



ARBUTHNOT BANKING GROUP PLC

PRESS RELEASE
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PRE-CLOSE TRADING UPDATE

Arbuthnot Banking Group PLC (“Arbuthnot” or “the Group”) today issues a pre-close trading update ahead of its preliminary results announcement for the year ended 31 December 2015 which is scheduled for 17 March 2016.

The Group continued to trade well in the fourth quarter and as a result expects to report a pre-tax profit in line with market expectations.

The sale of Everyday Loans is still expected to complete in the first quarter of 2016 and it is anticipated this will increase the regulatory capital base of the Group by 74%, before deducting the surplus minority interest.

Retail Banking

Secure Trust Bank PLC (“STB”) saw strong overall growth in its lending portfolios, which resulted in the total loan book closing in excess of £1BN, a growth rate of over 70%. Its consumer lending was led by Retail Finance and Motor, with new volumes materially higher than the prior year. STB has continued to make progress in the development of its SME lending activities in 2015. The Bank has seen strong demand for Asset Finance, Invoice Finance and Real Estate Finance. New lending volumes are 65% higher than in 2014.

Conditions in the savings market remain favourable as the bank continues to see good inflows of deposits across its product offerings.

STB remains strongly capitalised and well-funded.

Private Banking

In the third quarter update on 15 October 2015 Arbuthnot Latham and Co., Ltd. (“AL”) noted that it had established a strong pipeline of lending. As anticipated this lending was drawn down during the fourth quarter and as a result the customer lending balances have ended the year in line with market expectations.

The other lines of business in the Private Bank continue to make good progress while the Commercial Banking division remains on track with its developments.

During the fourth quarter, AL was in exclusive negotiations to purchase a second portfolio of residential mortgages. This process was nearing a successful conclusion when the Bank of International Settlements (“BIS”) published its second consultative document on its proposed revision to the standardised approach for credit risk on 10 December 2015.

While it is unclear how those proposals will eventually be implemented, the management view was that the direction of travel indicated would result in the anticipated return on capital from the mortgage portfolio falling below the desired levels being targeted by the Bank. As a result AL withdrew its offer and the resultant one off transaction costs of approximately £450,000 will be recorded in December 2015.

Once again the Group has made significant progress during 2015, finishing the year with customer lending in excess of £1.6BN, its highest ever level.

Note: STB is also making a pre-close statement today which should be read in conjunction with this statement.

-ENDS-

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