



ARBUTHNOT BANKING GROUP PLC

2016 Year-end Results

23 March 2017



Introduction to Arbuthnot Banking Group PLC

History:

Arbuthnot &
Latham formed a
partnership in
1833

Sir Henry Angest
completed a
management buyout
in **1985**

Sir Henry Angest
owns 55% of
Arbuthnot
Banking Group

Stability:

Long serving
Executive
Management Team
(average tenure of
14 years)

History of good
annual dividends for
29 years

Financials:

£234m
of shareholders'
equity at
December 2016

£759m
loan book at
December 2016

£998m
of deposit funding at
December 2016

Introduction to Arbuthnot Banking Group PLC *contd*



£1 invested in 1997, with dividends reinvested...

would still be
c. **£1**
for the FTSE AIM
All-share index

would be
c. **£10.30**
for an Arbuthnot
shareholder

would be
c. **£1.69**
for the FTSE
350 Banks index

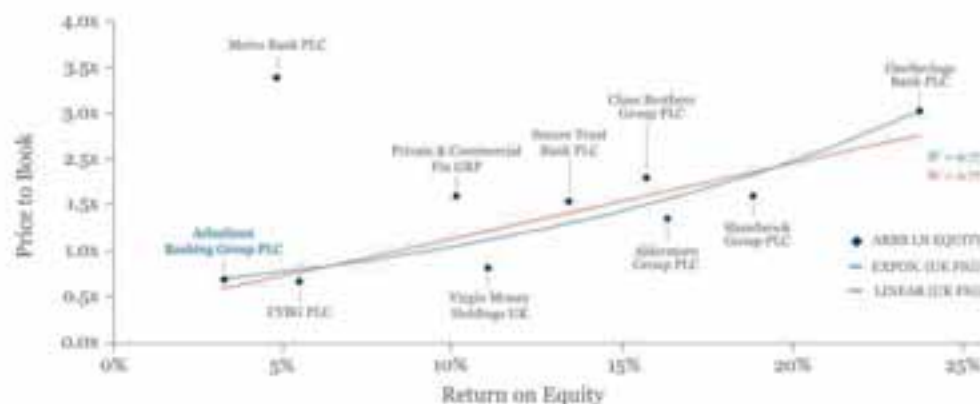
2007-2017
Total Shareholder
Return of **418%**

1997-2017
Total Shareholder
Return of **930%**

Long term shareholder returns



Specialist Lenders



Organisational chart



Arbuthnot Banking Group PLC

Incorporated in 1985
Quoted on AIM (Ticker : ARBB LN)



ARBUTHNOT LATHAM
Private Bankers
Since 1833

Arbuthnot Latham & Co., Limited

100% ownership

Private and Commercial banking

Net assets: £81m



Secure Trust Bank PLC

Associate company, c.18.6% shareholding

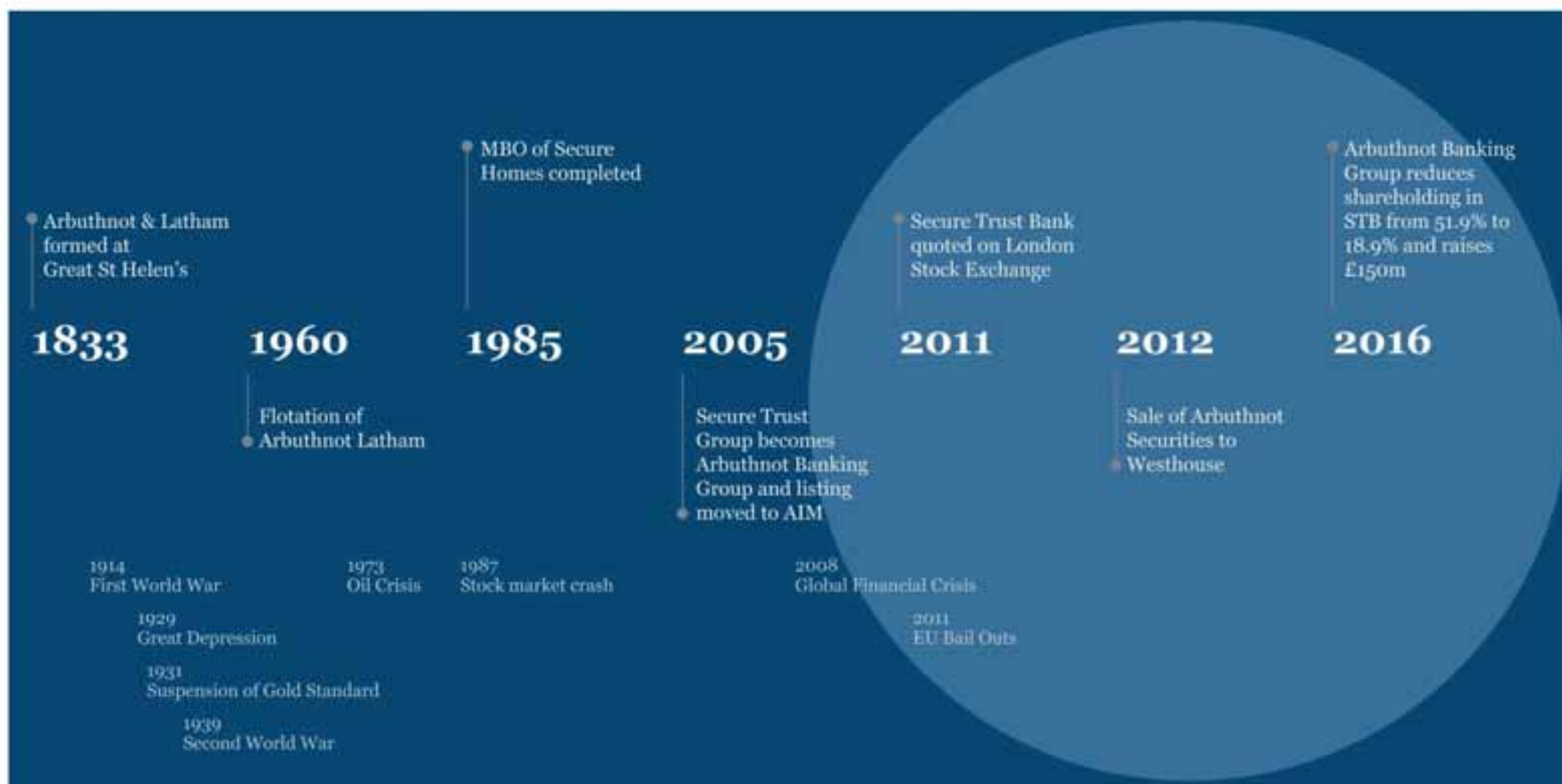
Retail & SME banking

Quoted on LSE Main List (Ticker : STB LN)

Market capitalisation: £400m

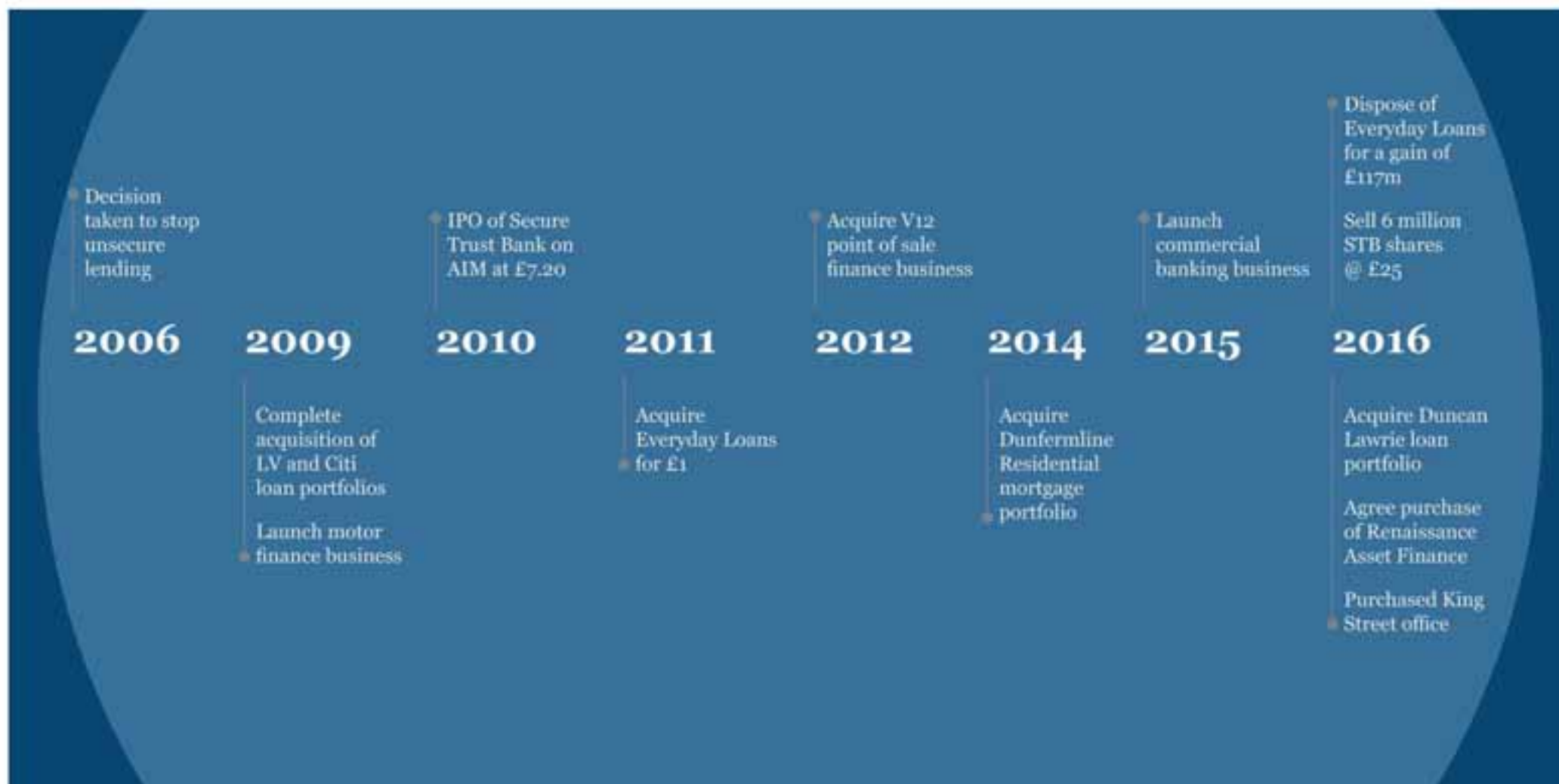


Brief History of Arbuthnot Banking Group PLC





Past 10 year history of Arbuthnot Banking Group PLC





Deep experience of banking, long service at Arbuthnot

Executive



Sir Henry Angest LLL
Chairman and Chief Executive

35 years of service

Sir Henry is Chairman and Chief Executive of Arbuthnot Banking Group PLC as well as Chairman of Arbuthnot Latham & Co., Limited and a Non-Executive Director of Secure Trust Bank PLC. He gained extensive national and international experience as an executive of The Dow Chemical Company and Dow Banking Corporation. He was Chairman of the Banking Committee of the London Investment Banking Association and a director of the Institute of Directors. He is a past Master of the Worshipful Company of International Bankers.



Andrew Salmon, ACA
Chief Operating Officer

20 years of service

Appointed a director on 8 March 2004. He joined the Company in 1997 and is Chief Operating Officer and Head of Business Development. He was previously a director of Hambros Bank Limited and qualified as a Chartered Accountant with KPMG.



James Cobb, FCA
Group Finance Director

9 years of service

James Cobb joined the Board on 1 November 2008 and is Group Finance Director. He was previously Deputy Chief Financial Officer and Controller of Citigroup's Global Consumer Group in Europe, Middle East and Africa and qualified as a Chartered Accountant with Price Waterhouse.



Ian Henderson
Arbuthnot Latham & Co., Limited Chief Executive

Became CEO in 2016

Ian Henderson joined the Board of Arbuthnot Banking Group in May 2016 having been appointed as Chief Executive of Arbuthnot Latham & Co., Limited in April 2016.

Ian joined from Secure Trust Bank PLC where he held the position of Head of Strategic Business Development and Chief Executive Officer of Personal Lending and Mortgages. Previously he was Chief Executive Officer of Kensington Group Ltd and prior to this CEO of Shawbrook Bank; Ian has held senior executive roles in Barclays and RBS.



Paul Lynam ACIB, AMCT, Fifs
Secure Trust Bank PLC Chief Executive

7 years of service

Paul Lynam joined the Board on 13 September 2010 as Chief Executive of Secure Trust Bank PLC. Prior to his appointment, Paul spent 22 years in a variety of roles with RBS and NatWest. These included Managing Director, Banking; Chief Executive, UK Business Banking and Managing Director, Lombard North Central PLC. He holds degree level banking and corporate treasury qualifications.

Review of 2016



23% Adjusted loan growth in 2016

76% Loan deposit ratio at Dec 2016

28% CET1 ratio at Dec 2016**

£179m Regulatory Capital

Summary Balance Sheet	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Customer loans	758,799	1,579,512	1,158,983	732,009	586,968
Adjusted customer loans	758,799	618,902	536,488	340,981	289,337
Total assets	1,265,284	2,231,559	1,446,622	1,092,854	1,000,009
Customer deposits	997,649	1,929,838	1,194,285	957,791	894,545
Adjusted customer deposits	997,649	896,766	585,867	521,183	495,654
Net Assets	234,358	191,404	173,569	86,914	68,648
Risk weighted assets	546,871	1,164,510	807,368	479,250	402,075
CET1 ratio	28.0%	11.7%	14.0%	12.5%	12.4%
Loan deposit ratio	76.1%	81.8%	97.0%	76.4%	65.6%
Gross leverage (shareholders equity/total assets)	18.5%	8.6%	12.0%	8.0%	6.9%

Note: Historic information has been restated to exclude discontinued operations where applicable

** Includes a £60m capital deduction for holding in Secure Trust Bank

Review of 2016 *contd*



23% Net Interest Income growth

Loan impairment charges of 0.1% of average loan book

34% increase in underlying profit before tax

88% Return on Average Equity

Summary Income Statement	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Net Interest Income	30,445	24,811	18,881	12,165	10,360
Net fee and commission income	11,005	9,793	9,508	8,873	8,187
Operating income	41,450	34,604	28,389	21,038	18,547
Other income	3,169	-	-	1,183	359
Gain on sale of building	-	-	-	6,535	-
Profit from associates	2,145	-	-	-	-
Operating costs	(46,111)	(35,926)	(28,910)	(27,073)	(22,367)
Net impairment loss - financial investments	(47)	(34)	75	(249)	-
Net impairment loss - Loans and advances to customers	(427)	(1,250)	(3,378)	(2,914)	(2,038)
Profit/(loss) before tax from continuing operations	179	(2,606)	(3,824)	(1,480)	(5,499)
Tax	(720)	121	173	634	463
Profit from discontinued operations	228,110	29,009	20,667	12,361	16,154
Reported profit for the year	227,569	26,524	17,016	11,515	11,118
Underlying profit/(loss) from continuing operations	4,009	2,982	3,561	(2,008)	(2,083)
Dividends (pence)	356	29	27	44	25
Earnings per share (pence)	1,127	86	59	54	55
Net asset value per share (pence)	1,534	1,253	1,136	571	449

Note: Historic information has been restated to exclude discontinued operations where applicable

Outlook for 2017



Long term Strategy

To develop a specialist bank that provides Private and Commercial banking solutions.
Diversify the Group into other financial services via organic investments and acquisitions
Control of the Group is key to maintaining a long term strategic view that doesn't promote short term targets above making the right decisions.

The Economy

Short term global economic outlook remains uncertain. The US is now taking a significantly more protectionist view, but may reduce taxes and regulations.
Britain will shortly trigger Article 50 and begin the process to exit the EU. At the same time populist politics is spreading across Europe, which may leave the European political project exposed.
However, the UK economy has strengthened in the past six months, so Arbuthnot Banking Group remains optimistic for our future prospects.

Competitive Environment

Challenger banks remain unable to be truly competitive in the wider banking markets.
With more smaller banks starting they can only 'challenge' themselves.
However, Arbuthnot Banking Group, as a specialist bank, can still grow at a significant pace without taking a significant market share, as the market remains substantial. Attracting high quality staff is the key to success.

Capital, Liquidity and Credit Risk

The Group remains strongly capitalised to allow future growth with a target of 20% ROE on new business.
Access to deposits and the BoE funding schemes remains strong.
Credit losses have fallen to below 0.1% of the book and with average LTVs at 45%, reflects a robust credit process.



Financial Review

ARBUTHNOT BANKING GROUP

James Cobb
Group Finance Director

Business Structure



ARBUTHNOT LATHAM
Private Bankers
Since 1833

Private Banking

Loans:	£683m
Loan volumes:	£201m
Deposits:	£946m
AUM:	£920m
Operating income:	£39.9m
Customer net margin:	4.37%
Number of bankers:	36

Commercial Banking*

Loans:	£76m
Loan volumes:	£76m
Deposits:	£51m
Operating income:	£1.5m
Customer net margin:	5.09%
Number of bankers:	15

* Commercial Banking started in 2016

Private Banking



Operating income
of **£39.9m**
increased by 14%

Customer deposit
increased by 6% to
£946m

Customer assets
increased by 10%
to **£683m**

Loan volumes
increased by 28%
to **£201m**

Assets under
management
increased by 25%
to **£920m**

Highlights:

Realised £1.6m of
income from the sale
of Visa Europe shares

Purchased a £50.2m
investment property in
the West End

Personal Service



Focus

- Media
- International
- Professional
- Specialist
- Property Finance
- Emerging Wealth
- Wealth Planning
- Investment Management

Commercial Banking



Operating income
of **£1.5m**

Customer assets
of **£76m**

Customer deposits
of **£51m**

Loan volumes
of **£76m**

Highlights:

Commercial banking to reach 50 staff by end of 2017

Coverage now extends from London to South and North West regions

Offering resonates well with clients and potential employees

Pipeline of business strong

Strong SME Focus



High Growth Sectors

- Business Services
- Digital and Creative
- Health and Social Care
- Support Services

Key Importance

- Logistics
- Retail
- Education
- Real Estate
- Financial Services
- Professionals
- Construction



Acquisitions

Duncan Lawrie loan portfolio

Loan portfolio of
£45m acquired

5% discount
achieved on the par
value of the loans

Expected to be a
good source of
new introductions

Successfully migrated
in January 2017

Renaissance Asset Finance Limited ("RAF")

100% acquisition of
Renaissance Asset
Finance Limited

Finance for specialist
assets; including vintage
and high value cars and
SME business assets.

On 31 December 2016
customer assets were
£55m and RAF's net
assets were
£1.6m

Price equal to net assets
at completion
> Further amounts will be
paid based on profitability,
but is limited to no more
than £6.5m.

PBT of **£2.4m**
for year to 30th June
2016 (including one
off income amount
of £1.75m)

Average gross customer
yield being 8.9%,
after allowing for
3%
broker commissions.



Non-executive Directors



Ian Dewar, FCA
Independent Non-Executive Director

Joined in 2015

Ian became a Non-Executive Director of the Arbuthnot Banking Group on 1st August 2015.

He retired from KPMG in September 2012 having spent 32 years at the firm, the last 19 as a Partner in the Financial Services Practice. Since his retirement he has become a Non-Exec Director at Manchester Building Society and Brewin Dolphin, at each of which he chairs the Audit Committee.



Jeremy Robin Kaye, FCIS
Group Company Secretary

Joined in 1972

Group Company Secretary since November 1987, having joined predecessor company in 1972. MA (Oxon), called to the Bar (Inner Temple) 1962, Chartered Secretary since 1967.



Sir Christopher Meyer
Independent Non-Executive Director

Joined in 2007

Independent non-executive director since 1 October 2007. He had a distinguished diplomatic career, culminating in 1997 as Ambassador to the USA. Between 1994 and 1996, he was Press Secretary to Prime Minister John Major. From 2003 to 2009 he was Chairman of the Press Complaints Commission. He is also on the International Advisory Board of British American Business Inc. and Chairman of the Advisory Board of Pagefield.



Sir Alan Yarrow
Independent Non-Executive Director

Joined in 2016

Sir Alan was appointed as a Non-Executive Director of the Arbuthnot Banking Group PLC on 10 June 2016.

Sir Alan was Lord Mayor of London 2014-15 and is Alderman of the City of London Corporation representing the Ward of Bridge and Bridge Without.

Sir Alan has experience of over thirty-seven years in the City, including being Chairman of the Kleinwort Banking Group, Chairman of the Chartered Institute for Securities and Investment, Deputy Chairman of the former Financial Services Authority Practitioner Panel, a member of the Council of the British Bankers' Association and a member of the Takeover Panel.



Appendix

Appendix 1



Divisional Performance

£(000's)	2016	2015	Change
Arbuthnot Latham - Private and Commercial Bank	9,053	5,998	51%
Secure Trust Bank - Retail Banking Associate Income	2,145	-	100%
Group Centre	(11,019)	(8,604)	(28%)
Profit before tax	179	(2,606)	
Tax	(720)	121	
Profit from Discontinued Operations after tax	228,110	29,009	
Profit after tax	227,569	26,524	
Of which			
Attributable to Group Shareholders	166,143	12,726	
Non-Controlling Interests	61,426	13,798	

Underlying Profit Reconciliation

£(000's)	2016	2015
Profit/(loss) before tax from continuing operations	179	(2,606)
ABG Group bonuses relating to sale of ELL	2,304	-
STB full year equivalent associate income (pro forma)	1,732	3,714
AL realised profit on AFS investment (Visa)	(1,624)	-
AL investment in operating systems	21	1,123
AL commercial banking investment	999	333
AL acquisition costs	398	418
Underlying profit	4,009	2,982



Appendix 2

Adjusted Lending Balances

£(000's)	2012	2013	2014	2015	2016
Core Lending Book	289,337	340,981	408,661	482,454	481,634
Commercial	-	-	-	-	76,054
Dubai	-	-	21,542	41,537	74,119
Mortgage Portfolio	-	-	106,285	94,911	84,301
Duncan Lawrie Portfolio	-	-	-	-	42,691
Total	289,337	340,981	536,488	618,902	758,799

Adjusted Lending Volumes

£(000's)	2015	2016
Core Lending Book	133,205	123,191
Commercial	-	76,054
Dubai	23,461	35,530
Mortgage Portfolio	-	-
Duncan Lawrie Portfolio	-	42,691
Total	156,666	277,466

Forward Looking Statements



This document is a summary only of certain information contained in the announcement dated 23 March 2017 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, 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.