

18 September 2007

For immediate release



ARBUTHNOT BANKING GROUP PLC

Results for the six months to 30 June 2007

Arbuthnot Banking Group PLC (“Arbuthnot”) today announces interim results for the six months to 30 June 2007. Arbuthnot is the holding company for Arbuthnot Securities Limited, Arbuthnot Latham & Co Limited and Secure Trust Bank PLC.

Financial Highlights

	Six months to 30/6/2007	Six months to 30/6/2006	Increase
Operating income	£34.8m	£29.2m	+19%
Profit before income tax	£5.4m	£3.8m	+43%
Profit before tax and exceptional items	£5.4m	£4.1m	+33%
Basic earnings per share	18.0p	14.3p	+26%
Net assets	£43.1m	£36.8m	+17%

Commenting on the results, Henry Angest, Chairman and Chief Executive of Arbuthnot, said:

“Arbuthnot Banking Group made good progress in the first half of 2007. We are particularly pleased that Arbuthnot Securities again substantially raised its profits and Arbuthnot Latham has had a good first half.”

Press enquiries:

Arbuthnot Banking Group PLC:

Henry Angest, Chairman and Chief Executive
 Andrew Salmon, Chief Operating Officer
 Paul Sheriff, Group Finance Director

Tel: 020 7012 2400

Maitland:

Emma Burdett
 Lydia Pretzlik

Tel: 020 7379 5151

Operational Highlights

Investment Banking - Arbuthnot Securities

- Total income of £14.2m in first six months (2006: £10.8m)
- Profit before tax up 83% to £4.0m (2006: £2.2m)
- 22 transactions in first six months of 2007 (2006: 10 transactions)

Private Banking – Arbuthnot Latham

- Profit before tax of £1.4m in first six months (2006: £0.1m)
- 21% deposit growth and 23% loan book growth compared to first half 2006
- Significant profit from property transaction fees

Retail Banking – Secure Trust Bank

- Profit before tax and investment expenditure reduced by 20% to £2.8m in first six months (2006: £3.5m)
- Business re-branded to Moneyway and enhanced “OneBill” product launched in June
- Partnership with Everyday loans for unsecured lending

Switzerland

- Chief Executive started in July 2007
- Swiss Bank to be operational in early 2008 (subject to regulatory approval)

CHAIRMAN'S STATEMENT

I am pleased to report that Arbuthnot Banking Group made good progress during the first half of 2007, with profits before tax increasing by 43% over the first half of last year to £5.4 million. The growth in pre-tax profits was driven by significant advances at both Arbuthnot Securities and Arbuthnot Latham. This is a pleasing result overall, especially considering that the Group is undertaking a substantial programme of change at Secure Trust Bank.

Earnings per share rose by the lower amount of 26% to 18.0p per share, as a result of an increasing contribution from Arbuthnot Securities resulting in a higher minority interest charge, combined with the increased number of shares following the rights issue in 2006.

The interim dividend is maintained at last year's level of 10.5 pence and will be paid on 26 October 2007 to shareholders on the register at 28 September 2007.

Arbuthnot Securities

The profit before tax of Arbuthnot Securities in the first half of the year rose 83% to £4.0 million (2006: £2.2 million). This was achieved from gross revenues of £14.2 million, 31% ahead of the corresponding period last year. Revenue growth has been strong from both the primary and secondary business.

Arbuthnot Securities completed 22 transactions during the first six months of the year (2006: 10 transactions), including 3 IPOs (2006: 3 IPOs). The number of retained corporate clients has risen to 74 at the end of June from 71 at the beginning of the year and has subsequently risen to 79.

Arbuthnot Latham

Arbuthnot Latham's pre-tax profits rose by £1.3 million to £1.4 million principally due to increased property transaction fees. Progress continues to be made with customer deposits growing by 21% and the loan book by 23% compared with the first half of 2006.

I am pleased to welcome Mike Bussey who joins on 1 October as the new Chief Executive of Arbuthnot Latham. Mike has 30 years' banking experience in retail, corporate and private banking. He was Chief Executive of the Private Banking and Trust business at N.M. Rothschild & Sons Ltd for four years, prior to which he had been Chief Executive of Schroders Private Banking. Previously, Mike worked at HSBC for over 20 years in various senior managerial positions across Europe, the Middle East, South East Asia, Africa and the Americas.

CHAIRMAN'S STATEMENT (continued)

Secure Trust Bank

The investment programme at Secure Trust Bank gathered pace during the first half of the year, with progress being made on product redesign, operational processes and updating systems. The highlight of the first six months was the re-branding of the business as Moneyway in June. The turnaround in Secure Trust Bank is proving to be more protracted than expected and the benefit of the investment and re-branding is likely to be seen in 2008.

Secure Trust Bank has continued to apply stricter criteria for unsecured lending, resulting in lower volumes of new business and a fall in the division's net interest income of 14% compared with the first half of 2006. This has been accompanied by a 14% fall in bad debt experience.

A partnership has commenced with Everyday Loans whereby a significant proportion of unsecured lending is referred to Everyday Loans rather than being undertaken by Secure Trust Bank. Progress is also being made on increasing the level of mortgage advisory business.

Overall performance for Secure Trust Bank was a first half fall in pre tax profit of 33% to £2.4 million compared to the corresponding period in 2006. This result reflects additional costs incurred ahead of revenue growth and a £0.4 million cost for the investment programme. Revenue has declined by 7% due to the continued reduction in customer numbers and the lower income from unsecured lending.

Switzerland

Progress in establishing the Switzerland operation continued and it is anticipated that the regulatory submission will be made in the second half of 2007 and subject to regulatory approval, the Swiss Bank should commence operation in early 2008.

Staff and Management

I am delighted to welcome to the Board Sir Christopher Meyer, who is also Chairman of the Press Complaints Commission. Sir Christopher had a distinguished diplomatic career, having joined the Foreign and Commonwealth Office in 1966. In 1997 he was appointed as Ambassador to Germany and from 1997-2003 he was Ambassador to the USA. Between 1994 and 1996, Sir Christopher was Press Secretary to Prime Minister John Major. Sir Christopher joins on 1 October and I believe his experience and expertise will be a significant contribution to the Group's development.

As detailed above, Mike Bussey joins the Board on 1 October and will be Chief Executive of Arbuthnot Latham.

John Reed, becomes a Vice Chairman of Arbuthnot Latham and takes up the newly created Group role of International Business Development Director.

CHAIRMAN’S STATEMENT (continued)**Outlook**

All divisions of the Group have traded profitably in both July and August despite difficult market conditions. Looking forward, the corporate finance pipeline in Arbutnot Securities is healthy although volatile markets may impact both the outcome and timing of individual transactions.

The diversified nature of the Group continues to serve us well and the Board is cautiously optimistic about the outlook.

Henry Angest
Chairman
18 September 2007

CONSOLIDATED INCOME STATEMENT

	Profit before exceptional items 6 months to 30.06.07 £000	Exceptional items 6 months to 30.06.07 £000	6 months to 30.06.07 £000	Profit before exceptional items 6 months to 30.06.06 £000	Exceptional items 6 months to 30.06.06 £000	6 months to 30.06.06 £000
Interest and similar income	11,186	-	11,186	9,083	-	9,083
Interest expense and similar charges	(5,455)	-	(5,455)	(4,388)	-	(4,388)
Net interest income	5,731	-	5,731	4,695	-	4,695
Fee and commission income	26,554	-	26,554	23,474	-	23,474
Fee and commission expense	(213)	-	(213)	(559)	-	(559)
Net fee and commission income	26,341	-	26,341	22,915	-	22,915
Net trading income	2,707	-	2,707	1,596	-	1,596
Operating income	34,779	-	34,779	29,206	-	29,206
Gain on sale of Arbuthnot House	-	-	-	-	-	-
Impairment losses on loans and advances	(1,019)	-	(1,019)	(838)	-	(838)
Operating expenses	(28,351)	-	(28,351)	(24,286)	(304)	(24,590)
Profit before income tax	5,409	-	5,409	4,082	(304)	3,778
Income tax expense	(1,623)	-	(1,623)	(1,262)	91	(1,171)
Profit for the period	3,786	-	3,786	2,820	(213)	2,607
Attributable to:						
Equity holders of the Company	2,691	-	2,691	2,228	(162)	2,066
Minority interest	1,095	-	1,095	592	(51)	541
	3,786	-	3,786	2,820	(213)	2,607
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in pence per share):						
- basic and fully diluted	18.0p	-	18.0p	15.4p	(1.1)p	14.3p

CONSOLIDATED INCOME STATEMENT (CONTINUED)

	Profit before exceptional items Year to 31.12.06 £000	Exceptional items Year to 31.12.06 £000	Year to 31.12.06 £000
Interest and similar income	19,168	-	19,168
Interest expense and similar charges	(9,042)	-	(9,042)
Net interest income	10,126	-	10,126
Fee and commission income	47,787	-	47,787
Fee and commission expense	(4,241)	-	(4,241)
Net fee and commission income	43,546	-	43,546
Net trading income	4,102	-	4,102
Operating income	57,774	-	57,774
Gain on sale of Arbuthnot House	-	12,623	12,623
Impairment losses on loans and advances	(1,986)	(2,900)	(4,886)
Operating expenses	(47,559)	(3,212)	(50,771)
Profit before income tax	8,229	6,511	14,740
Income tax expense	(2,092)	(1,953)	(4,045)
Profit for the period	6,137	4,558	10,695
Attributable to:			
Equity holders of the Company	4,833	4,558	9,391
Minority interest	1,304	-	1,304
	6,137	4,558	10,695
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in pence per share):			
- basic and fully diluted	32.8p	31.0p	63.8p

CONSOLIDATED BALANCE SHEET

	30.06.07	30.06.06	31.12.06
	£000	£000	£000
ASSETS			
Cash	173	109	181
Loans and advances to banks and building societies	21,163	32,535	54,214
Trading securities – long positions	14,316	8,189	9,095
Loans and advances to customers	176,333	151,074	155,594
Debt securities held-to-maturity	120,315	87,170	105,961
Intangible assets	3,091	2,917	3,025
Property, plant and equipment	10,304	30,882	10,638
Investment securities available for sale	4,360	-	5,856
Other assets	31,354	50,640	22,730
Total assets	381,409	363,516	367,294
LIABILITIES			
Deposits from banks	7,195	23,143	7,729
Trading securities – short positions	5,667	4,340	2,303
Deposits from customers	281,648	246,367	270,448
Debt securities in issue	10,106	10,207	10,106
Other liabilities	32,932	40,405	29,886
Current tax liabilities	474	1,171	3,486
Deferred tax liabilities	252	1,116	35
Total liabilities	338,274	326,749	323,993
EQUITY			
Share capital	150	150	150
Share premium account	21,085	21,085	21,085
Retained earnings	17,270	10,117	17,866
Other reserves	1,402	3,395	1,402
Capital and reserves attributable to the Company's equity holders	39,907	34,747	40,503
Minority interest	3,228	2,020	2,798
Total equity	43,135	36,767	43,301
Total equity and liabilities	381,409	363, 516	367,294

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the Company					Total £000
	Share capital	Share premium account	Other reserves	Retained earnings	Minority interest	
	£000	£000	£000	£000	£000	
Balance at 1 January 2006	143	17,115	3,395	11,111	1,312	33,076
Sale of minority interest in Arbuthnot Securities Limited	-	-	-	-	171	171
Issue of shares	7	3,970	-	-	-	3,977
Profit for 6 months ended 30 June 2006	-	-	-	2,066	541	2,607
Final dividend relating to 2005	-	-	-	(3,060)	(4)	(3,064)
At 30 June 2006	150	21,085	3,395	10,117	2,020	36,767
Release on sale of freehold premises	-	-	(2,828)	2,828	-	-
Release of deferred tax on sale of freehold premises	-	-	835	(835)	-	-
Sale of minority interest in Arbuthnot Securities Limited	-	-	-	-	16	16
Profit for 6 months ended 31 December 2006	-	-	-	7,325	762	8,087
Interim dividend relating to 2006	-	-	-	(1,569)	-	(1,569)
At 31 December 2006/1 January 2007	150	21,085	1,402	17,866	2,798	43,301
Profit for 6 months ended 30 June 2007	-	-	-	2,691	1,095	3,786
Purchase of minority interest in Arbuthnot Commercial Finance Limited	-	-	-	-	(74)	(74)
Final dividend relating to 2006	-	-	-	(3,287)	(591)	(3,878)
At 30 June 2007	150	21,085	1,402	17,270	3,228	43,135

CONSOLIDATED CASH FLOW STATEMENT

	6 months to 30.06.07 £000	6 months to 30.06.06 £000	Year to 31.12.06 £000
Cash flows from operating activities			
Interest received	11,186	9,083	19,168
Interest paid	(5,455)	(4,388)	(9,042)
Fees and commissions received	26,341	22,915	43,546
Net trading and other income	2,707	1,596	4,102
Recoveries on loans previously written off	-	7	10
Cash payments to employees and suppliers	(28,351)	(23,621)	(51,816)
Taxation paid	(4,418)	(790)	(2,470)
Cash flows from operating profits before changes in operating assets and liabilities	2,010	4,802	3,498
Changes in operating assets and liabilities:			
- net increase in trading securities	(1,857)	(1,251)	(4,194)
- net increase in loans and advances to customers	(21,758)	(11,768)	(17,439)
- net decrease in other assets	(8,661)	(21,692)	3,797
- net decrease in deposits from other banks	(534)	13,953	(1,461)
- net increase in amounts due to customers	11,200	6,934	31,015
- net increase in other liabilities	3,046	13,407	2,927
Net cash from operating activities	(16,554)	4,385	18,143
Cash flows from investing activities			
Purchase of investments	1,496	-	(3,435)
Purchase of minority interest	(74)	-	-
Disposal of minority interest	-	171	187
Purchase of property, plant and equipment	(448)	(598)	(2,253)
Purchase of computer software	(221)	(43)	(428)
Proceeds from sale of property, plant and equipment	434	331	34,244
Purchases of debt securities	(150,362)	(41,199)	(139,481)
Proceeds from sale of debt securities	185,272	60,155	122,648
Net cash from investing activities	36,097	18,817	11,482
Cash flows used in financing activities			
Issue of shares	-	3,977	3,977
Repayment of debt securities	-	(2,509)	(2,610)
Dividends paid	(3,338)	(3,064)	(4,633)
Net cash used in financing activities	(3,338)	(1,596)	(3,266)
Net increase in cash and cash equivalents	16,205	21,606	26,359
Cash and cash equivalents at beginning of period	83,718	85,146	57,359
Cash and cash equivalents at end of period	99,923	106,752	83,718

NOTES

1. Business Segments

	Retail banking	Private banking	Investment banking	Group costs	Subordinated loan stock	Group total
6 months to 30.06.07	£000	£000	£000	£000	£000	£000
Segmental operating income	11,573	9,259	14,196	93	(342)	34,779
Segment profit	2,371	1,386	3,965	(1,971)	-	5,751
Subordinated loan note interest	-	-	-	-	(342)	(342)
Profit before exceptional items	2,371	1,386	3,965	(1,971)	(342)	5,409
Exceptional items	-	-	-	-	-	-
Profit before income tax	2,371	1,386	3,965	(1,971)	(342)	5,409

	Retail banking	Private banking	Investment banking	Group costs	Subordinated loan stock	Group total
6 months to 30.06.06	£000	£000	£000	£000	£000	£000
Segmental operating income	12,495	6,246	10,808	-	(343)	29,206
Segment profit	3,621	113	2,376	(1,685)	-	4,425
Subordinated loan note interest	-	-	-	-	(343)	(343)
Profit before exceptional items	3,621	113	2,376	(1,685)	(343)	4,082
Exceptional items	(99)	-	(205)	-	-	(304)
Profit before income tax	3,522	113	2,171	(1,685)	(343)	3,778

	Retail banking	Private banking	Investment banking	Group costs	Subordinated loan stock	Group total
Year to 31.12.06	£000	£000	£000	£000	£000	£000
Segmental operating income	24,236	13,555	20,631	-	(648)	57,774
Segment profit	6,759	341	4,959	(3,182)	-	8,877
Subordinated loan note interest	-	-	-	-	(648)	(648)
Profit before exceptional items	6,759	341	4,959	(3,182)	(648)	8,229
Exceptional items	(3,358)	12,366	(274)	(2,223)	-	6,511
Profit before income tax	3,401	12,707	4,685	(5,405)	(648)	14,740

2. **Earnings per ordinary share**

Basic and fully diluted

Earnings per ordinary share are calculated on the net basis by dividing the profit attributable to the equity holders of the Company of £2,691,000 (30.06.06: £2,066,000; 31.12.06 £9,391,000) by the weighted average number of ordinary shares 14,943,944 (30.06.06: 14,485,171; 31.12.06: 14,716,433) in issue during the period.

3. **Basis of reporting**

The interim financial statements have been prepared on the basis of accounting policies set out in the Group's 2006 statutory accounts. The statements were approved by the Board of Directors on 17 September 2007 and are unaudited. The auditors have not carried out a review of the interim financial statements. The interim financial statements will be posted to shareholders and copies may be obtained from The Company Secretary, Arbuthnot Banking Group PLC, Arbuthnot House, 20 Ropemaker Street, London, EC2Y 9AR.

4. **Results for the year ended 31 December 2006**

The figures for the year ended 31 December 2006 are derived from the Group Accounts for the year. A copy of the Group Accounts for that year, on which the auditors gave an unqualified opinion, has been delivered to the Registrar of Companies.