ARBUTHNOT BANKING GROUP PLC

2009 Interim Results

29 July 2009

2009 Interim Results

Introductions

Henry Angest
Chairman & Chief Executive

2009 Interim Results

Business Review

Andrew Salmon
Chief Operating Officer

Key Messages

- All three divisions results are strengthening
- Capital and liquidity ratios remain strong
- Interim dividend remains unchanged
- Group taking advantage of opportunities created by economic downturn
    - Acquisition of loan portfolio
    - Launched Motor Finance business
    - Attracting new deposits
    - Launching a Structured Products business
    - Institutional Property Fund Management
    - Recruitment of high quality people
- Discussions with potential investors/partners in Swiss Bank

Strategic Update

- Diversified business model
- Distribute good dividends across the economic cycle
- Maintain stable sources of funding
- Ensure the cost base is controlled
- Seek to generate quality earnings with good mix of fee income
- Grow profitability of the Group in a balanced way
    - Arbuthnot Latham
        - Structured Products
        - Growth of loans and deposits
    - Secure Trust Bank
        - One Bill and Prepaid Current Account
        - Consumer lending and deposits
    - Arbuthnot Securities
        - Commission and trading income
        - Corporate fees and retainers

Retail Banking

- Profit Before Tax increased 19% excluding prior year exceptional gain on sale
- Cost Income ratio down to 52% from 68% in prior period
- New sources of revenue established
  - Purchased Loan portfolio from Liverpool Victoria at a discount
  - Further portfolio purchases considered if complementary to business
  - Launched Motor Finance Business in February
  - Launched new Prepaid Current Account in April
  - Re-entered deposit gathering market raising £53m

Investment Banking

- Pre tax loss £1.3m (2008: pre tax loss of £1.5m)
- Secondary business (commission and trading profits) in line with expectations
- £3m positive turnaround in trading
- Corporate fees lower than H1 08 but H2 pipe line improved
- Corporate client list grown to 98 with an average market capitalisation of £107m
- Annualised retainers now reached £3.4m
- Difficult first quarter, significantly improved second quarter
- Highlights
    - Key appointments continuing
    - Profitable trading book with reduced exposure
    - Second quarter commissions over 50% higher than the first quarter
    - Corporate fees for the second quarter higher than the first quarter
    - Much improved corporate pipeline for the second half
    - Costs broadly in line with 2008

Private Banking

- Improvement in core profitability is being achieved despite market turbulence.
- Liquidity, capital and funding remain strong.
- Pricing strategies have improved gross margins on customer balances
- We continue to deploy surplus funds conservatively rather than chase yield.
- Cost base reduced by 20%
- Quality of loan book remains strong
- Customer loan to deposit ratio remains at approximately 60%.
- Continuing flow of new High Net Worth target clients highlights the market opportunity.

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Financial Review

James Cobb
Group Finance Director

Financial Highlights

- Reported profit before tax increases by 5% from prior year
- Underlying performance improves by £1.1m
- Early signs of business momentum building
- Maintaining interim dividend at same level as prior year
- Balance sheet, capital and liquidity remain strong
- Benefits of diversifications continue

Headline Results

	6 months June 2009	6 months June 2008	12 Months Dec 2008
Operating Income	£21.52m	£23.48m	£41.87m
Operating Expenses	£(20.06)m	£(23.61)m	£(47.64)m
Impairment Losses	£(0.75)m	£(0.25)m	£(0.98)m
Profit before tax and exceptional items	£0.70m	£(0.38)m	£(6.75)m
Exceptional items		£1.05m	£4.61m
Profit before tax	£0.70m	£0.67m	£(2.15)m
Profit attributable to equityholders of company	£0.68m	£0.94m	£0.52m
Earnings per share	4.5p	6.3p	3.5p
Interim Dividend per share	10.5p	10.5p	

- Return to Profit without exceptional items
- Highlights:
  - Operating income down 8% due to lower corporate fees and sale of businesses in prior year
  - Restructuring and cost control initiatives delivering benefits with expenses down 15%
  - Impairment losses up in line with portfolio growth – there are no signs of deteriorating delinquencies
  - Profit before tax increased by 5% but a £1.1m turnaround in earnings excluding exceptional items
  - Attributable profit and EPS down due to a prior year tax charge, the impact of which will reduce over the year
  - Interim Dividend unchanged at 10.5p

Divisional Performance

£(000)	6 months June 2009	6 months June 2008
Retail Banking (Secure Trust Bank)	4,061	4,708
Investment Banking (Arbuthnot Securities)	(1,316)	(1,519)
Private Banking (Arbuthnot Latham)	731	490
Switzerland	(490)	(525)
Group Costs	(2,284)	(2,488)
Profit before tax	702	666
Tax	(428)	(160)
Profit after tax	274	506
Profit attributable to Group shareholders	682	940

Retail Banking

- Profits up 19% ex prior year exceptional
- Significant Items:
  - Lending Revenue up 37%
  - Expenses down 32%
  - Bad debt in line with portfolio growth
- Return on capital approx 73% pa
- 100% balance sheet growth funded by retail deposits

Investment Banking

- Losses decline by 13%
- Significant Items:
  - Corporate Finance Fees down £1m
  - Trading book returns to profit
  - Secondary income increased on prior year
- Minority Interest unchanged at 40.4%

Private Banking

- Profits up 49%
- Significant Items:
  - Widening customer spreads
  - Deteriorating returns on surplus funds
  - Expenses down 20%

Key Messages

- Wider economy is still weak and uncertain
- Opportunities created by economic downturn will help our future growth
- Already significant improvement in each division
- Cautiously optimistic for the outlook

Forward Looking Statements

This document is a summary only of certain information contained in the announcement dated 29 July 2009 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.