

Arbuthnot Banking Group PLC

2014 YEAR END RESULTS

19 March 2015



2014 Year End Review

ANDREW SALMON – Chief Operating Officer

JAMES COBB – Group Finance Director



Key Messages

- Poised for next phase of growth
- Group now in a position to focus investment toward Arbuthnot Latham
- Record earnings before tax of £22.5m an increase of 43%
- No “one off” transactions
- Successful placing by STB to accelerate growth
- SME divisions all now extending credit
- Arbuthnot Latham successfully acquired a residential mortgage portfolio
- Total dividend per share 27p
- Net asset per share increased 99%
- Balance sheet remains strong and well capitalised



Headline Results

	2014	2013	
Operating Income	£126.3m	£100.0m	➤ Operating Income increased 26%
Operating Expenses	£85.2m	£73.6m	➤ 13% positive operating leverage
Profit Before Tax	£22.5m	£15.7m	➤ PBT increased by 43% to record levels
Underlying Profit Before Tax	£30.6m	£18.5m	➤ Underlying PBT increased 65%
Basic Earnings Per Share	56.5p	51.9p	➤ Dividend per share 27p which compares to 26p after excluding a special dividend of 18p in the prior year (underlying DPS increased by 1p)
Total Dividend Per Share	27p	44p	➤ Customer Lending exceeded £1bn
Total Assets	£1.45bn	£1.1bn	➤ Regulatory Capital increased by 96%
Regulatory Capital	£175.5m	£89.7m	➤ Core Tier one ratio 18.2%
Net Asset Per Share	1136p	570.5p	➤ Net asset per share increased by 99%
Return on Average Equity	13.2%	16.2%	➤ Return on Equity 13.2% (reduced due to overcapitalising following share placing in July)



Divisional Performance

£(000' s)	2014	2013	Change
Private Banking (Arbuthnot Latham)	3,628	7,728	(53%)*
Retail Banking (Secure Trust Bank)	26,339	17,193	53%
Group Centre	(7,452)	(9,208)	19%
Profit Before Tax	22,515	15,713	
Tax	(5,499)	(4,198)	
Profit After Tax	17,016	11,515	
Of Which			
Attributable to Group Share Holders	8,634	7,930	
Non-controlling Interests	8,382	3,585	

* Prior year included £6.5m from sale and lease back – excluding this the core business has grown 200%



Private Banking

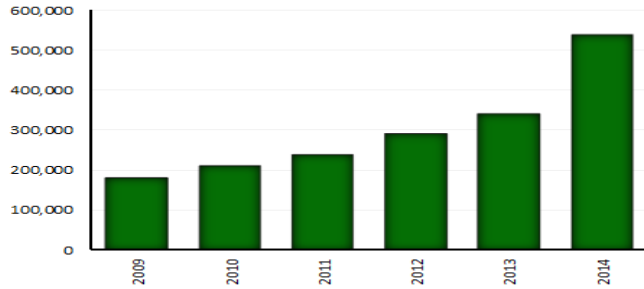
- Profit before tax of £3.6m
- Prior year included sale and lease back transaction which generated a gain of £6.5m, therefore 200% business growth
- Customer assets increased by 57% to £536m (26% excluding portfolio purchase)
- Customer deposits increased by 13% to £590m
- Assets under management increased by 26% to £666m
- Gilliat Financial Solutions closed with exit costs covered by the sale of intellectual property assets

- Highlights:
 - ✓ Successful acquisition of residential mortgage portfolio (£106m)
 - ✓ Dubai office making good progress and expects to breakeven as planned in 2015
 - ✓ South West office about to celebrate 20 year anniversary
 - ✓ New office in North West gaining momentum
 - ✓ Completed move to newly refurbished head office in Wilson Street

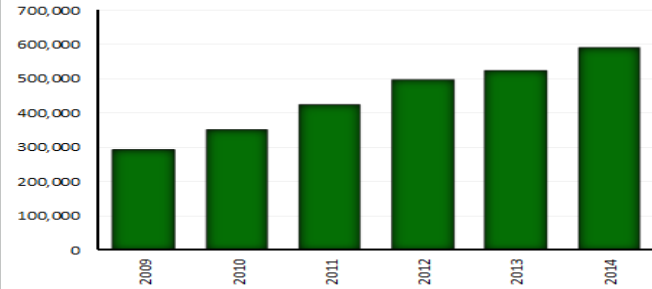


Private Banking – Business Momentum

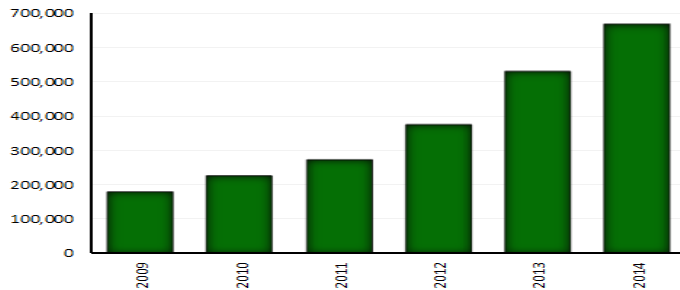
Customer Loans (£000's)



Customer Deposits (£000's)



Assets Under Management (£000's)



- Loan growth CAGR 24% (57% in 2014)
- Deposit growth CAGR 15% (13% in 2014)
- AUM growth CAGR 30% (26% in 2014)



Retail Banking

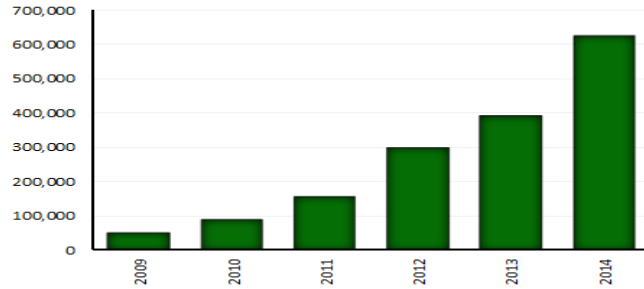
- Profit before tax of £26.3m
- Underlying profit increased to £33.3m (2013:£25.2m)
- Customer assets increased by 59% to £622m
- Customer deposits increased by 39% to £608m
- Lending volumes increased by 79% to £546m
- Customer numbers increased 22% to 429,507

- Highlights:
 - ✓ SME division fully operational
 - ✓ Real estate finance £133.7m
 - ✓ Invoice finance £5.0m
 - ✓ Asset finance £4.5m
 - ✓ Retail finance division successfully pitching to more and larger retailers, eg. AO.com
 - ✓ Motor finance growing strongly due to nationwide coverage of top broker and dealer networks
 - ✓ Next phase of growth funded by successful share placing in July – doubled capital base

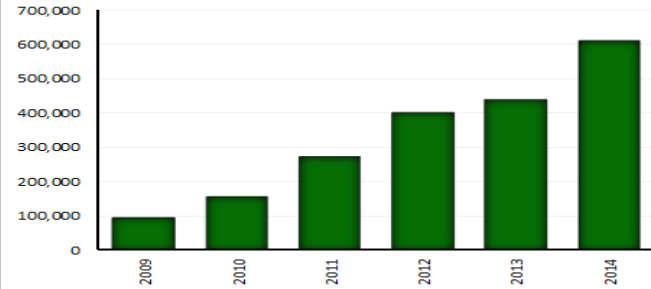


Retail Banking – Business Momentum

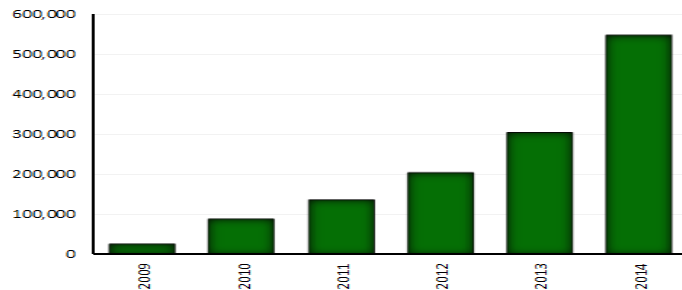
Customer Loans (£000's)



Customer Deposits (£000's)



Lending Volumes (£000's)



- Loan growth CAGR 50% (59% in 2014)
- Deposit growth CAGR 36% (39% in 2014)
- Lending Volume growth CAGR 63% (79% in 2014)

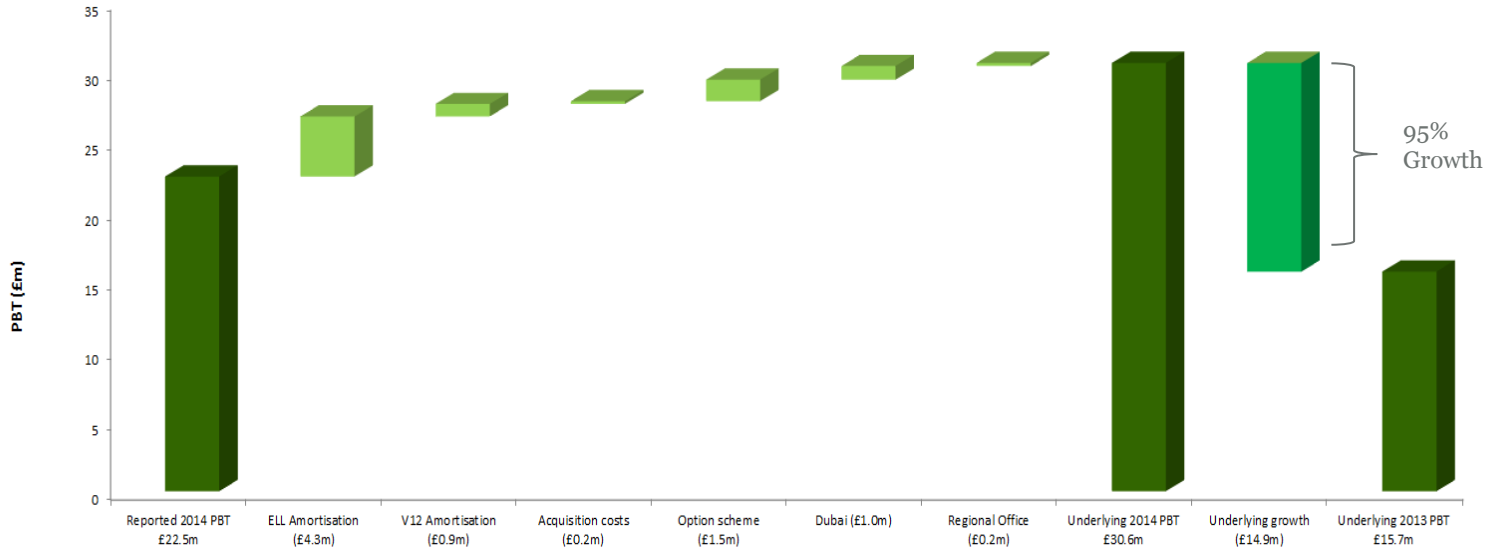


Appendix



Underlying profit (1/2)

Underlying Profit Bridge (£m)



Underlying profit (2/2)

£(000' s)	2013	2014
Profit after tax	15,713	22,515
ELL fair value amortisation	4,066	4,294
Cost of option scheme	2,221	1,542
V12 amortisation	893	893
Cost of acquisitions	854	198
Sale and lease back	(6,535)	-
Dubai office	879	981
Regional Office Investment	-	217
180 th year anniversary	436	-
Acquired portfolios	1	-
Underlying Profit	18,528	30,640

Lending Balances

£(m' s)	2009	2010	2011	2012	2013	2014	
Arbuthnot Latham	178	211	238	289	341	536	➤ Good growth in all portfolios
Personal Lending	15	22	44	68	78	88	➤ Arbuthnot Latham completed acquisition of residential mortgage portfolio
Motor Finance	5	31	63	90	115	138	
Retail Finance	6	25	45	66	114	156	➤ Building a diversified lending business
Everyday Loans	-	-	-	74	81	94	
Commercial Lending (SME)	-	-	-	-	2	143	➤ SME lending underway led by Real estate finance
Others	26	11	2	0.3	0.1	3	
Total STB	51	89	155	298	391	622	



Forward Looking Statements

This document is a summary only of certain information contained in the announcement dated 19 March 2015 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.

