



ARBUTHNOT BANKING GROUP PLC

2006 Year End Results

20th March 2007



ARBUTHNOT BANKING GROUP PLC



2006 Year End Results

Introductions

Henry Angest
Chairman & Chief Executive



ARBUTHNOT BANKING GROUP PLC



2006 Year End Results

Business Review

Andrew Salmon
Chief Operating Officer



ARBUTHNOT BANKING GROUP PLC

Key Messages

- Diversified and independent approach continues to produce good results
 - Turnaround progresses as planned at Arbuthnot Securities – profits nearly double in 2006
 - Profit on sale and leaseback of Arbuthnot House
- New management taking action to restore growth at Secure Trust Bank
- Progress towards increased profitability in Arbuthnot Latham
- Swiss Bank operational in 2007
- 18 years of dividend growth



Strategic Update

- Group remains committed to being a diversified financial services group
- Seeks to generate quality earnings to fund a progressive dividend policy
- Priorities:
 - Turnaround of Secure Trust Bank
 - Expansion of Arbuthnot Securities
 - Generating an appropriate return on capital from Arbuthnot Latham
 - Swiss expansion





2006 Year End Results

Operational/Divisional Review

Andrew Salmon
Chief Operating Officer



Good Performance in Arbuthnot Securities

- Total income up 11% to £21.7 million
- Pre tax profit (before exceptional items) up 77% to £5.0 million
- 35 transactions including 6 IPOs in 2006
- Corporate client list increased to 75 (end February '07) – fastest growing in market
- Secondary revenue and retainers 50% of total income
- Costs stable despite continuous upgrading of quality of personnel
- 2007 has started well
 - Corporate pipeline is strong
 - Member of Dubai International Financial Exchange
 - Recruited team of four analysts for new Glasgow office



Strategic Update on Secure Trust Bank

- Senior management changes to address performance at STB
- Key themes of overall strategy for Secure Trust Bank
 - Enhancement of the core “OneBill” product
 - Focus on building customer base of “OneBill”
 - Integration of separate business units into single brand
 - Move away from unsecured lending
- Investment of £1.5 million in 2007 and a further £1.5 million in 2008
- Upturn in customer numbers anticipated in H1 '08 with a positive P&L impact in H2 '08



Progress towards profitability in Arbuthnot Latham

- 18% Deposit growth, 11% Loan book growth, 11% Client growth
- Investment management performance strong with average performance in 2006 3.3% ahead of benchmark
- Investment of £1.1m in new business areas reduced profitability in 2006
- Attracted a number of key personnel during 2006 – senior private bankers, pension consultants and 'super yacht'/overseas property team
- Assets totalling £1 billion (advisory, discretionary and customer deposits)
- Internet banking operational end 2006, credit card to be launched Q2 2007
- Increased profits expected in 2007 as a result of investment in 2006



Swiss Bank operational in 2007

- Development of offshore business
- Appointment of Hans-Rudolf Strasser as Chief Executive in March 2007
- Joins in the next few months
- Detailed regulatory submission in first half 2007
- Outsource provider identified
- Operation in second half 2007 (subject to regulatory approval)





2006 Year End Results

Financial Results

Paul Sheriff
Group Finance Director



Headline Results

	2006	2005	% Change
Net interest income	10,126	9,497	7%
Net fee and commission income	43,546	43,781	(1)%
Trading income	4,102	3,069	34%
Operating income	57,774	56,347	3%
Operating expenses	(47,559)	(47,339)	0%
Impairment losses	(1,986)	(1,641)	21%
Profit before tax and exceptional items	8,229	7,367	12%
Exceptional items	6,511	309	2007%
Profit before income tax	14,740	7,676	92%
Income tax	(4,045)	(2,197)	84%
Profit on discontinued activity after tax		1,405	
Profit after tax	10,695	6,884	55%
Attributable to			
- Minority interest	1,304	395	230%
- Shareholders	9,391	6,489	45%
Earnings per share	63.8	45.8	39%



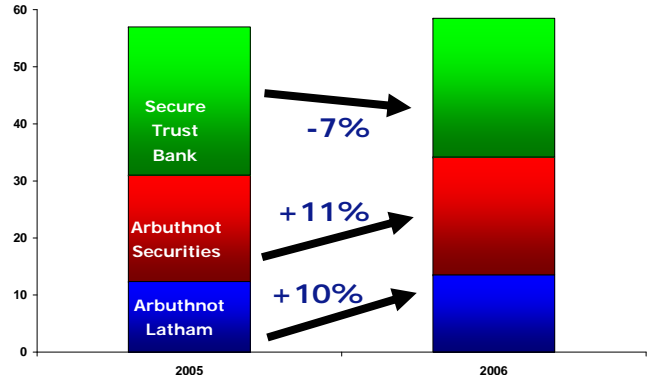
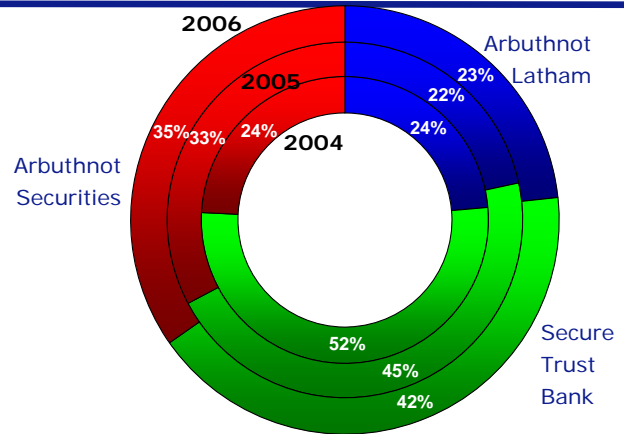
Financial Highlights

- Balanced and diversified income across three divisions
- Growth in pre tax profits continues
- Operating profit covers dividend
- Exceptional items have strengthened balance sheet
- Significantly improved capital position to fund growth
- Continuation of dividend policy



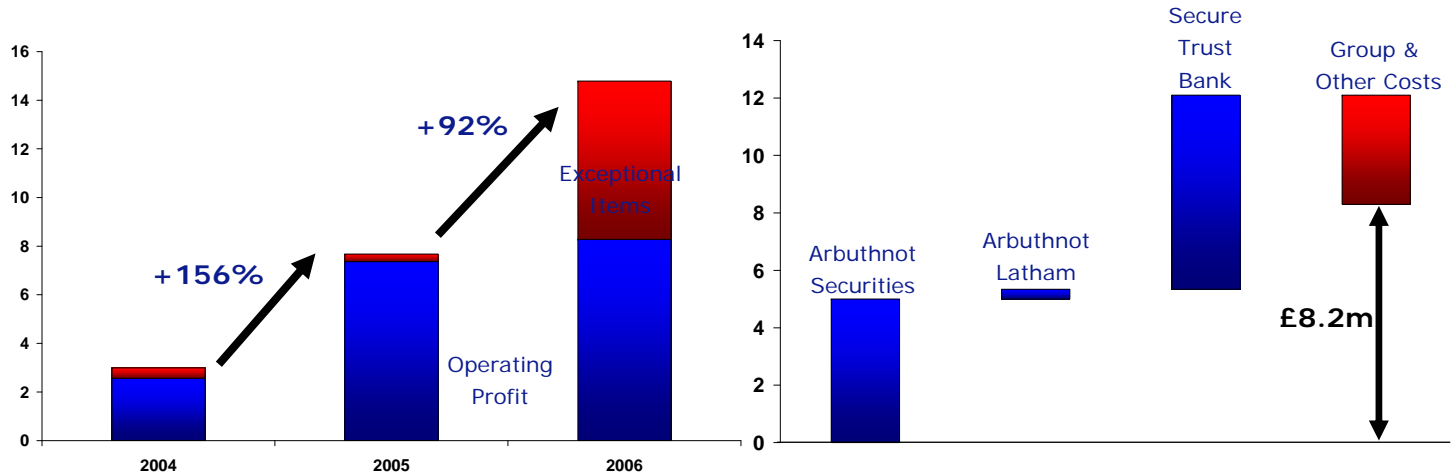
Balanced & Diversified Income across three divisions

- Operating Income up 3% in 2006 to £58m
- Benefits of diversification in income over three years
- Significant increase over 3 years at Arbuthnot Securities



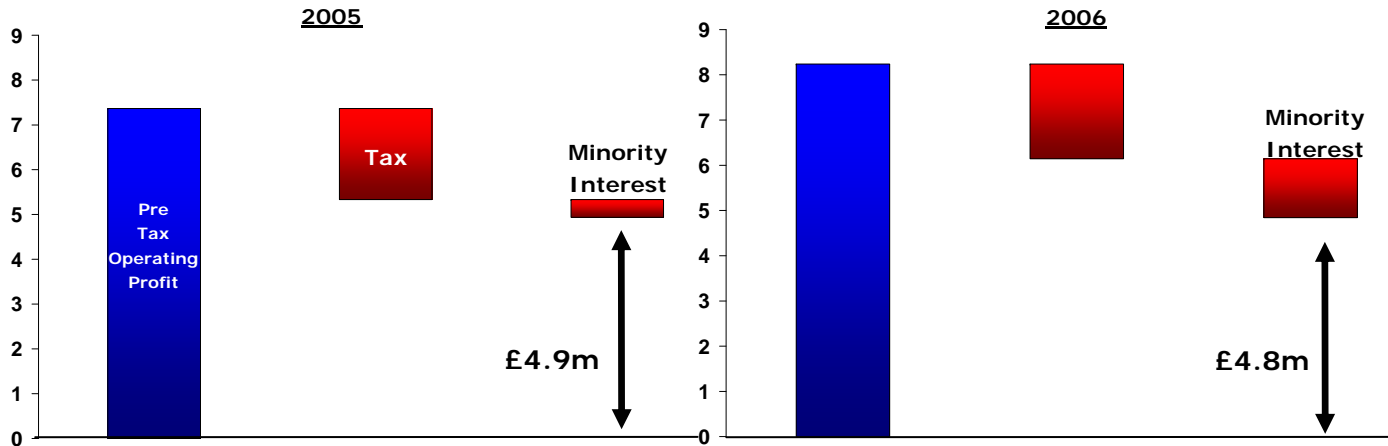
Growth in Pre Tax Profits continues

- Operating Profit increased by 12% to £8.2m
- Pre tax profits on continuing activities increased by 92% to £14.7m
- Significant growth in profit at Arbuthnot Securities



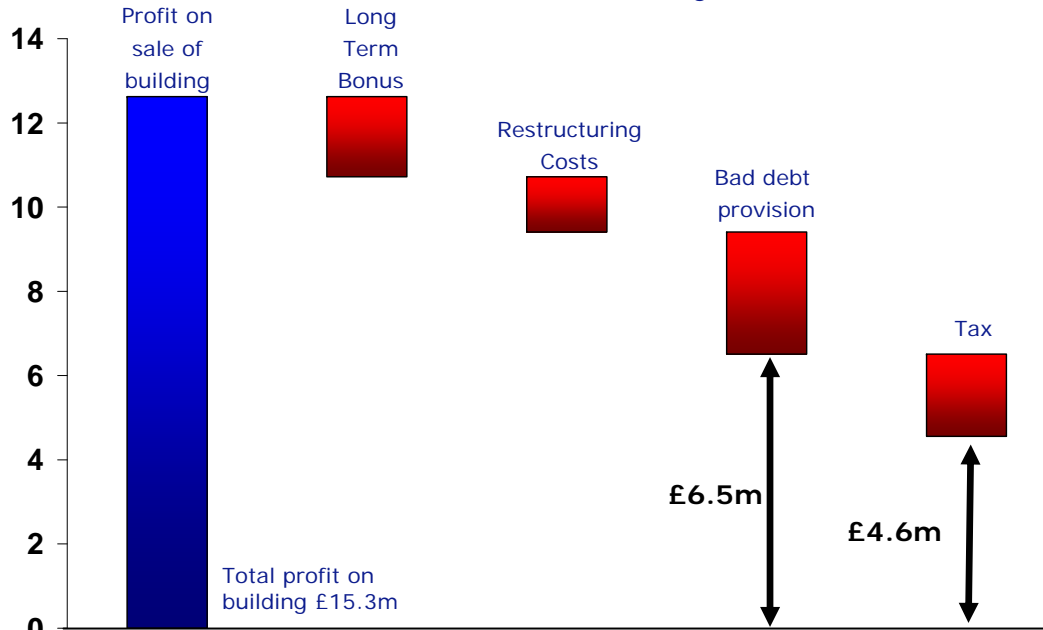
Operating Profit covers dividend

- Operating profit covers 104% of dividends paid in 2006
- Increase in minority interest as a result of increasing profit at Arbuthnot Securities
- Post tax Operating profit attributable to shareholders similar to 2005



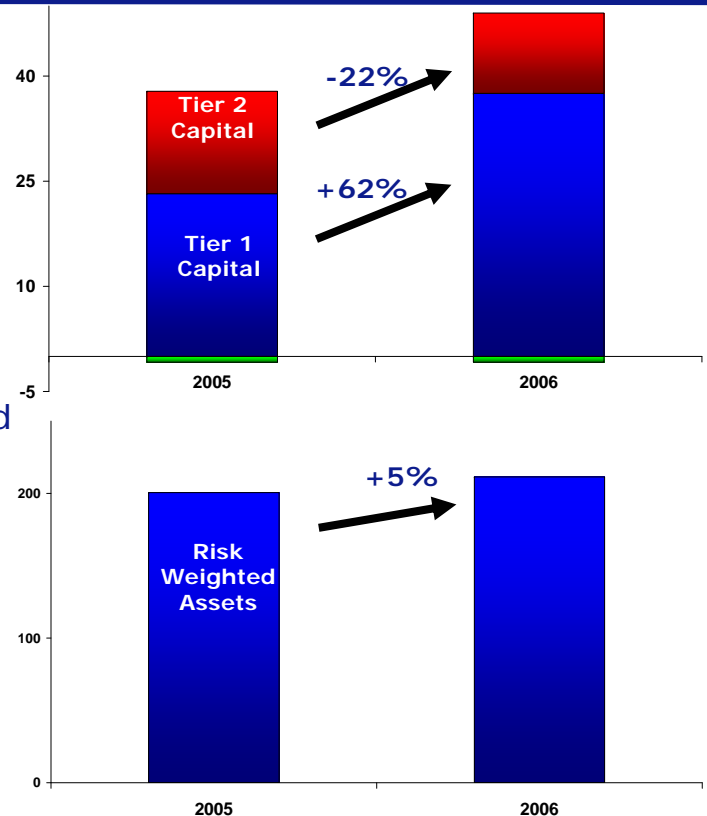
Exceptional Items have strengthened Balance Sheet

- Total Exceptional Items of £6.5m (pre tax)
- Balance Sheet net assets increased by £4.6m



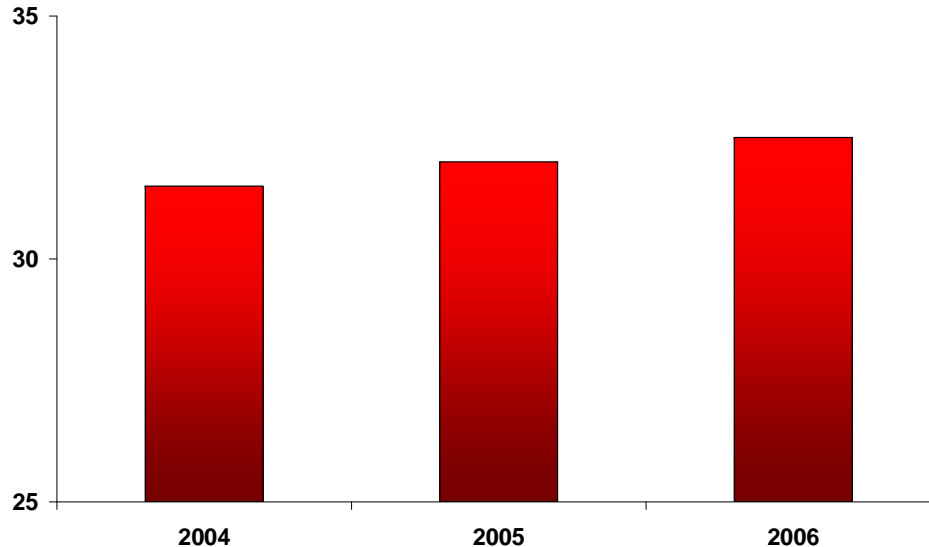
Significantly improved capital position to fund growth

- Overall Regulatory Capital increased by 30% to £48m
- Risk weighted assets increased by 5% to £211m
- Significant capital available to fund future growth (e.g. Swiss office)
- Capacity to increase Tier 2 capital further
- Risk asset ratio of 22.8% (2005: 18.5%)



Continuation of Dividend Policy

- Dividend up 0.5p to 32.5p (interim 10.5p and final up 0.5p to 22p)
- Recently dividends have increased by 0.5p per annum



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Forward Looking Statements

This document is a summary only of certain information contained in the announcement dated 20 March 2007 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.

