

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or about the action you should take, you should immediately seek your own financial advice from your stockbroker or other independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in Arbuthnot Banking Group PLC, please send this document, together with the form of proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

Arbuthnot Banking Group PLC

(Incorporated and registered in England and Wales under the Companies Act 1985 with registered number 01954085)

Notice of Annual General Meeting and Proposed Scrip Dividend in Respect of up to Half of the Final Dividend

A notice convening an Annual General Meeting of the Company to be held at 3 p.m. on Wednesday, 14 May 2008 at Arbuthnot House, 20 Ropemaker Street, London, EC2Y 9AR, is set out at the end of this document. Shareholders are requested to complete and return the enclosed form of proxy to the Company's Registrars, Capita Registrars, at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU as soon as possible but in any event, to be valid, so as to arrive no later than 12 May 2008. The return of a form of proxy will not preclude a member from attending and voting at the Annual General Meeting in person should he subsequently decide to do so.

Elections to receive New Shares under the Scrip Dividend Offer must be returned to Capita Registrars at the above address so as to be received by not later than 5.00pm on 12 May 2008. If you wish to receive the whole of the Final Dividend of 22.5p per share in cash however, you should take no action in respect of the Form of Election.

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Definitions

“AIM”	AIM, a market operated by The London Stock Exchange;
“Auditors”	are the auditors of the Company;
“Company’s Registrars”	Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU;
“Company”	Arbuthnot Banking Group PLC;
“Daily Official List”	the daily record setting out the prices of all trades in securities conducted on The London Stock Exchange;
“Euroclear”	Euroclear UK & Ireland Limited;
“Final Dividend”	the proposed final dividend;
“Form of Election”	the form of election enclosed with this circular;
“New Shares”	fully paid ordinary shares of 1p each offered pursuant to the Scrip Dividend Offer;
“Scrip Dividend Mandate Scheme”	the scrip dividend mandate scheme outlined in Part IV of this circular;
“Scrip Dividend Offer”	the scrip dividend offer outlined in parts II and IV of this circular;
“The London Stock Exchange”	London Stock Exchange plc;

Timetable of Events

Ex-Dividend Date	26 March 2008
The five dealing days on which the value of ordinary shares for the purposes of the Scrip Dividend Offer was calculated	26 March – 1 April 2008
Record Date	28 March 2008
Proxies to be returned by	12 May 2008
Final time and date for receipt of completed Forms of Election	12 May 2008
Annual General Meeting	14 May 2008
Final Dividend warrants despatched	28 May 2008
CREST member accounts credited with New Shares	28 May 2008
First day of dealings in New Shares	28 May 2008
Certificates for New Shares in respect of Scrip Dividend Elections despatched	28 May 2008

Action to be taken in connection with the Scrip Dividend Offer

A. To receive the Final Dividend for 2008 entirely in cash;

- Take no action on the Form of Election.
- You will receive your dividend in cash in the normal way.

B. To receive your maximum entitlement to New Shares in respect of the Final Dividend for 2008 (but not elect for the Scrip Dividend Mandate Scheme in respect of any future dividend for which a scrip dividend alternative is offered):

- Sign and date the Form of Election and return it to the Company's Registrars.

C. To receive your maximum entitlement to New Shares in respect of the Final Dividend for 2008 and in respect of future dividends for which a scrip dividend alternative is offered (the Scrip Dividend Mandate Scheme):

- Read the notes in Part IV carefully (which explain the effect of the Scrip Dividend Mandate Scheme).
- Mark Box 5 on the Form of Election with an "X".
- Sign and date the Form of Election and return it to the Company's Registrars.

D. To receive the Final Dividend in 2008 in a combination of New Shares and cash:

- Insert in Box 4 on the Form of Election the number of ordinary shares on which you wish to receive New Shares instead of cash dividend. This figure must be no greater than your shareholding at the record date. The number inserted must be a multiple of 34.
- Sign and date the Form of Election and return it to the Company's Registrars.

Part I

Letter From the Chairman

Arbuthnot Banking Group PLC

(Incorporated and registered in England and Wales
under the Companies Act 1985 with registered number 01954085)

Directors:

Henry Angest (*Chairman*)
Robert Wickham (*Deputy Chairman*)
Andrew Salmon ACA (*Chief Operating Officer*)
Paul Sheriff ACA (*Group Finance Director*)
Mark Brown
Gary Jennison
Mike Bussey
Ruth Lea
Sir Christopher Meyer
Sir Michael Peat
John Reed
Athol Turrell ACA

Registered Office:
One Arlestone Way
Solihull
B90 4LH

4 April 2008

To shareholders of Arbuthnot Banking Group PLC (the "Company")

Dear Shareholder

Annual General Meeting and Proposed Scrip Dividend Scheme

1. Introduction

You will find set out on pages 11 to 13, notice of the 22nd Annual General Meeting of the Company, which is to be held at 3.00 pm on 14 May 2008 at Arbuthnot House, 20 Ropemaker Street, London, EC2Y 9AR.

The purpose of this document is to provide shareholders with details of the business to be considered at the Annual General Meeting. In addition to the routine business of the Annual General Meeting, there are a number of items of special business to be transacted, as summarised and explained below:

- (a) the offer of a scrip dividend alternative in respect of half the Final Dividend (Resolution 11);
- (b) to grant authority pursuant to s95 Companies Act 1985 to allot equity securities as if subsection (1) of s89 of the Companies Act 1985 did not apply to any such allotment (Resolution 12);
- (c) to grant authority to the Company to make market purchases of its own ordinary shares (Resolution 13);
- (d) to approve a number of amendments to the articles of association of the Company to reflect the provisions of the Companies Act 2006 (Resolutions 14 and 15); and
- (e) to approve the proposed amendment to the Arbuthnot Securities Long Term Incentive Plan which is summarised in the directors report dated 12 March 2008 (Resolution 16).

2. Scrip Dividend Offer

This year we are, for the first time, introducing a Scrip Dividend for half of the Final Dividend. We believe this enables shareholders to buy additional shares at a low dealing cost and it provides greater flexibility to the Group in order to maintain its long held policy of paying a significant dividend while at the same time pursuing a long term investment strategy. The policy means that earnings and dividend cover can fluctuate significantly.

The Scrip Dividend Offer is in all respects subject to and conditional upon the passing of resolutions 11 and 12 authorising the directors to offer holders of ordinary shares the opportunity to elect to receive New Shares instead of half the cash amount of the Final Dividend and to allot such New Shares on a non pre-emptive basis.

Holders of ordinary shares who so elect, will receive one New Share for every 34 ordinary shares then held by them, instead of the cash dividend on those ordinary shares.

If you wish to receive New Shares in lieu of the Final Dividend in respect of all or part of your shareholding, the Form of Election should be completed and returned to the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to be received by them no later than 12 May 2008. If you wish to receive the whole of the Final Dividend in cash, you should not take any further action in respect of the Form of Election.

Part I

Letter From the Chairman *continued*

The Scrip Dividend Offer gives holders of ordinary shares the opportunity to increase their shareholding in the Company without paying any dealing costs or stamp duty. Whether or not you decide to elect to receive ordinary shares in lieu of the cash dividend will depend upon your own circumstances and, in particular, the tax effect of such action, as outlined in Part III of this document. If you are in any doubt as to the action you should take, you are strongly advised to take professional advice.

If all holders of ordinary shares eligible to receive the Final Dividend were to elect to receive the Final Dividend in cash, the total cash dividend payable by the Company would be approximately £3,362,000 in respect of which the applicable tax credit available to shareholders would be approximately £374,000 (on the assumption that the recipients of such Final Dividend are companies or other persons resident in the United Kingdom). If, instead, all holders of ordinary shares, eligible to do so, were to elect to receive half of the Final Dividend in the form of New Shares, 439,527 ordinary shares would be issued (ignoring any reduction in respect of fractions), representing an increase of approximately 2.94 per cent, in the Company's issued share capital.

For holders of ordinary shares who wish to receive dividends in the form of fully paid ordinary shares rather than in cash on future occasions when a scrip dividend alternative is offered, the Company proposes to operate a mandate scheme, details of which are set out in Part IV of this document. **To receive New Shares in respect of all of the ordinary shares registered in your name instead of cash whenever a scrip dividend alternative is offered, place an "X" in Box 5 on the Form of Election, sign and date it and return it to the Company Registrars at the above address.**

Further details of the Scrip Dividend Offer and an outline of the taxation consequences are set out in Parts II to IV to this document and should be read carefully.

3. Disapplication of pre-emption rights

At the last Annual General Meeting held on 22 May 2007, the directors were empowered (until the conclusion of the 2008 Annual General Meeting) to make limited allotments of ordinary shares for cash, other than in accordance with the statutory pre-emption rights. These pre-emption rights require a company to offer shares which are to be allotted for cash proportionately to existing shareholders first.

Resolution 12 (which will be proposed as a special resolution) empowers the directors, until the conclusion of the Annual General Meeting to be held in 2009, to issue shares for cash, other than proportionately to existing shareholders.

These powers are limited, in aggregate, to the issue of up to 745,000 ordinary shares (having a nominal value of approximately £7,450).

4. Adoption of Articles

Approval is being sought from shareholders to approve a number of amendments to our articles of association, primarily to reflect the provisions of the Companies Act 2006. An explanation of the main changes between the proposed and existing articles of association is set out in the appendix on page 14 of this document.

5. Purchase of own shares

The directors consider that it would be beneficial to the Company if, in certain circumstances, the Company had the power to purchase its own shares.

At the present time, the directors have no wish to exercise the power to purchase any of the issued shares of the Company. However, they consider it is appropriate to have the flexibility to do so. Accordingly, they recommend that the power in certain circumstances to buy in shares up to a maximum prescribed limit be granted for a limited period.

6. Proposed amendment to the Arbuthnot Securities Long Term Incentive Plan

The proposed amendment will give participants the option of selling shares at cost to the Trustee for two years following the three year retention period for shares granted before 31 August 2007.

7. Further Information

Your attention is drawn to the further information set out in Parts II to IV of this document.

8. Action to be taken by Shareholders

Shareholders will find enclosed with this document a form of proxy for use at the Annual General Meeting. Whether or not shareholders intend to be present at the Annual General Meeting, they are requested to complete and return the form of proxy, in accordance with the instructions printed thereon, as soon as possible and in any event, to be valid, so as to be received by the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours before the time fixed for the meeting. The completion and return of the form of proxy will not preclude shareholders from attending the Annual General Meeting and voting in person should they wish to do so.

In relation to the Scrip Dividend Offer:

- A. To receive the Final Dividend for 2008 entirely in cash;
 - Take no action on the Form of Election.
 - You will receive your dividend in cash in the normal way.

- B. To receive your maximum entitlement to New Shares in respect of the Final Dividend for 2008 (but not elect for the Scrip Dividend Mandate scheme in respect of any future dividend for which a scrip dividend alternative is offered):
 - Sign and date the Form of Election and return it to the Company's Registrars.

- C. To receive your maximum entitlement to New Shares in respect of the Final Dividend for 2008 and in respect of future dividends for which a scrip dividend alternative is offered (the Scrip Dividend Mandate Scheme):
 - Read the notes in Part IV carefully (which explain the effect of the Scrip Dividend Mandate Scheme).
 - Mark Box 5 on the Form of Election with an "X".
 - Sign and date the Form of Election and return it to the Company's Registrars.

- D. To receive the Final Dividend in 2008 in a combination of New Shares and cash:
 - Insert in Box 4 on the Form of Election the number of ordinary shares on which you wish to receive New Shares instead of a cash dividend. This figure must be no greater than your shareholding at the record date. The number inserted must be a multiple of 34.
 - Sign and date the Form of Election and return it to the Company's Registrars.

Recommendation

Your directors consider that the proposals set out above are in the best interests of the Company and its shareholders as a whole. They recommend that you vote in favour of the resolutions set out in the notice of meeting as they intend to do in respect of their own beneficial holdings. My present intention is to take up at least 50,000 ordinary shares under the scrip dividend alternative should the relevant resolutions be passed.

Yours sincerely

Henry Angest
Chairman

Part II

Details Of The Scrip Dividend Offer

1. Terms of the Election

Ordinary shareholders who were on the register of members at the close of business on 28 March 2008 may elect to receive one new ordinary share of 1p, credited as fully paid, for every 34 ordinary shares of 1p each registered in their names on that date in place of half of the proposed final dividend of 22.5p net per ordinary share for the year ended 31 December 2007. The right to elect is not transferable.

The election may be made by ordinary shareholders in respect of all or part of their holding of ordinary shares. The election should be in respect of a multiple of 34 ordinary shares. No fraction of a new ordinary share will be allotted. Therefore, the cash dividend will be paid on so much of your holding as exceeds the multiple of 34 as well as on any holding of ordinary shares for which an election is not made.

The manner in which elections will be dealt with will be governed by the form in which shareholdings are held at the record date (see paragraph 7 below).

2. Taxation

The taxation consequences of an election to receive new ordinary shares in lieu of a cash dividend depend on shareholders' individual circumstances. A summary of the likely tax consequences for United Kingdom resident shareholders is set out in Part III. If you are in any doubt as to your tax position, you should consult your professional adviser before taking any action.

3. Overseas Ordinary Shareholders

The opportunity to elect to receive new ordinary shares in place of the cash dividend is not being offered to, or for the account of, any citizen, national or resident of the United States, Canada or Australia, any corporation, partnership or other entity created or organised in, or under the laws of, the United States, Canada or Australia, or any political subdivision of these countries, or with registered address in any of these countries or any estate or trust, the income of which is subject to United States federal or Canadian or Australian income taxation regardless of its source. "United States" means the United States of America (including the District of Columbia). References to the United States, Canada and Australia include their territories, possessions and all areas subject to their jurisdiction.

No person receiving a copy of this circular and/or Form of Election in any territory other than the United Kingdom may treat the same as constituting an invitation to him unless in such territory such an invitation could lawfully be made to him without compliance with any registration or other legal requirements. It is the responsibility of any such person wishing to elect to receive New Shares, either in respect of this invitation or by way of mandate under the Scrip Dividend Mandate Scheme, to satisfy himself as to the full observance of the laws of such territory, including obtaining any governmental or other consents which may be required and observing any other formalities needing to be observed in such territory.

4. If you have received more than one Form of Election

If your ordinary shares are registered in more than one holding and as a result you have received more than one Form of Election, they will be treated for all purposes as separate holdings and you should complete each form accordingly (unless you wish and are able before 9 May 2008 to arrange with the Company's Registrars to have such holdings consolidated into one holding). If you have shareholdings in certificated and uncertificated form they will be treated for all purposes as separate holdings and may not be consolidated.

5. If you have recently bought ordinary shares

If you bought ordinary shares in the Company before 26 March 2008 (the date on which the quotation for such shares became ex-dividend), but such shares are not included in the number shown in Box 1 on the Form of Election and you wish to elect to receive New Shares instead of the cash dividend in respect of such shares, you should consult your stockbroker or other adviser without delay. If no instruction is received in respect of those shares, you will receive the dividend in cash, subject to its being approved by shareholders.

6. If you have recently sold ordinary shares

If you have sold all of your holding of ordinary shares before 26 March 2008 (the date on which the quotation for such shares became ex-dividend), you should pass this circular and the Form of Election to your stockbroker or other adviser without delay. If you have sold some of your holding of ordinary shares but those ordinary shares are nevertheless included in the number shown in Box 1 on the Form of Election, you should contact your stockbroker or other adviser without delay who will advise you how the Form of Election should be dealt with.

7. Delivery and listing of the New Shares

Applications will be made to the London Stock Exchange for the admission of the New Shares to trading on the AIM Market of the London Stock Exchange. The New Shares are to be allotted pursuant to valid elections for the Scrip Dividend Offer. The New Shares will on issue rank *pari passu* in all respects with the existing issued ordinary shares and will qualify for all future dividends.

Subject to satisfaction of the conditions set out in paragraph 8 below, definitive share certificates for the New Shares are expected to be posted, at the risk of the persons entitled thereto, on 28 May 2008 to shareholders who held their ordinary shares in certificated form on 28 March 2008. Shareholders who held their ordinary shares in uncertificated form on 28 March 2008 will, at their risk, have their CREST member accounts credited with the new ordinary shares. The Company will request its Registrars to instruct Euroclear to credit CREST member accounts on 28 May 2008. Dividend cheques for any cash dividend due are expected to be posted on or before the same day. Dealings in the New Shares are expected to begin on 28 May 2008.

8. Conditions

The Scrip Dividend Offer is subject to;

- (a) the Final Dividend being approved by shareholders at the Annual General Meeting on 14 May 2008; and
- (b) the Scrip Dividend Offer being approved; and
- (c) the New Shares to be allotted pursuant to elections for the Scrip Dividend Offer in lieu of the Final Dividend being admitted to trading on the AIM market of the London Stock Exchange and such admissions becoming effective; and
- (d) the middle market quotation of an ordinary share, as derived from the Daily Official List, for 12 May 2008 (the final date for receipt of Forms of Election), being not less than £3.50.

In the event that these conditions are not satisfied any election for the scrip dividend alternative in lieu of the proposed final cash dividend will be deemed void and, subject to it being approved by shareholders, the cash dividend will be paid in the usual way.

9. General

Further copies of this circular and of the Form of Election may be obtained from the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU or from the Company Secretary at Arbutnot House, 20 Ropemaker Street, London EC2Y 9AR up to 9 May 2008.

10. Scrip dividend timetable

Ex-Dividend Date	26 March 2008
The five dealing days on which the value of ordinary shares for the purposes of the Scrip Dividend Offer was calculated	26 March 2008 – 1 April 2008
Record Date	28 March 2008
Proxies to be returned by	12 May 2008
Final time and date for receipt of completed Forms of Election	12 May 2008
Annual General Meeting	14 May 2008
Final Dividend warrants despatched	28 May 2008
CREST member accounts credited with New Shares	28 May 2008
First day of dealings in New Shares	28 May 2008
Certificates for New Shares in respect of scrip dividend elections despatched	28 May 2008

Part III

Taxation Implications Of The Scrip Dividend Offer

The precise tax consequences for a shareholder electing to receive New Shares in lieu of a cash dividend will depend upon that shareholder's individual circumstances. The following statements are intended to apply only as a general guide to current UK tax law and to the current practice of HM Revenue & Customs in the UK (both of which are subject to change, possibly with retrospective effect). They are intended to apply only to shareholders in the UK who are resident or ordinarily resident in the UK for tax purposes, who hold the ordinary shares as investments and who are the beneficial owners of the ordinary shares.

This summary of the likely taxation treatment is not exhaustive, and any shareholders who are in any doubt as to their tax position regarding the election to receive new shares in lieu of a cash dividend, or who are subject to tax in a jurisdiction other than the UK should consult their own tax advisers.

1. UK Resident Companies

A corporate shareholder resident in the UK for tax purposes will not normally be subject to tax on any dividend received from the Company (including the receipt of the New Shares). However, the New Shares will not be treated as franked investment income of such shareholders for corporation tax purposes.

For the purposes of corporation tax on chargeable gains, no consideration will be treated as having been paid for the New Shares. The receipt of New Shares will be treated as a bonus issue and accordingly the New Shares will be treated as having been acquired as and when the existing shares in the enlarged holding were acquired.

2. UK Resident Individuals

To the extent that UK resident individual shareholders elect to take New Shares under the Scrip Dividend Offer instead of a cash dividend, they will be treated as having received gross income of an amount which, when reduced by income tax at a rate of 10%, is equal to the cash dividend (the "cash equivalent") which would have been received had they not elected to take up the New Shares. For example, if an individual receives New Shares under the Scrip Dividend Offer worth £90 instead of a cash dividend of £90, he will be treated as receiving gross income of £100 and as having paid tax of £10.

Individuals, who after taking into account their receipt of New Shares, pay income tax at a rate no higher than the basic rate, will have no further liability to tax in respect of the receipt of New Shares under elections made pursuant to the Scrip Dividend Offer.

Individuals, whose total income for tax purposes (after taking into account the gross amount of income which they are treated as having received as mentioned above) exceeds the threshold for the higher rate of income tax, will be liable to tax at the dividend upper rate (currently 32.5%) on the gross income which they are treated as having received as described above, to the extent that such income exceeds the threshold for higher rate income tax. Thus, in the above example, the individual will be liable to tax of £32.50 (i.e. £100 at 32.5%) less the £10 tax treated as having been paid, leaving him with a net tax liability of £22.50 still to pay. For these purposes, dividend income is treated as the top slice of an individual's income.

For capital gains tax purposes, if an election to receive New Shares under the Scrip Dividend Offer instead of a cash dividend is made, the New Shares will be treated as having been acquired for a consideration equal to the cash equivalent, subject to the comments in paragraph 4 of this Part III.

3. UK Resident Trusts

Where trustees who are liable to pay income tax at the dividend trust rate (currently 32.5%) elect to receive New Shares under the Scrip Dividend Offer instead of the cash dividend, the same grossing up procedure as outlined above for individuals will apply in computing dividend income subject to tax, so that if trustees received New Shares worth £90 instead of a cash dividend of £90, they would be treated as having received gross income of £100 and as having paid tax of £10. Accordingly, they will have a further tax liability of £22.50.

For capital gains tax purposes, if an election to receive New Shares under the Scrip Dividend Offer instead of a cash dividend is made, the New Shares will be treated as having been acquired for a consideration equal to the cash equivalent, subject to the comments in paragraph 4 of this Part III.

4. Market Value

Where the market value of the New Shares on the first day of dealings on the London Stock Exchange differs substantially (i.e. 15% or more above or below) from the cash equivalent of one New Share, HM Revenue & Customs will substitute that market value as the cash equivalent for the purpose of calculating any taxes due. If this occurs, you will be sent a notice of the revised valuation in due course. This revised value is used for both income tax and capital gains tax purposes.

5. Cash Element

If a UK shareholder receives dividends in the form of cash, the cash dividend will be treated as a conventional dividend for UK taxation purposes.

6. Stamp Duty and Stamp Duty Reserve Tax

A shareholder electing to take New Shares in lieu of a cash dividend will not be liable to pay stamp duty or stamp duty reserve tax on those shares acquired.

Part IV

Scrip Dividend Mandate Scheme

The Scrip Dividend Mandate Scheme (referred to in this Part IV as “the Scheme”) has been introduced for the convenience of those shareholders who would like to take ordinary shares instead of cash as a matter of routine and enables them to elect to receive new ordinary shares automatically in respect of all future dividends declared for which a scrip dividend alternative is offered.

The Scheme is entirely optional, but any scrip dividend mandate given will remain valid in respect of all dividends declared for which a scrip dividend alternative is offered until revoked by the shareholder in writing.

If you wish to enter into a scrip dividend mandate to authorise the Company to allot New Shares in respect of all relevant dividends, you should complete the Form of Election by placing an “X” in Box 5 and return the Form of Election, signed and dated, to the Company’s Registrars. To be valid for this dividend, the Form of Election must be received by the date stipulated on page 2. The Scheme is subject to the rules set out below.

RULES OF THE SCHEME

1. Terms of the Scheme

Ordinary shareholders on the register of members at the close of business on the record date for each dividend for which a scrip dividend alternative is offered, may, subject to the rules set out below, by signing and returning a Form of Election with an election for the scrip dividend mandate duly completed, receive ordinary shares in the capital of the Company, credited as fully paid, instead of receiving dividends in cash in whole or in part. An ordinary shareholder who completes and returns a valid scrip dividend mandate is referred to as a “Participant”. No acknowledgement of receipt of a scrip dividend mandate will be given.

A shareholder may only elect for the Scheme in respect of the whole of his/her shareholding. An election will apply to all ordinary shares in that shareholder’s name at the record date for each dividend. Accordingly, an election will also apply to any additional ordinary shares acquired by a shareholder, less any ordinary shares disposed of, since the date on which the right of election was exercised. All New Shares allotted will automatically increase the shareholding on which the next scrip dividend is calculated. Separate registered holdings of a Participant will be regarded as separate holdings for the purposes of the Scheme. Participants can arrange for such holdings to be consolidated by contacting the Company’s Registrars, except that where Participants’ ordinary shares are registered partly in certificated and partly uncertificated form, the Company will treat such holdings for all purposes as if they were separate holdings.

2. Fractions

No Participant can receive a fraction of a New Share.

The full cash dividend will be paid on the small number of ordinary shares on which no election is possible.

3. Exercise and cancellation of an election

Shareholders may elect to participate in the Scheme by returning a Form of Election to the Company’s Registrars with the election for the Scheme duly completed prior to the date stated on the Form. Sufficient time should be allowed for postal delivery. If the Form of Election is not received by this date, the election will only be effective for all future dividends for which a right of election is offered.

A participant may at any time cancel the scrip dividend mandate by notification in writing to the Company’s Registrars. If received by the Company’s Registrars after the latest time for receipt of Forms of Election for a particular dividend, the cancellation will take effect for the following dividend.

Receipt of notice of the death of a Participant will cancel his or her scrip dividend mandate unless the deceased was one of joint Participants in which case the scrip dividend mandate will remain valid. The scrip dividend mandate relating to a shareholding which is disposed of in its entirety will be cancelled upon registration of the transfer.

4. Basis of allotment

The entitlement of a Participant of New Shares in respect of a particular dividend will be calculated on the basis of the amount of the dividend for which the scrip dividend alternative is offered and a price per ordinary share. This price will be equal to the average of the middle market quotations for an ordinary share, derived from the Daily Official List, for the five consecutive dealing days commencing on the ex-dividend date for that dividend.

In order to protect Participants against any major and sudden fall in share prices, mandates will be automatically suspended in respect of a particular dividend if the price of an ordinary share on the final date for receipt of Forms of Election for that dividend has fallen by 10 per cent or more below the price per share mentioned above. The ordinary share price on each such date will be the middle market quotation for that day derived from the Daily Official List. Mandates will remain in force if the ordinary share price falls below that level after the final date for receipt of Forms of Election for that dividend.

Part IV

Scrip Dividend Mandate Scheme *continued*

5. Overseas shareholders

The opportunity to elect for the Scheme is not being offered to, or for the account of, any citizen, national or resident of the United States, Canada or Australia, any corporation, partnership or other entity created or organised in, or under the laws of, the United States, Canada or Australia, or any political sub-division of these countries, or with a registered address in any of these countries or any estate or trust, the income of which is subject to United States federal or Canadian or Australian income taxation regardless of its source. “United States” means the United States of America (including the District of Columbia). References to the United States, Canada and Australia include their territories, possessions and all areas subject to their jurisdiction.

Shareholders who are residents, citizens or nationals of any other country outside the United Kingdom or a nominee for such persons may only elect to receive New Shares if the scrip dividend alternative can lawfully be offered to them or accepted by them under the laws of the relevant jurisdiction and in both cases without the Company being required to comply with any governmental or regulatory procedures or any similar formalities. Such shareholders should inform themselves about and observe any applicable legal requirements, including the obtaining of any governmental or other consents which may be required, and comply with any other necessary formalities. Shareholders who are based in Ireland must follow the guidance outlined in this paragraph should they seek to participate in the Scrip Dividend Offer.

Participation in the Scheme is subject to a Participant continuing to meet the above conditions. Participants who no longer meet such conditions are responsible for cancelling their participation in accordance with paragraph 3 above immediately their eligibility to participate in the Scheme ceases.

The Company reserves the right to suspend or terminate the operation of the Scheme in respect of a Participant if it considers that the above conditions have not been satisfied in connection with the relevant Participant’s election for or continuing participation in the Scheme.

Receipt of a Form of Election will not constitute an invitation to make such an election in those jurisdictions in which it would be illegal to extend such an invitation and, in such circumstances, a Form of Election is sent for information only.

6. Issuing and listing of new shares

The Company will apply to the London Stock Exchange for admission of all New Shares allotted to trading on AIM.

Subject to the admission of the New Shares to AIM becoming effective and the satisfaction of any other conditions, share certificates for the New Shares will be issued and posted to Participants who hold their ordinary shares in certificated form at the relevant record date, at their risk, at or about the same time as the cheques in respect of cash dividends. Similarly, Participants who hold their ordinary shares in uncertificated form on the relevant record date, will, at their risk, have their CREST member accounts credited with the New Shares at that time. Dealings in the New Shares will normally begin on the due date for the payment of dividends.

The New Shares will, on issue, rank *pari passu* in all respect with the then existing ordinary shares and will qualify for all future dividends.

In the event that the New Shares are not admitted to AIM on or before the due date for payment of any dividend or any other condition is not satisfied, the election for the scrip dividend alternative will be void in respect of that dividend and Participants will receive their full dividend in cash as soon as practicable.

7. Entitlement statements

All shareholders who have given the Company a scrip dividend mandate will receive a statement setting out their entitlement to New Shares about six weeks before the relevant dividend payment date. Unless a mandate is revoked by the date specified in that statement New Shares will automatically be allotted in lieu of cash in respect of that dividend.

8. Amendment, suspension or termination

The Scheme described in these rules may be amended, suspended or terminated by the directors of the Company at any time without notice to Participants individually although advice of any such action will normally be sent to all ordinary shareholders. In the case of amendment, a Participant will be deemed to have elected to continue under the amended Scheme unless the Company’s Registrars receive written notice of cancellation pursuant to paragraph 3 above. The operation of the Scheme is subject to the directors’ decision to make an offer of New Shares instead of cash in respect of any particular dividend and to the terms and conditions of such an offer.

If the directors decide not to offer New Shares instead of cash in respect of any particular dividend or the terms and conditions of such an offer are not satisfied, the cash dividend will be paid in the usual way.

Notice Of Annual General Meeting

Arbuthnot Banking Group PLC

(Incorporated and registered in England and Wales
under the Companies Act 1985 with registered number 01954085)

Notice is hereby given that the twenty second Annual General Meeting of Arbuthnot Banking Group PLC will be held at Arbuthnot House, 20 Ropemaker Street, London, EC2Y 9AR on Wednesday 14 May 2008 at 3 p.m. for the following purposes:

ORDINARY BUSINESS

To consider and, if thought fit, pass the following resolutions which will be proposed as ordinary resolutions:

1. To receive and adopt the report of the directors and the financial statements for the year ended 31 December 2007.
2. To receive the report of the Remuneration Committee.
3. To declare a final dividend in respect of the year ended 31 December 2007 which the directors propose should be 22.5p per ordinary share, payable on 28 May 2008 to shareholders on the register of members at the close of business on 28 March 2008.
4. To elect Mr. M.A. Bussey as a director.
5. To elect Sir Christopher Meyer as a director.
6. To elect Sir Michael Peat as a director.
7. To elect Mr. M.F. Brown as a director.
8. To elect Mr. A.A. Salmon as a director.
9. To elect Dr. A.D. Turrell as a director.
10. To reappoint PricewaterhouseCoopers LLP as Auditors and to authorise the directors to fix their remuneration.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions of which resolution 16 will be proposed as an ordinary resolution and resolutions 11 to 15 inclusive as special resolutions.

11. That, subject to and conditional upon the passing of Resolution 3, the Directors be generally and unconditionally authorised pursuant to Article 121.3 of the articles of association of the Company, with the rights and powers set out in such Article, to offer the holders of ordinary shares in the capital of the Company the right to elect to receive further shares of that class, credited as fully paid, instead of cash in respect of half the Final Dividend for the year ended 31 December 2007 on the terms and subject to the conditions set out in the circular to the shareholders of the Company dated 4 April 2008.
12. That the directors be and they are hereby empowered pursuant to s95 of the Companies Act 1985 to allot equity securities (as defined in subsection (2) of s94 of the Companies Act 1985) as if subsection (1) of s89 of the Companies Act 1985 did not apply to any such allotment PROVIDED THAT such power shall be limited:
 - (a) to the allotment of equity securities in connection with any rights issue in favour of or general offer to holders of ordinary shares in the capital of the Company where the equity securities respectively attributable to the interests of all the shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with problems in connection with fractional entitlements, record dates, overseas shareholders or otherwise; and
 - (b) to the allotment (otherwise than pursuant to subparagraph (a) above) of equity securities up to an aggregate nominal value of £7,450.

and shall expire at the next Annual General Meeting of the Company save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry.

Notice Of Annual General Meeting *continued*

13. That the Company be and is hereby generally and unconditionally authorised, pursuant to s166 of the Companies Act 1985 and Article 7 of the articles of association, to make market purchases (as defined in s163 of the Companies Act 1985) of its own ordinary shares on AIM on such terms and in such manner as the directors shall determine, provided that the general authority conferred by this resolution shall:
- (a) be limited to a maximum of 1,494,000 ordinary shares of 1p each;
 - (b) not permit payment of a price per ordinary share more than 105% of the average of the closing middle market price for such shares on The London Stock Exchange for the ten business days immediately preceding the date on which the shares are contracted to be purchased or less than 1p, exclusive of expenses;
 - (c) expire on the conclusion of the next Annual General Meeting of the Company save that the Company may before such expiry contract to purchase its own shares on terms which will or may provide for completion to take place in whole or in part after such expiry.
14. That with effect from the end of the Annual General Meeting, the articles of association produced to the meeting and for the purpose of identification marked "A" and signed by the Chairman of the meeting, be adopted in substitution for and to the exclusion of the existing articles of association of the Company.
15. That with effect from (and including) 1 October 2008 the articles of association produced to the meeting and for the purpose of identification marked "B" and signed by the Chairman of the meeting, be adopted in substitution for and to the exclusion of the new articles of association adopted in resolution 14 above.
16. That approval is granted for the proposed amendment to the Arbuthnot Securities Long Term Incentive Plan which is summarised in the directors' report dated 12 March 2008.

By order of the Board

JR Kaye
Company Secretary

Registered Office
One Arleston Way
Solihull B90 4LH

4 April 2008

NOTES:

- (a) In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the relevant register of members (the "Register") for certificated or uncertificated shares of the Company (as the case may be) at 6 p.m. on 12 May 2008 (the "Specified Time") will be entitled to attend or vote at the Annual General Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the Annual General Meeting. Should the Annual General Meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Annual General Meeting. Should the Annual General Meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned Annual General Meeting or, if the Company gives notice of the adjourned Annual General Meeting, at the time specified in the notice.
- (b) Any member may appoint a proxy to attend, speak and vote on his/her behalf. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares of the member, but must attend the meeting in person. A proxy need not be a member. Proxy Forms should be lodged with the Company's Registrar or submitted not later than 48 hours before the time for which the Annual General Meeting is convened. Completion of the appropriate Proxy Form does not prevent a member from attending and voting in person if he/she is entitled to do so and so wishes.

- (c) There are no service contracts of directors other than ones which may be terminated on up to 12 months' notice at any time. Copies of these service agreements will be available for inspection at the registered office during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting and at the place of meeting for 15 minutes prior to and during the meeting.
- (d) Copies of the articles of association to be adopted under resolutions 14 and 15 will be available for inspection at the registered office during usual business hours on any weekday (Saturdays and public holidays excepted) from the date of this notice until the date of the meeting and at the place of meeting for 15 minutes prior to and during the meeting.

Explanatory Notes of Principal Changes to the Company's Articles of Association

We are asking shareholders to approve a number of amendments to our articles of association to reflect the provisions of the Companies Act 2006 and to update the articles to reflect current law and practice. It is proposed to adopt new articles of association (the "New Articles") with effect from the end of the Annual General Meeting in substitution for the company's current articles of association (the "Current Articles"), primarily to take account of changes in English company law brought about by certain provisions of the Companies Act 2006. It is proposed to adopt a second set of new articles ("New Articles B") with effect from (and including) 1 October 2008 to take account of the changes being introduced on 1 October 2008 which relate to directors' conflicts of interest and the scope and nature of directors' general duties.

The principal changes introduced in the New Articles and in New Articles B are set out below. Other changes, which are of a minor, technical or clarifying nature have not been noted. A copy of (i) the New Articles; (ii) New Articles B; (iii) the Current Articles marked to show changes with effect from the end of the Annual General Meeting; and (iv) the New Articles marked to show changes with effect from 1 October 2008 will be available for inspection at 20 Ropemaker Street, London, EC2Y 9AR for fifteen minutes prior to the Annual General Meeting on Wednesday, 14 May 2008 at 3 p.m.

1. Convening and notice of general meetings

The New Articles have been amended to reflect the terminology contained in the Companies Act 2006 regarding general meetings. All meetings (other than an Annual General Meeting) are now to be known as General Meetings rather than Extraordinary General Meetings.

Under the New Articles a general meeting (other than an Annual General Meeting) can be convened on 14 days' notice whereas previously 21 days' notice was required.

2. Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

3. Proxies

The New Articles reflect the Company's ability to provide for holders of uncertificated shares to receive and return proxy forms electronically via the CREST system.

Some clarifying amendments have been made to the articles, in relation to the option of holders of uncertificated shares to receive dividends and other payments via any funds transfer system which includes the CREST system.

4. Directors' indemnities

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors. A company may now provide a director or other officer of the Company with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings (where in each case a claim is successfully defended) or in defending himself in an investigation by a regulatory authority or against action proposed to be taken by a regulatory authority. The New Articles enable the Company to provide funds to directors or other officers in such circumstances.

5. Treasury shares

Certain Articles have been amended to make it clear that where the Company holds any shares in treasury, such shares will not be counted towards the quorum for the purposes of any meeting and that any such shares will carry no entitlement to dividends.

6. Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. From 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles B give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

7. Electronic Communications

The New Articles continue to allow communications to members in electronic form and, in addition, permit the Company to take advantage of the Companies Act 2006 provisions relating to website communications. Amendments have been made to comply with the language used in the Companies Act 2006.

8. General

Generally the opportunity has been taken to bring clearer language into the New Articles and in some areas to assimilate the language of the New Articles.