	7.7**	3.6	6.0	9.1	11.0	21%
Secure Trust Bank*						
- Retail Banking Associate Income			-	2.1	4.4	105%
Group Center	(9.2)	(7.4)	(8.6)	(11.0)	(8.4)	(24%)
Profit Before Tax	(1.5)	(3.8)	(2.6)	0.2	7.0	
Tax	0.6	0.2	0.1	(0.7)	(0.5)	
Profit from Discontinued Operations after tax	12.4	20.7	29.0	228.1	-	
Profit after tax	11.5	17.0	26.5	227.6	6.5	
of which						
Attributable to Group Shareholders	7.9	8.6	12.7	166.2	6.5	
Non-Controlling Interests	3.6	8.4	13.8	61.4	-	

* Secure Trust Bank restated as Discontinued Operations in 2013-2016 and then as Associate after the sale of shares in June 2016

** Includes £ 6.5 million gain on sale and lease back of head office building



Summary Financials – Balance Sheet Extract

in£ millions	2013	2014	2015	2016	2017
Assets					
Cash & balances at central banks	193.0	115.9	368.6	195.8	313.1
Customer loans*	341.0	536.5	618.9	758.8	1,049.3
Other assets	167.8	171.7	283.4	310.7	490.8
Total assets	701.8	824.1	1,270.9	1,265.3	1,853.2
Liabilities					
Deposits from banks (incl. TFS)	2.0	28.9	55.3	3.2	195.1
Customer deposits*	521.2	585.9	896.8	997.6	1,390.8
Other liabilities	46.1	49.9	55.0	30.1	30.9
Total Liabilities	569.3	664.7	1,007.1	1,030.9	1,616.8
Equity					
Shareholder equity	86.9	173.6	191.4	234.4	236.4
Total Equity	86.9	173.6	191.4	234.4	236.4
Total Liabilities and Equity	656.2	838.2	1,198.5	1,265.3	1,853.2

* Excluding STB

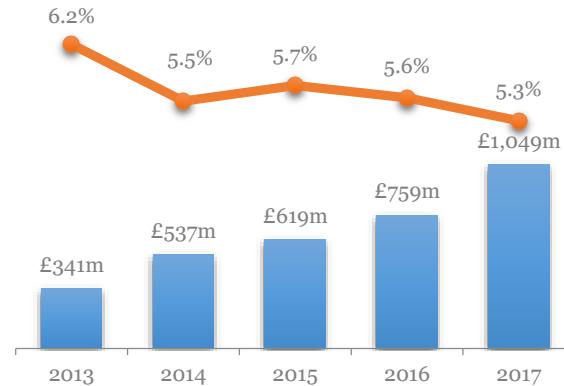


Loan Portfolio Analysis

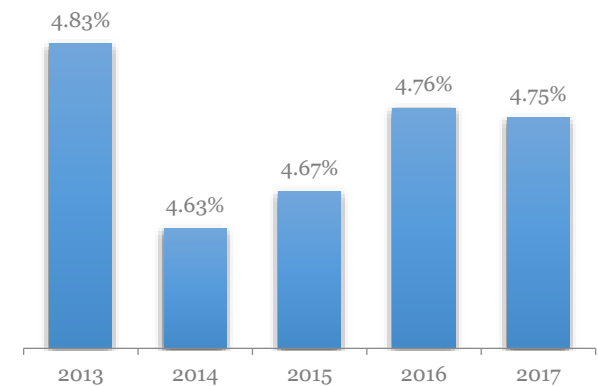
Key Metrics

- £1,049m of loans split 64%/29%/7% between Private, Commercial and RAF
- £987k average loan amount
- 99.3% secured at an average LTV of 53%¹
- Average loan rate of 5.3%
- Net interest margin of 4.75%
- Top 10 loans represent 11.5% of book

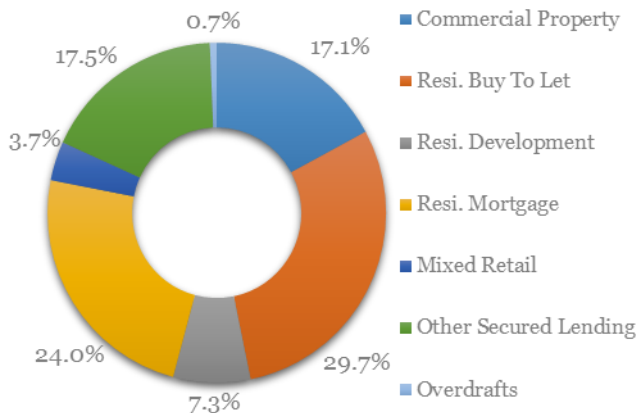
Total Loans and Avg. Rates



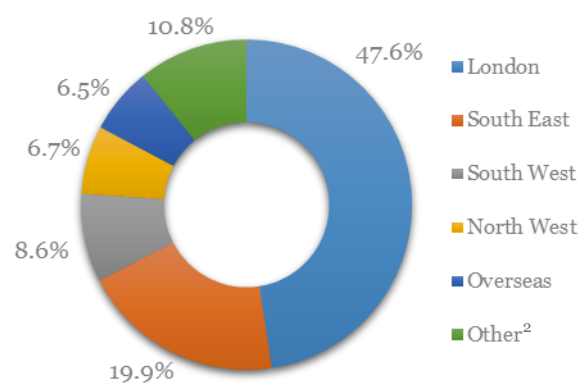
Net Interest Margin (Avg.)



Loans by Type

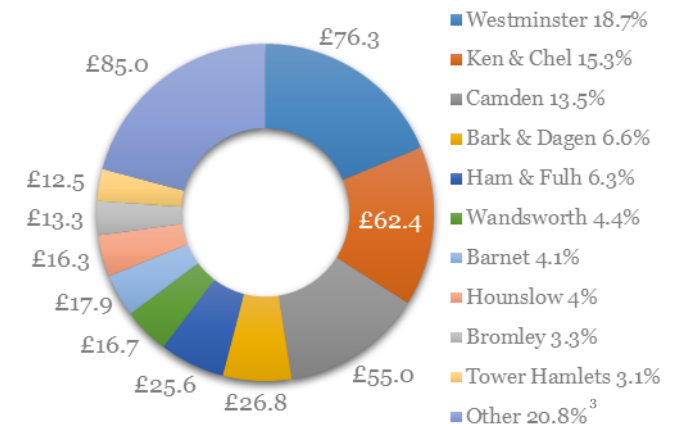


Property Loans by Location



London Property Loans

in millions



1 – Calculated on the value of the pledged property only. Additional security is often provided via a pledge over an investment portfolio or a personal guarantee which is not included in this figure

2 – Includes East Anglia, East Midlands, Midlands, North East, Scotland, Wales, West Midlands, Yorkshire & Humber and others

3 – Includes Brent, Ealing, Greenwich, Hackney, Haringey, Islington, Lambeth, Lewisham, Merton, Newham, Redbridge, Richmond upon Thames, Southwark, Waltham Forest and others

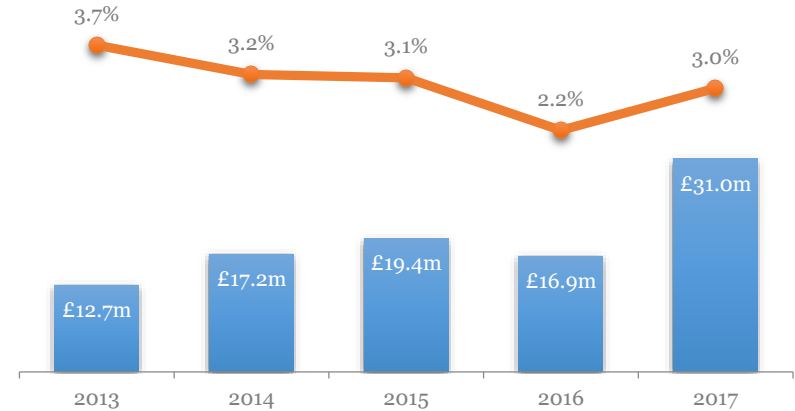


Asset Quality

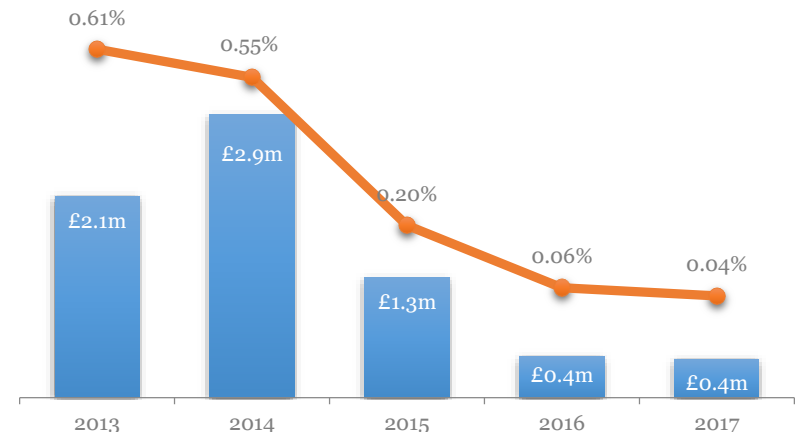
Overview

- Legacy loan book originated before the financial crisis has largely been run-off
- Lending strategy continuously refined to reduce risk eg. lending against yachts precluded in 2008 and against overseas properties in 2010
- Lending is almost entirely secured on UK residential and commercial properties with a standard 60% LTV being the norm – a maximum 70% LTV permitted if circumstances of the borrower allow – the property book now at an average 53% LTV
- Loans which are rolled over are subject to full re-evaluation
- 2017 saw an all time low-loss rate of four basis points
- Balance sheet provisions for impairment of loans and advances amounted to £1.4 million (0.13% of the loan book) as of 31 December 2017

Non-Performing Loans



P&L Provision Charge / Total Loan Book



2017 Year-end results



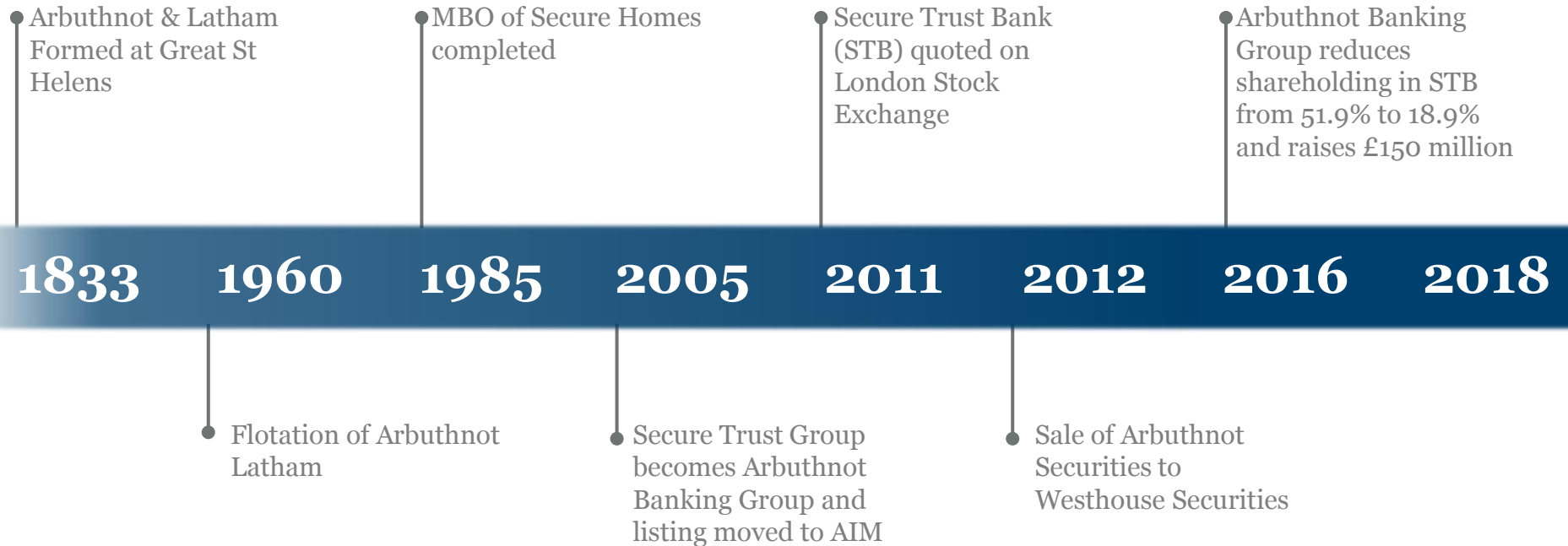
Group Overview

Financials

Business Update

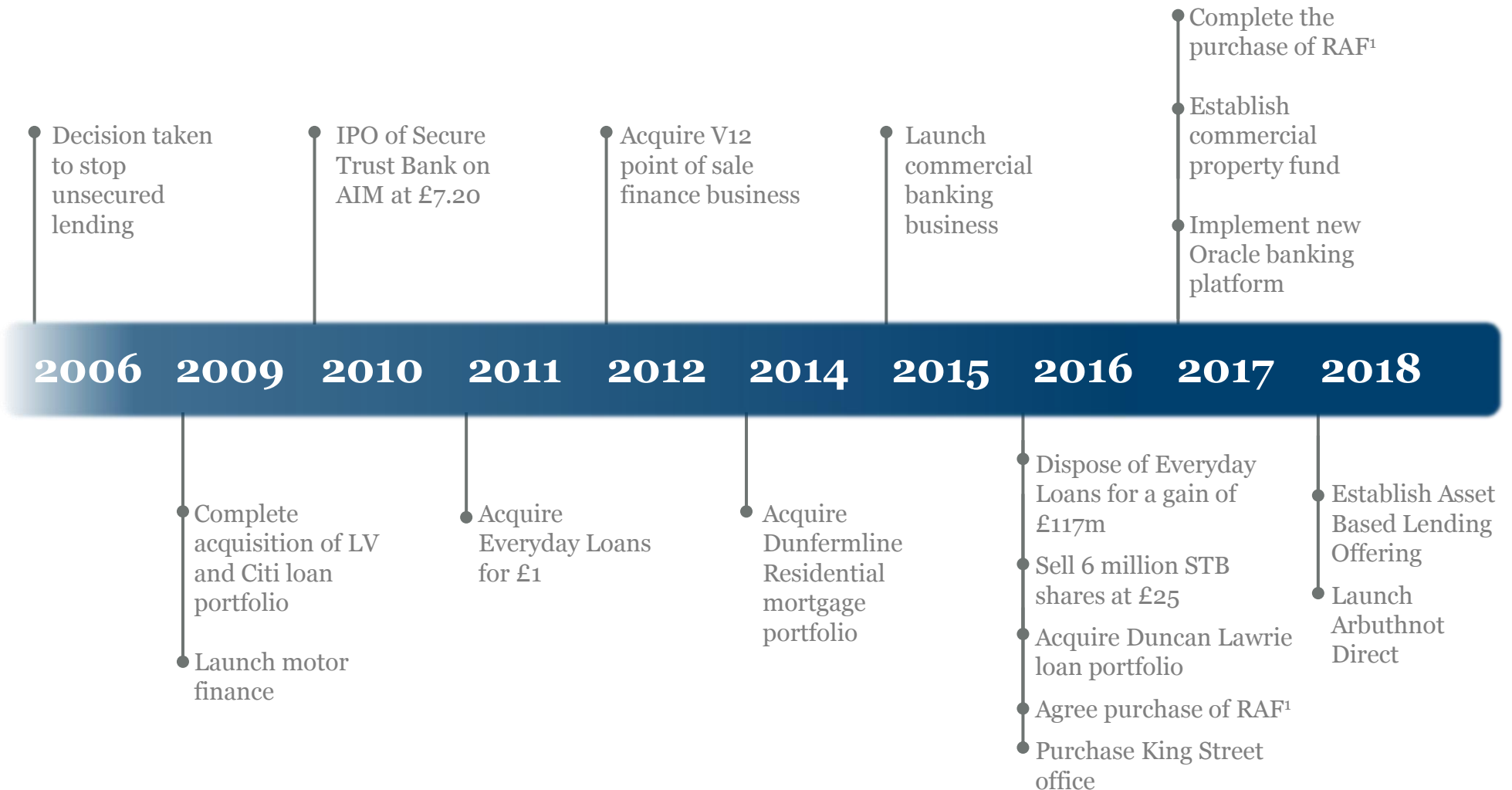


History Of Arbuthnot Banking Group PLC





History Of Arbuthnot Banking Group PLC



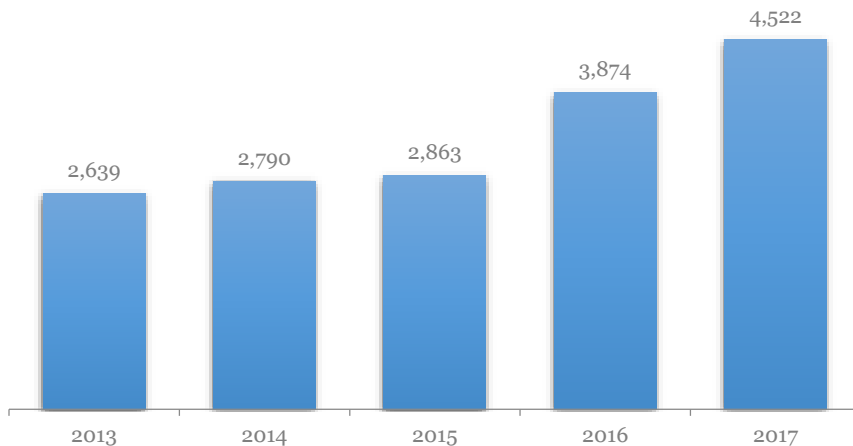


Private Banking Overview

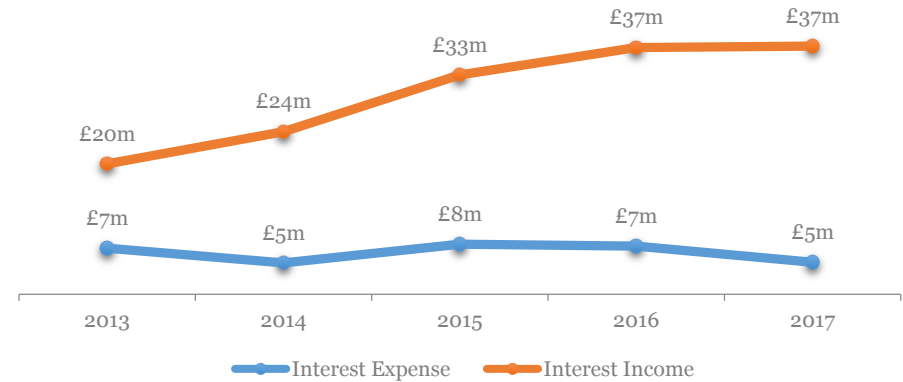
Overview

- **Private Banking** – Comprises current accounts, deposit accounts, loans, overdrafts and foreign exchange
- **Financial Planning** – Independent and fee based (not commission), covering estate and tax planning, pensions and wealth preservation and generation
- **Investment Management** – Offering tailored investment strategies to HNW clients

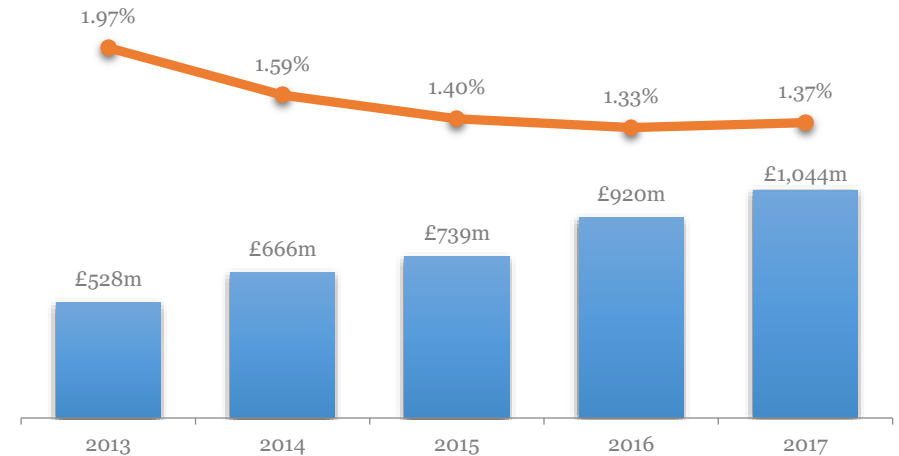
Number Of Clients



Interest Income vs. Interest Expense



Assets Under Management / Fee & Commission Income¹



1 – Fee and commission income as a percentage of average AUMs



Commercial Banking Overview

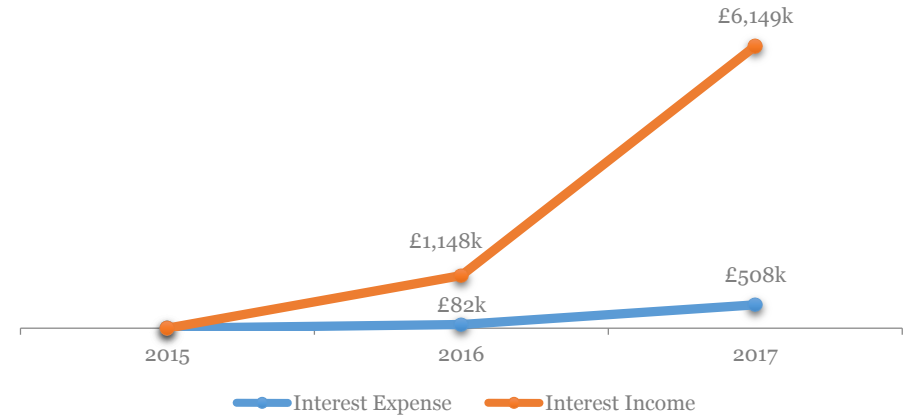
Overview

Launched in 2015

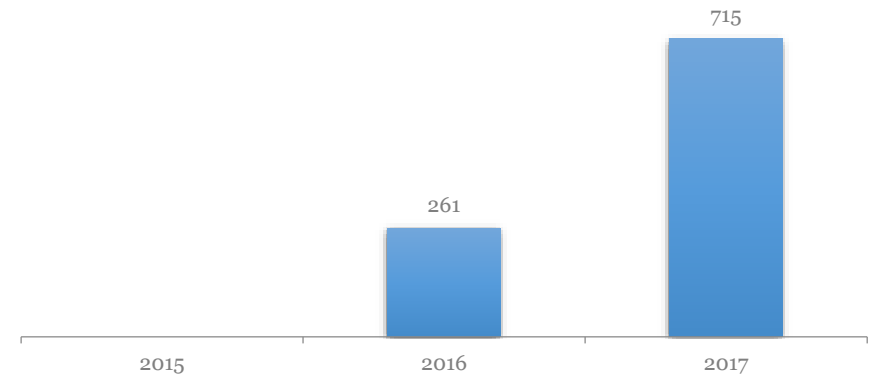
- **Banking** – Comprising current accounts, deposits, overdrafts, guarantees and charge cards. Clients have a dedicated banker who is key to managing the relationship
- **Property Finance** – Comprises tailored lending to enable funding of both property investments and developments
- **Other Finance** – Comprises individual secured lending which is designed around the needs of each commercial client
- ABG Management have significant prior experience in managing these business lines when building the Secure Trust Bank franchise
- ABG's SME coverage extends from London to South and North West regions
- Well diversified across high-growth sectors such as business services, digital and creative, and support services



Breakout of Income



Number Of Clients



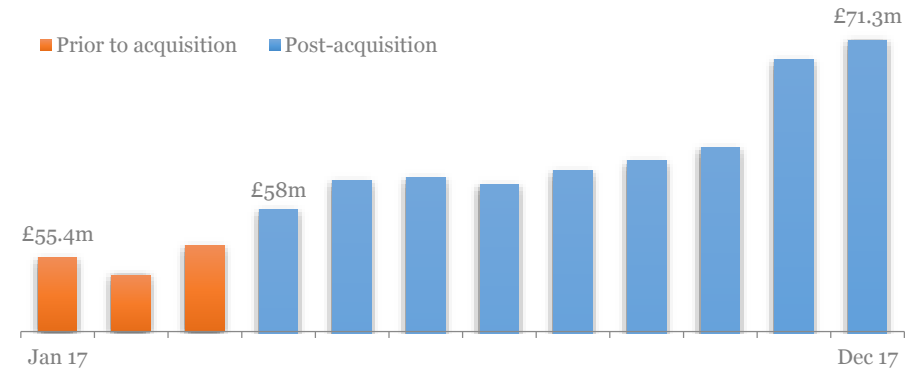


RAF Overview

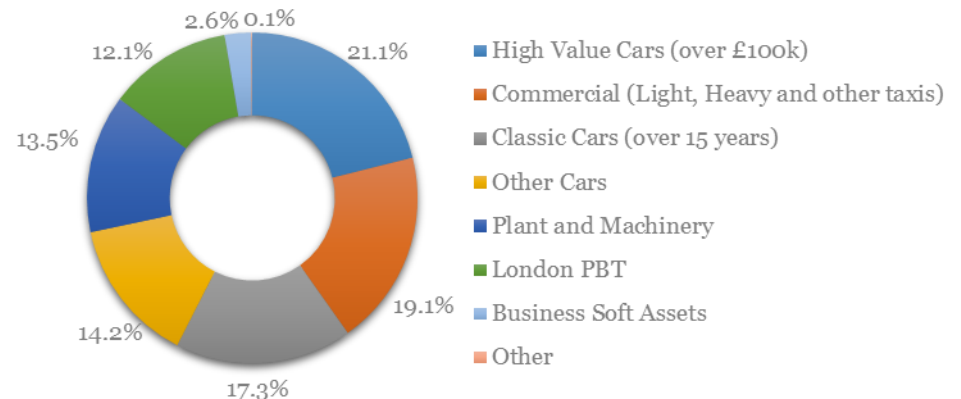


- In April 2017, Arbuthnot Latham acquired specialist lender Renaissance Asset Finance (RAF) which had a client loan book of £58 million at that date
- RAF specialises in offering financing solutions mainly to high net worth individuals and businesses seeking to purchase high value cars and other equipment
- RAF’s loan book amounted to £71.3 million as of 31 December 2017, an increase of 28.7% from the start of the year
- RAF is expanding its offering into new niche markets, such as horseboxes and drainage and is actively reviewing other markets, such as recovery vehicles and engineering & manufacturing
- This business has opened up new distribution channels for the bank and has formed the base from which the bank can develop further lending products for the asset backed financing markets

RAF Loan Book Growth



RAF Loan Book Composition





New Business Lines

Asset Based Lending

- Currently in set-up phase and expecting to be launched towards the end of Q2 2018
- Asset based lending team of seven previously managed a similar business in Shawbrook and prior to that Centric Commercial Finance. The combined team has over 100 years of experience in the sector
- Credit oversight from core Arbuthnot team



ARBUTHNOT
COMMERCIAL

Asset-Based
Lending

Property Fund

- Arbuthnot Latham is in the process of establishing an open-ended property fund to be offered to its clients
- The fund will be focused on income producing assets with a target yield of 7% per annum
- Properties will range in value from £5-10 million



ARBUTHNOT
REAL ESTATE CAPITAL

Arbuthnot Direct

- Direct to market savings platform
- Origination driven via “best buy tables”
- Savings products will have a maximum deposit amount of £250k
- Notice and time deposits with a tenor of up to 5 years



ARBUTHNOT
DIRECT



Arbuthnot Direct



- Access to the direct savings market will give Arbuthnot Latham the ability to raise deposits in a short space of time
- This will allow the bank to react to business opportunities in the knowledge that it can participate in a deal process with the ability to access this source of funding – without having to hold significant excess deposits in the event of non-success
- The proposition will be launched in Q3 2018 offering fixed term and notice products initially targeting a modest book of £20-50 million
- Platform will be serviced from our Exeter office with a third party service provider covering supplemental support in peak volume periods

Fixed rate accounts from an experienced name that you can trust.

[Find out more](#)

Fixed Rate Accounts

Product	AER	Gross Annual Interest	Min Balance	Product Summary
Product 1	X.XX%	X.XXX	£XX,XX	Lowest term deposit of 12 months, competitive advertising only. See lowest interest rate. Non-transferable and notice of 30 days. Suspended at all times in the event of a takeover. Apply Now
Product 2	X.XX%	X.XXX	£XX,XX	Lowest term deposit of 12 months, competitive advertising only. See lowest interest rate. Non-transferable and notice of 30 days. Suspended at all times in the event of a takeover. Apply Now
Product 3	X.XX%	X.XXX	£XX,XX	Lowest term deposit of 12 months, competitive advertising only. See lowest interest rate. Non-transferable and notice of 30 days. Suspended at all times in the event of a takeover. Apply Now
Product 4	X.XX%	X.XXX	£XX,XX	Lowest term deposit of 12 months, competitive advertising only. See lowest interest rate. Non-transferable and notice of 30 days. Suspended at all times in the event of a takeover. Apply Now

Why Arbuthnot Direct?

- 50+** Serving its clients since 1833. [Dolor sit amet](#)
- Testimonials** Competitive accounts with the best rates. [Dolor sit amet](#)
- Awards** Strong company values. [Dolor sit amet](#)
- Reviews** Security with the FSCS. [Dolor sit amet](#)

General enquiries: 020 7012 2500 | [fscs](#) | [Login](#)

Arbuthnot Latham & Co is a private bank based near Margate in the City of London. It is the fully authorised UK branch of Arbuthnot Direct.

Arbuthnot Direct Accounts are protected by the Financial Services Compensation Scheme.



Technology and Systems

- Significant investment in internal operating systems to provide a robust and scalable platform to support growth for many years to come
 - In May 2017, Arbuthnot Latham’s new platform “Flexcube”, developed by Oracle, was implemented across all divisions at a total investment of £8 million
- This modern system will provide the bank a solid foundation from which to grow
- Easily attached to new fintech applications with online banking and mobile banking apps making the bank accessible via digital channels as well as more traditional routes
- Information security officer recently hired to provide additional strength to cyber security program

Flexcube internal transfer screen

The screenshot shows the Oracle Flexcube internal transfer screen. It features a top navigation bar with 'Home', 'Customer', 'Workflow', 'Tasks', and 'Preferences'. Below this is a 'Funds Transfer Contract Input' form with various fields for Product, Contract Reference, User Reference, Source Reference, Message Reference, Transaction Type Code, Source Code, Instruction Code, Book Code, Version Number, and Document. There are also sections for Debit and Credit details, including Currency, Branch, Account, IBAN, Amount, Value Date, Spread, and Exchange Rate. The bottom of the screen has a status bar with 'Events', 'Charge Claim', 'Settlements', 'Advices', 'Charges', 'Tax', 'MIS', 'Fields', and 'Customer Cover Details'.

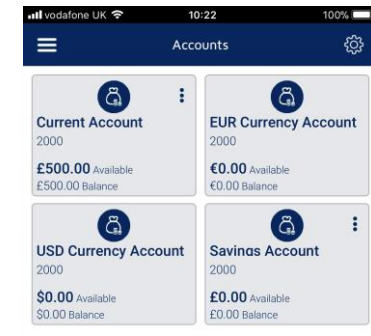
Client online banking screen

The screenshot shows the client online banking screen for Arbuthnot Latham Private Bankers. It features a top navigation bar with 'Home', 'Transactions & Statements', 'Manage Money', 'Batch Payments', 'Secure Messages', and 'Other Services'. Below this is a 'Payment Group' section with a 'Transfer from Account' dropdown, a 'Transfer to Account' dropdown, an 'Amount' field, a 'Reference' field, a 'Transfer Date' field (set to 19-03-2018), and a 'Frequency' dropdown (set to Once Only). There is also an 'Email Confirmation' section with a checkbox for 'Email me a copy of the receipt'. The bottom of the screen has 'Confirm' and 'Cancel' buttons.

App home screen



App account balance screen





Disclaimer

This document is a summary only of certain information contained in the announcement dated 28 March 2018 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 Arbuthnot 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 Arbuthnot 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. Arbuthnot 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, inherent risks regarding market conditions and similar contingencies outside Arbuthnot 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 Arbuthnot Banking Group undertakes no obligation to update any of its forward looking statements.



ARBUTHNOT BANKING GROUP PLC

Thank You

Arbuthnot Banking Group: 0207 012 2400

Sir Henry Angest – Chairman and Chief Executive
Andrew Salmon – Group Chief Operating Officer
James Cobb – Group Finance Director
Ian Henderson – Group Director and Chief Executive Arbuthnot Latham

Arbuthnot Banking Group PLC
Arbuthnot House
7 Wilson Street
London EC2M 2SN

www.arbuthnotgroup.com

Registration No. 1954085