



ARBUTHNOT BANKING GROUP PLC

2008 Interim Results

30th July 2008



ARBUTHNOT BANKING GROUP PLC



2008 Interim Results

Introductions

Henry Angest
Chairman & Chief Executive



ARBUTHNOT BANKING GROUP PLC



2008 Interim Results

Business Review

Andrew Salmon
Chief Operating Officer



ARBUTHNOT BANKING GROUP PLC

Key Messages

- Diversified strategy provides strength in challenging economic environment
 - Capital ratios and liquidity remain strong
 - Turnaround showing good results at Secure Trust Bank
 - Difficult market conditions for Arbuthnot Securities
 - Non recurrence of property transaction fees at Arbuthnot Latham
- Sale of 'non-core' businesses at Secure Trust Bank and Arbuthnot Latham
- Expecting regulatory approval for Swiss Bank in second half



Strategic Update

- Group remains committed to being a diversified financial services group
- Seeks to generate quality earnings to fund a progressive dividend policy
- Priorities:
 - Maintain strong capital ratios and liquidity
 - Continue to grow profitability of Secure Trust Bank
 - Development of Arbuthnot Securities
 - Generating an appropriate return on capital from Arbuthnot Latham





2008 Interim Results

Operational/Divisional Review

Andrew Salmon
Chief Operating Officer



Strategic Update on Secure Trust Bank

- Pre tax profits up 96% to £4.7 million
- Underlying profit, excluding insurance sale, up 29% to £3.1 million
- Sale of the insurance broking business and associated disposal of 13 branches and 75 sales staff
- Business has improved profitability, action is now being taken to increase revenue concentrating on advantages of banking licence
 - Unsecured lending
 - Pre-paid debit card



Arbuthnot Latham remains strong and profitable

- Liquidity and capital remain strong despite current market conditions
- Income £7.7 million – lower than first half 2007 due to non recurrence of property transaction fees. Pre tax profits £0.5 million (2007: £1.4 million)
- 14% Deposit growth and 13% Loan book growth compared with the first half of 2007
- Disposal of Pension and Factoring businesses
- Action taken to increase recurring profits
 - Reduction in costs
 - Increase in fees from customers
 - Reviewing ways of enhancing wealth management profitability



Challenging Market for Arbutnot Securities

- Commission and fee income down 38% to £7.0 million compared to first half of 2007
- Trading loss of £1.7million (2007: trading profit £2.6million)
- Size of trading book substantially reduced in first six months
- Pre tax loss of £1.5 million (2007: pre tax profit £4.0 million)
- Corporate client list increased to 95 (30 June '07: 74) with average market capitalisation of £131 million
- First quarter loss, second quarter profit
- Transactions during the period included:
 - Hampson Industries (£65 million raised, part funding two US acquisitions)
 - Cyberview (adviser – disposal of business)
 - IIMIA (acquisition of MIDAS and admission of enlarged group to AIM)





2008 Interim Results

Financial Results

Paul Sheriff
Group Finance Director



Financial Highlights

- Liquidity and Capital remain strong
- Income down 32% to £23.5 million
- Pre Tax Profits £0.7 million compared to £5.4 million
- Cost savings achieved in all business areas in the first half of 2008
- Sale of 'non core' businesses will be profit enhancing in second half of 2008
- EPS reduced to 6.3 pence from 18.0 pence
- Interim dividend maintained at 10.5 pence



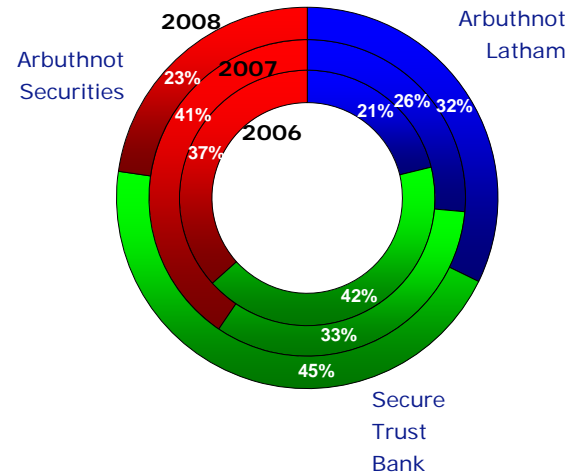
Headline Results

	6 months to 30/6/08	6 months to 30/6/07	% Change	Year to 31/12/07
Net interest income	6,194	5,731	8%	11,444
Net fee and commission income	19,073	26,341	-28%	52,907
Trading income	(1,786)	2,707	-166%	4,442
Operating income	23,481	34,779	-32%	68,793
Operating expenses	(23,610)	(28,351)	-17%	(57,977)
Impairment losses	(253)	(1,019)	-75%	(2,237)
Profit before tax and exceptional items	(382)	5,409	-107%	8,579
Exceptional items	1,048			
Profit before income tax	666	5,409	-88%	8,579
Income tax	(160)	(1,623)	-90%	(2,792)
Profit after tax	506	3,786	-87%	5,787
Attributable to				
- Minority interest	(434)	1,095	-140%	2,232
- Shareholders	940	2,691	-65%	3,555
Earnings per share	6.3	18.0	-65%	23.8



Balanced & Diversified Income across three divisions

- Operating Income down 32% in 2008 to £23.5 million
- Benefits of diversification in income
- Fall in Arbuthnot Latham due to non recurrence of property transaction fees. Excluding property transaction fees, income up £0.5 million
- Fall in Commission and fee income of 38%. £1.7 million trading loss in Arbuthnot Securities.



Group Remains Profitable

- Benefits of diversification in income and profits in first half on 2008
- Significant increase in Secure Trust Bank and decrease in Arbuthnot Securities
- Secure Trust Bank profits of £4.7 million including £1.6 million profit on sale of insurance broking business
- Arbuthnot Securities loss of £1.5 million includes £1.7 million trading loss
- Arbuthnot Latham profit of £0.5 million does not include any property transaction fees



Key Messages

- Diversified approach provides strength
 - Challenging economic environment has led to reduced profit
 - Capital ratios and liquidity remain strong
 - Turnaround showing good results at Secure Trust Bank and business now well positioned
 - Arbuthnot Latham now benefiting from actions to improve recurring profits
 - Difficult market conditions for Arbuthnot Securities
- Sale of 'non-core' businesses at Secure Trust Bank and Arbuthnot Latham is very positive for both businesses



Forward Looking Statements

This document is a summary only of certain information contained in the announcement dated 30 July 2008 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 and equity risk in its investment 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.

