

Arbuthnot Banking Group PLC

2013 YEAR END RESULTS

20 March 2014



2013 Year End Review

ANDREW SALMON – Chief Operating Officer

JAMES COBB – Group Finance Director



Key Messages

- Significant growth with underlying profits increasing
- Record earnings
- Profit before tax £15.7m an increase of 25%
- Operating income exceeded £100m for first time
- Good growth by both banks in all key businesses
- Secure Trust Bank acquisitions fully integrated
- Arbuthnot Latham's Dubai branch open
- Total dividend per share 44p which includes 18p special dividend
- Net asset per share increased 27%
- Balance sheet remains strong and well capitalised



Headline Results

	2013	2012	
Operating Income	£100.0 m	£65.6m	➤ Operating Income exceed £100m for the first time
Operating Expenses	£73.6m	£53.0m	➤ 14% positive operating leverage
Profit Before Tax	£15.7m	£12.6m	➤ PBT increased by 25% to record levels
Underlying Profit Before Tax	£18.5m	£11.6m	➤ Underlying PBT increased 59%
Basic Earnings Per Share	51.9p	52.6p	➤ EPS falls slightly due to the tax effect of prior year bargain purchase gain
Total Dividend Per Share	44p	25p	➤ Underlying EPS increased 6%
Total Assets	£1.1bn	£1.0bn	➤ Dividend per share up to 44p including a special dividend of 18p (underlying DPS increased by 1p)
Regulatory Capital	£89.7m	£73.3m	➤ Regulatory Capital increased by 22%
Net Asset Per Share	570.5p	449.3p	➤ Core tier one ratio 15.8%
Return on Average Equity	16.2%	20.9%	➤ Net asset per share increased by 27%
			➤ Return on Equity 16.2%



Divisional Performance

£(000's)	2013	2012	Change
Private Banking (Arbuthnot Latham)	7,728	2,058	276%
Retail Banking (Secure Trust)	17,193	17,253	0%
Group Centre	(9,208)	(6,712)	(37%)
Profit Before Tax	15,713	12,593	
Tax	(4,198)	(1,128)	
Loss from Discontinued Ops		(347)	
Profit After Tax	11,515	11,118	
Of Which			
Attributable to Group Share Holders	7,930	8,041	
Minority Interests	3,585	3,077	



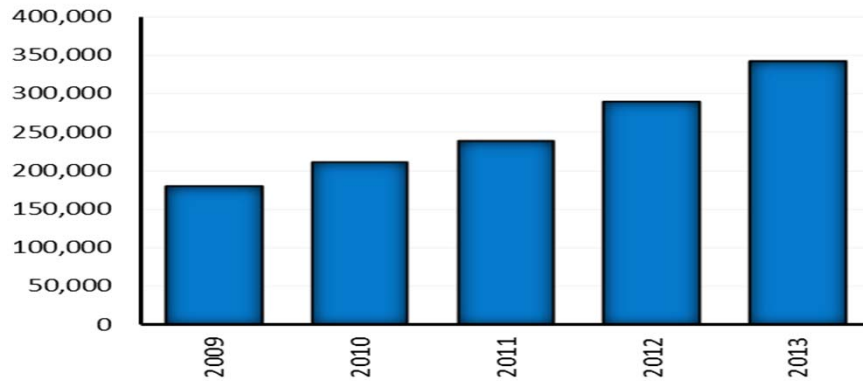
Private Banking

- Profit before tax of £7.7m
- Sale and lease back transaction generated a gain of £6.5m
- Further impairments on legacy equity investments taken £0.8m
- Customer assets increased by 18% to £341m
- Customer deposits increased by 5% to £521m
- Assets under management increased by 40% to £528m
- Loan to deposit ratio at 66% from 59%
- Customer net margin improved by 110 bps as Funding for Lending Scheme reduced over all deposit rates in the market
- Gilliat Financial Solutions over bought products to lose £0.4m (2012:profit £0.6m) – new strategy developed and trading profitably in 2014
- Highlights:
 - ✓ Dubai office opened in July
 - ✓ Custody agreement with Pictet in place
 - ✓ Replaced investment management operating platform
 - ✓ New Internet and mobile banking systems launched

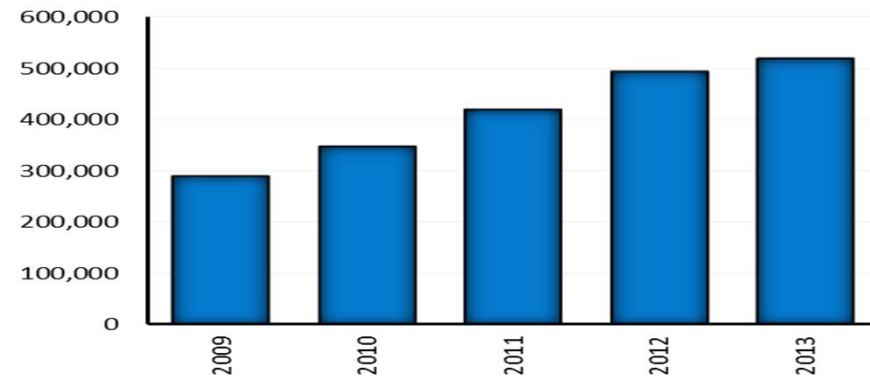


Private Banking – Business Momentum

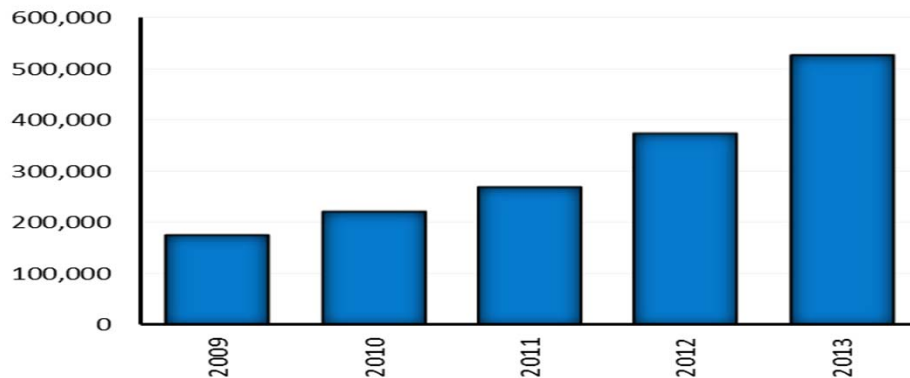
Customer Loans (£000's)



Customer Deposits (£000's)



Assets Under Management (£000's)



- Loan growth CAGR 17% (18% in 2013)
- Deposit growth CAGR 16% (5% in 2013)
- AUM growth CAGR 31% (40% in 2013)



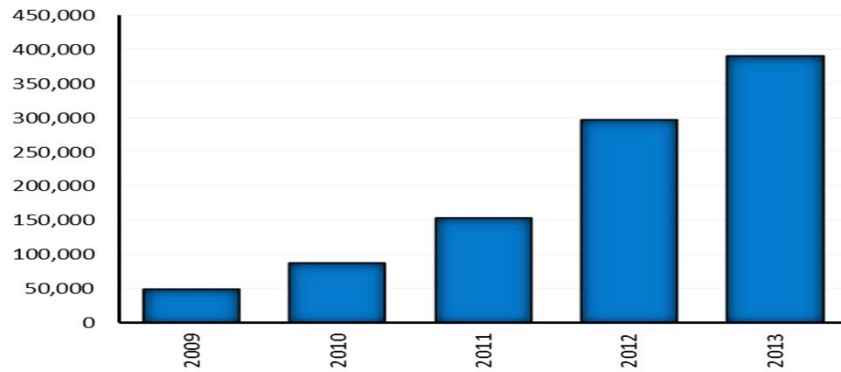
Retail Banking

- › Profit before tax of £17.2m
- › Underlying profit increased to £25.2m (2012:£16.8m)
- › Customer assets increased by 31% to £391m
- › Customer deposits increased by 9% to £437m
- › Customer net margin improved by 190 bps to 16.9%
- › Positive operating leverage of 17%
- › Customer numbers increased 51% to 350,861
- › Highlights:
 - ✓ Acquisition of V12 and Debt Managers now fully integrated
 - ✓ Loan referral agreement with Sainsbury's Bank delayed but now underway
 - ✓ Renewed agreement with Association of Cycle Traders
 - ✓ New retail finance agreement with Halfords
 - ✓ Season ticket loans launched
 - ✓ SME lending commenced
 - ✓ Invoice finance team hired

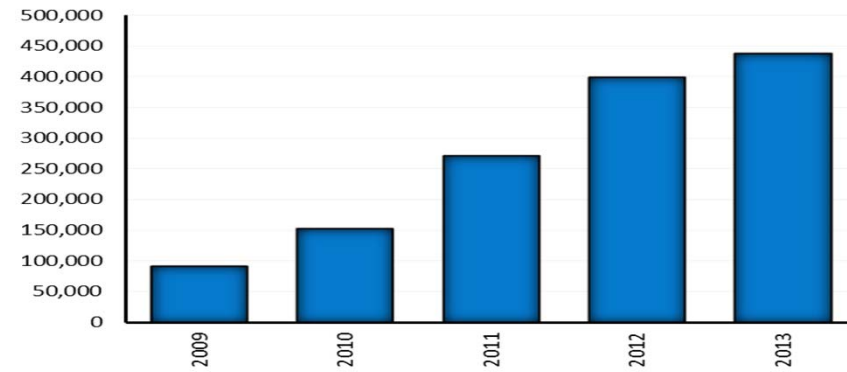


Retail Banking – Business Momentum

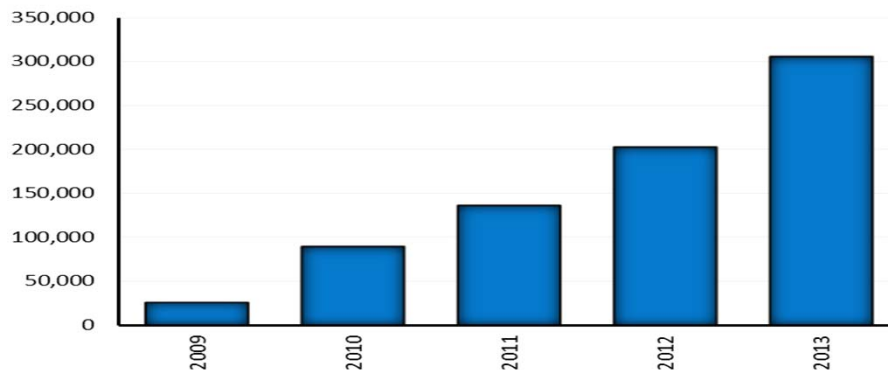
Customer Loans (£000's)



Customer Deposits (£000's)



Lending Volumes (£000's)



- Loan growth CAGR 66% (31% in 2013)
- Deposit growth CAGR 47% (9% in 2013)
- Lending Volume growth CAGR 85% (50% in 2013)

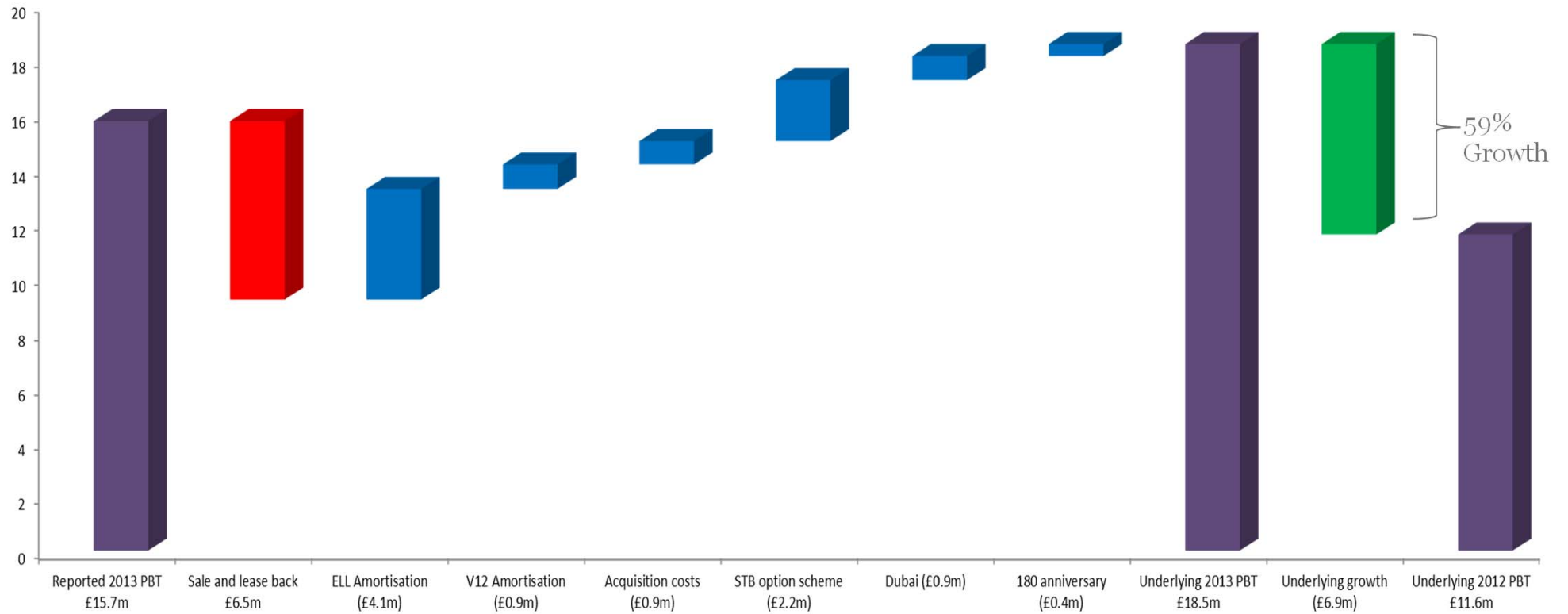


Appendix



Underlying profit (1/2)

Underlying Profit Bridge (£m)



Underlying profit (2/2)

£(000's)	2012	2013
Profit after tax	12,593	15,713
Gain on acquisition of ELL	(9,830)	
ELL fair value amortisation	3,056	4,066
Management incentives post acquisition	1,700	-
Excess funding prior to acquisition	1,900	-
Cost of acquisitions	1,428	854
Cost of option scheme	1,610	2,221
Acquired portfolios	(363)	1
Gain on sale of Swiss Subsidiary	(839)	-
Investment in new private bankers	300	-
Sale and lease back		(6,535)
180 th year anniversary		436
Dubai office		879
V12 amortisation		893
Underlying Profit	11,555	18,528

Lending Balances

£(m's)	2009	2010	2011	2012	2013
Arbuthnot Latham	178	211	238	289	341
Personal Lending	15	22	44	68	79
Motor Finance	5	31	63	90	115
Retail Finance	6	25	45	66	115
Everyday Loans	-	-	-	74	81
Commercial Lending (SME)	-	-	-	-	2
Acquired Portfolios	26	11	2	0.3	0.1
Total STB	51	89	155	298	391

- Good growth in all portfolios
- Building a diversified lending business
- SME lending starting (both property and invoice finance)



Forward Looking Statements

This document is a summary only of certain information contained in the announcement dated 20 March 2014 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.

