



# ARBUTHNOT BANKING GROUP PLC

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2018 Year-end Results  
28 March 2019



# 2018 Year-end results

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**Highlights**

**Group Overview**

**Financials**

**Business Update**



# Highlights

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- Profit Before Tax £6.8m (2017 £2.5m)
- Underlying Profit £7.4m (2017 £3.2m)
- Client loan balances up 17%
- Total Dividend 35p (2017: 33p) up 5%
- Bonus share issue of 1 for 100 to create Non-Voting Shares, to be listed on NEX Growth Exchange\*
- Successfully launched New Ventures
  - Asset Based Lending
  - Arbuthnot Specialist Finance (Bridging)
  - Arbuthnot Direct (Deposits)
- Derecognised Secure Trust Bank as an Associated Undertaking

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\* The Company's ordinary shares will be dual listed. They will be admitted to trading on NEX Exchange and also remain on AIM. The bonus non-voting shares will be admitted to NEX Exchange only.



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# Arbuthnot Banking Group PLC



One of the oldest specialist banks in the UK, having served our clients since 1833

Well capitalised with strong liquidity from its deposit-based funding model

Track record of developing profitable businesses, including Secure Trust Bank where we retain a 15.53% shareholding

Expanding into commercial lending sectors where management has proven capabilities

Focus on underserved niche lending sectors of the market where Arbuthnot can establish a prominent position

# Group Structure



## Arbuthnot Banking Group PLC

100%



ARBUTHNOT LATHAM  
*Private Bankers*  
Since 1833

6.8%



8.8%

### Private Banking

Provides traditional private banking services to over 4,200 clients, as well as offering financial planning and investment management services

- **Deposits:** £1,041 million, avg. size £326k
- **Loans:** £670 million, avg. size £674k
- **AUM:** £985 million
- **Total Revenue:** £45.3 million
- **Total Expenses:** £37.5 million

### Commercial Banking

Provides bespoke commercial banking services to over 1,600 clients and provides tailored secured lending against property investments and other assets

- **Deposits:** £567 million, avg. size £642k
- **Loans:** £443 million, avg. size £1.16 million
- **Total Revenue:** £17.3 million
- **Total Expenses:** £14.5 million

### New Business Areas



ARBUTHNOT  
DIRECT

Direct to depositors savings platform launched Feb 2019.



ARBUTHNOT  
COMMERCIAL | Asset-Based Lending

Commercial lending secured on invoices launched May 2018.



ARBUTHNOT  
SPECIALIST FINANCE

Specialist bridging finance launching Q2-2019.



RENAISSANCE  
ASSET FINANCE

Specialist asset finance lender mainly in high value cars but also business assets



# Substantial Track Record Of Value Creation

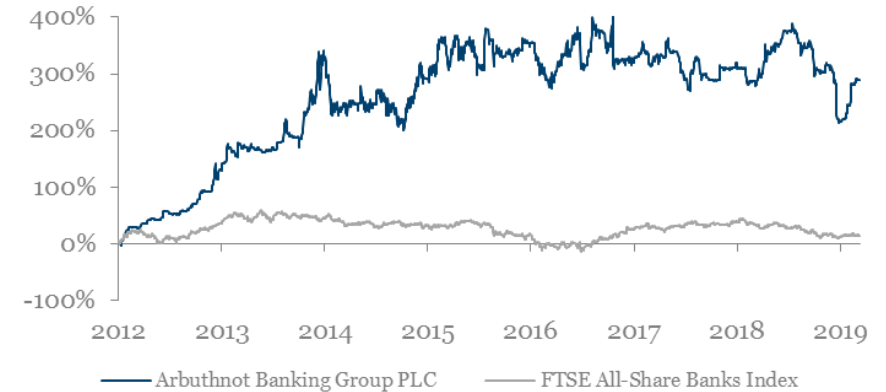
## Overview

- Market capitalisation of £192 million<sup>1</sup>
- Consistent dividend track record returning £4.95 to shareholders since 2014
- Continued growth in dividend – final dividend of 20p, a 5% increase supported by improved profitability in 2018
- Over the past eight years, net assets per share have risen almost fivefold to £12.83 per share, even after the payment of two special dividends totalling 325p following the sale of Everyday Loans Group and a partial disposal of the holding in Secure Trust Bank

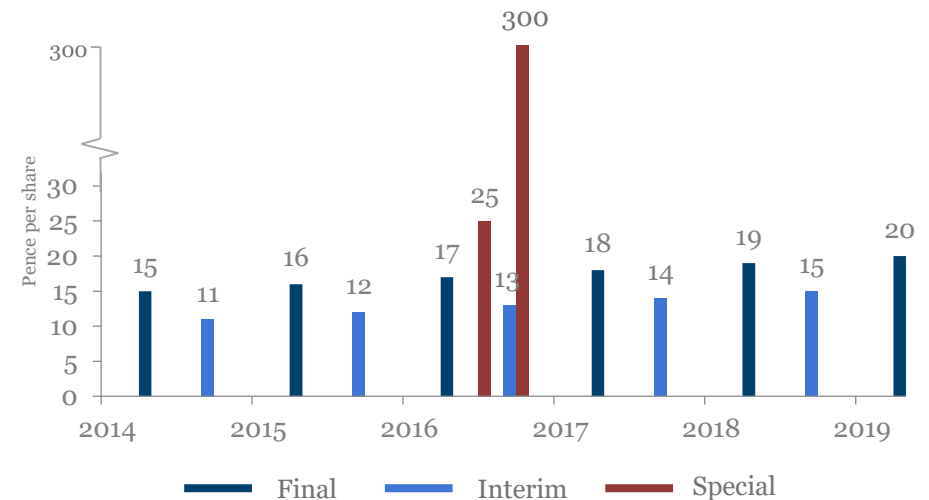
## Shareholders

Sir Henry Angest	56.1%
Liontrust Asset Management Plc	6.5%
Miton Asset Management	4.4%
Slater Investments	4.0%
Ronald Paston	3.6%
M&G Investment Management	3.5%

## Share Price Performance



## Dividend

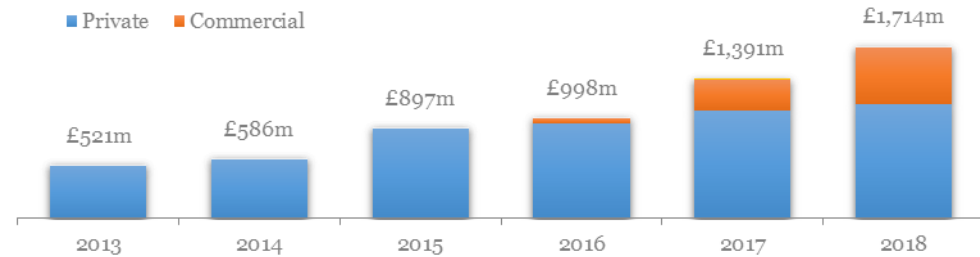




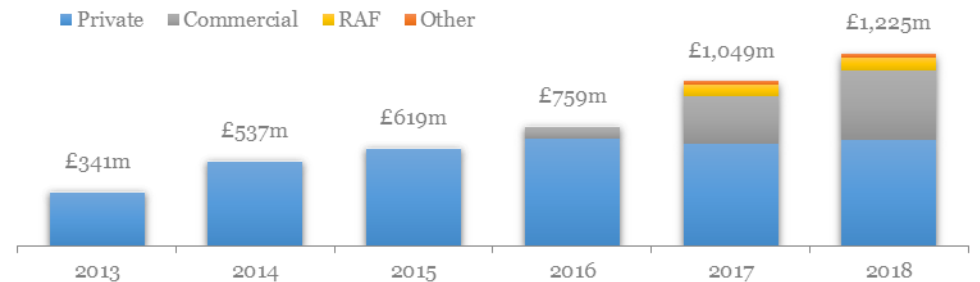
# Arbuthnot Banking Group Profile

- Specialist UK bank providing services to both its private and commercial banking clients
- Listed since 1988 and moved to AIM in 2005 (ARBB:LN). Announced plans to dual list on NEX Exchange expected on 17 May 2019
- Excels in providing bespoke financing solutions to its clients
- Conservatively managed with a loan to deposit ratio of 71.4%
- Deposits and Loans each in excess of £1 billion, Assets Under Management (AUM) £985m with strong CAGR since 2013 of:
  - 26.9% CAGR in deposits
  - 29.1% in loans
  - 13.2% in AUM

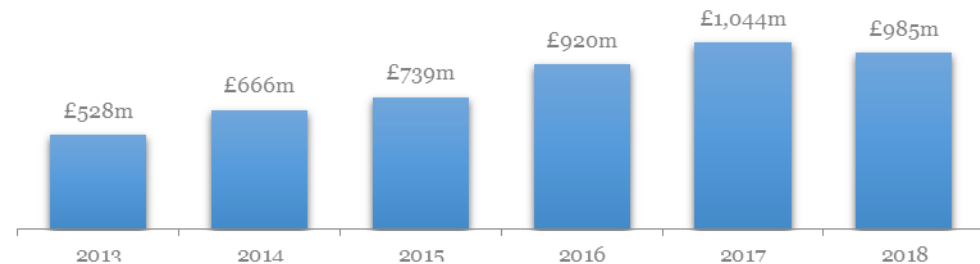
## Deposits



## Loans



## Assets Under Management







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# Summary Financials – Income Statement

in £ millions	2013	2014	2015	2016	2017	2018
Net interest income	12.2	18.9	24.8	30.4	41.1	55.2
Net fee and commission income	8.9	9.5	9.8	11.0	13.5	12.7
<b>Operating income</b>	<b>21.0</b>	<b>28.4</b>	<b>34.6</b>	<b>41.5</b>	<b>54.6</b>	<b>67.9</b>
Other income	1.2	-	-	3.2	3.0	6.6
Gain on sale of building	6.5	-	-	-	-	-
<b>Total Income</b>	<b>28.8</b>	<b>28.4</b>	<b>34.6</b>	<b>44.7</b>	<b>57.6</b>	<b>74.5</b>
Operating expenses	(27.1)	(28.9)	(35.9)	(46.1)	(54.7)	(65.0)
Net impairment loss - financial investments	(0.2)	0.1	(0.0)	(0.0)	-	-
Net impairment loss - loans and advances to customers	(2.9)	(3.4)	(1.3)	(0.4)	(0.4)	(2.7)
<b>Total expenses</b>	<b>(30.2)</b>	<b>(32.2)</b>	<b>(37.2)</b>	<b>(46.6)</b>	<b>(55.1)</b>	<b>(67.7)</b>
<b>(Loss) / Profit before tax</b>	<b>(1.5)</b>	<b>(3.8)</b>	<b>(2.6)</b>	<b>(1.9)</b>	<b>2.5</b>	<b>6.8</b>
Tax	0.6	0.2	0.1	(0.7)	(0.4)	(1.1)
<b>(Loss) / Profit for the year</b>	<b>(0.8)</b>	<b>(3.7)</b>	<b>(2.5)</b>	<b>(2.6)</b>	<b>2.1</b>	<b>5.7</b>
Profit / (loss) from discontinued operations	12.4	20.7	29.0	230.2	4.4	(25.7)
<b>Reported profit for the year</b>	<b>11.5</b>	<b>17.0</b>	<b>26.5</b>	<b>227.6</b>	<b>6.5</b>	<b>(20.0)</b>
<i>Dividends (announced - in pence)</i>	<i>44.0</i>	<i>27.0</i>	<i>29.0</i>	<i>356.0</i>	<i>33.0</i>	<i>35.0</i>

Note: 2013-2016 restated to reflect derecognition of STB as an associate



# Summary Financials – Divisional Performance

in £ millions	2013	2014	2015	2016	2017	2018	2018 Change
Arbuthnot Latham	7.7**	3.6	6.0	9.1	11.0	14.6	32%
Group Centre	(9.2)	(7.4)	(8.6)	(11.0)	(8.5)	(7.8)	(7%)
<b>(Loss) / Profit before tax</b>	<b>(1.5)</b>	<b>(3.8)</b>	<b>(2.6)</b>	<b>(1.9)</b>	<b>2.5</b>	<b>6.8</b>	
Tax	0.6	0.2	0.1	(0.7)	(0.4)	(1.1)	
<b>(Loss) / Profit after tax</b>	<b>(0.8)</b>	<b>(3.7)</b>	<b>(2.5)</b>	<b>(2.6)</b>	<b>2.1</b>	<b>5.7</b>	
Profit / (loss) from discontinued operations after tax *	12.4	20.7	29.0	230.2	4.4	(25.7)	
<b>Reported profit for the year</b>	<b>11.5</b>	<b>17.0</b>	<b>26.5</b>	<b>227.6</b>	<b>6.5</b>	<b>(20.0)</b>	
of which							
Attributable to Group Shareholders	7.9	8.6	12.7	166.1	6.5	(20.0)	
Non-Controlling Interests	3.6	8.3	13.8	61.4	-	-	

\* Secure Trust Bank restated as Discontinued Operations in 2013-2018

\*\* Includes £6.5 million gain on sale and lease back of head office building



# Summary Financials – Operating Segments

in £ millions	2017	2018
Private Banking	7.9	5.8
Commercial Banking	(2.1)	2.5
RAF	1.5	1.9
All other Divisions	3.7	4.4
Group Centre	(8.5)	(7.8)
<b>(Loss) / Profit before tax</b>	<b>2.5</b>	<b>6.8</b>
Tax	(0.4)	(1.1)
<b>(Loss) / Profit after tax</b>	<b>2.1</b>	<b>5.7</b>
Profit / (loss) from discontinued operations after tax	4.4	(25.7)
<b>Reported profit for the year</b>	<b>6.5</b>	<b>(20.0)</b>



# Summary Financials – Underlying Profit

in £ millions

	2017	2018
<b>Profit before tax</b>	<b>2.5</b>	<b>6.8</b>
AL investment in operating systems	0.1	-
AL acquisition costs	0.1	-
RAF full year equivalent income*	0.5	-
AL cost of establishing new ventures	-	1.6
STB dividend income full year at current shareholding	-	1.6
RAF deferred consideration adjustment	-	(2.6)
<b>Underlying profit for the year</b>	<b>3.2</b>	<b>7.4</b>

\* RAF profit contribution adjustment as if received from 1 January 2017 and not as included from 28 April 2017 (pro forma basis).



# Summary Financials – Balance Sheet

in £ millions	2013	2014	2015	2016	2017	2018
<b>Assets</b>						
Cash & balances at central banks	193.0	115.9	368.6	195.8	313.1	405.3
Customer loans <sup>1</sup>	341.0	536.5	618.9	758.8	1,049.3	1,224.7
Other assets	167.8	171.7	283.4	310.7	490.8	545.2
<b>Total assets</b>	<b>701.8</b>	<b>824.1</b>	<b>1,270.9</b>	<b>1,265.3</b>	<b>1,853.2</b>	<b>2,175.2</b>
<b>Liabilities</b>						
Deposits from banks (incl. TFS)	2.0	28.9	55.3	3.2	195.1	232.7
Customer deposits <sup>1</sup>	521.2	585.9	896.8	997.6	1,390.8	1,714.3
Other liabilities	46.1	49.9	55.0	30.1	30.9	32.2
<b>Total Liabilities</b>	<b>569.3</b>	<b>664.7</b>	<b>1,007.1</b>	<b>1,030.9</b>	<b>1,616.8</b>	<b>1,979.2</b>
<b>Equity</b>						
Shareholder equity	86.9	173.6	191.4	234.4	236.4	196.0
<b>Total Equity</b>	<b>86.9</b>	<b>173.6</b>	<b>191.4</b>	<b>234.4</b>	<b>236.4</b>	<b>196.0</b>
<b>Total Liabilities and Equity</b>	<b>656.2</b>	<b>838.2</b>	<b>1,198.5</b>	<b>1,265.3</b>	<b>1,853.2</b>	<b>2175.2</b>

1-Excluding STB

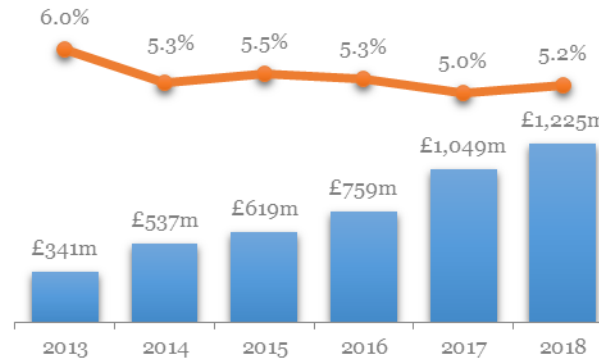


# Loan Portfolio Analysis

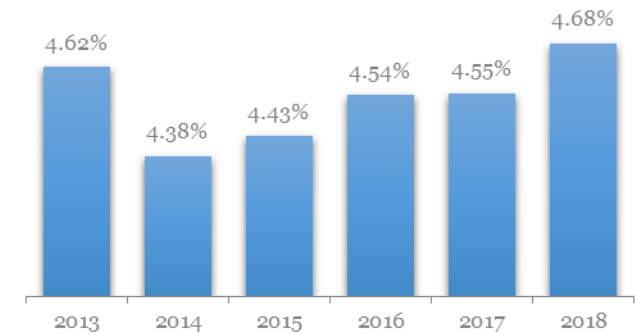
## Key Metrics

- £1,225m of loans split 55%/36%/7%/2% between Private, Commercial, RAF and Other
- £697k average loan amount
- 98.2% secured at an average LTV of 54%
- Average loan rate of 5.2%
- Net interest margin of 4.7%

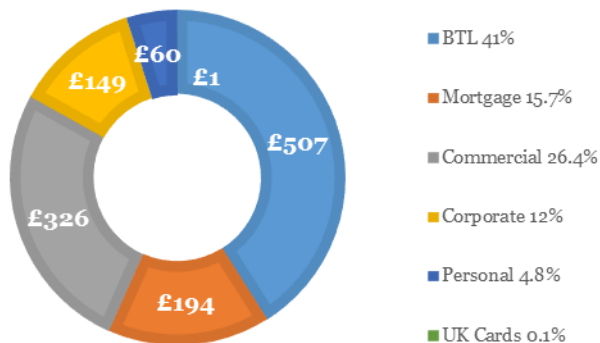
## Total Loans and Avg. Rates



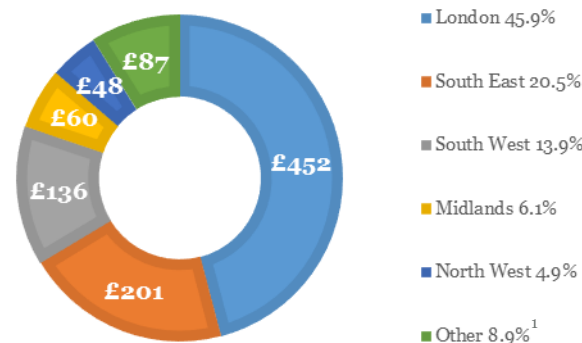
## Net Interest Margin (Avg.)



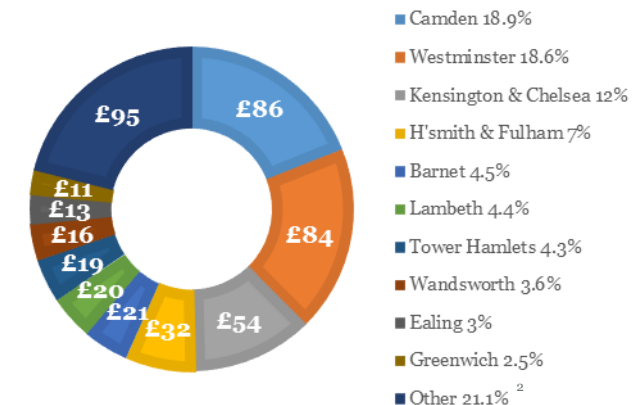
## Loans by Type £m



## Property Loans by Location



## London Property Loans



1 – Includes East Anglia, North East, Channel Islands, Scotland, Wales, & Northern Ireland

2 – Includes; Richmond upon Thames, Islington, Lewisham, Brent, Newham, Hackney, Hounslow, Redbridge, Epping Forest, City of London, Southwark, & other immaterial boroughs

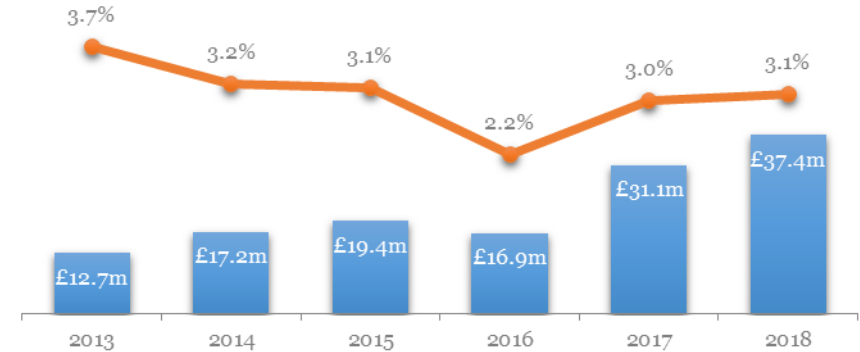


# Asset Quality

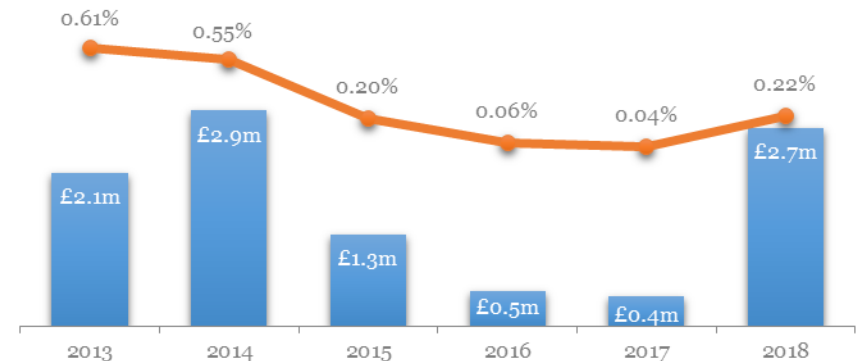
## Overview

- Legacy loan book originated before the financial crisis has largely been run-off
- Lending strategy refined to reduce risk eg. lending against overseas properties and yachts have been precluded
- Lending is almost entirely secured on UK residential and commercial properties with a standard 60% LTV being the norm – a maximum 70% LTV permitted if circumstances of the borrower allow – the property book now has an average 51% LTV (2017: 52%)
- Loans which are rolled over are subject to full re-evaluation
- 2018 saw a loss rate of 22bps – primarily driven by the introduction of an IFRS9 model, increasing the impairment charge as a result of moving from an incurred to expected credit loss model

## Non-Performing Loans / Stage 3



## P&L Provision Charge / Total Loan Book







# 2018 Year-end results

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**Highlights**

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# History Of Arbuthnot Banking Group PLC

● Arbuthnot & Latham Formed at Great St Helens

● MBO of Secure Homes completed

● Secure Trust Bank quoted on London Stock Exchange

● Arbuthnot Banking Group reduces shareholding in STB from 51.9% to 18.9% and raises £150 million

**1833**

**1960**

**1985**

**2005**

**2011**

**2012**

**2016**

**2018**

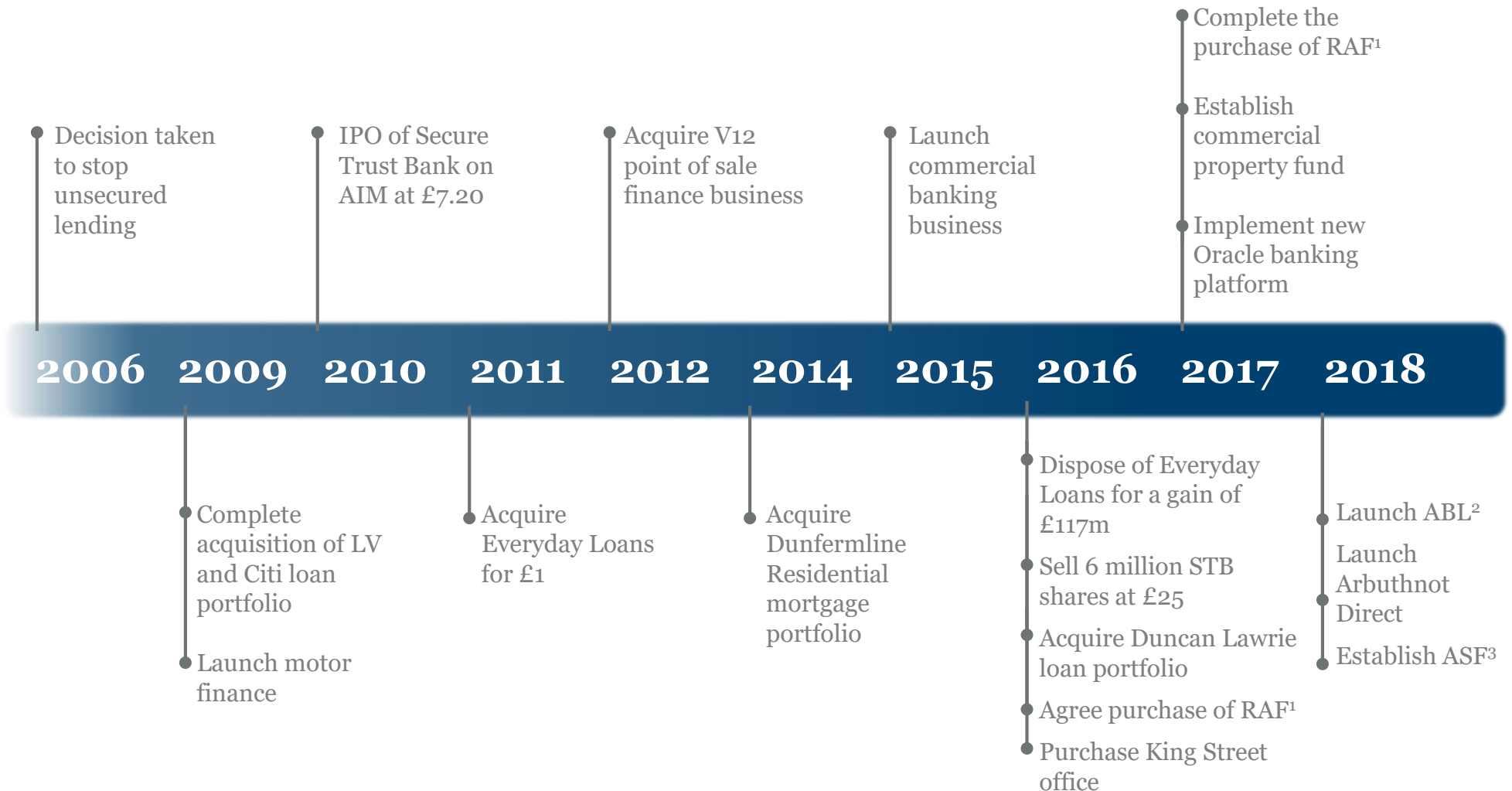
● Flotation of Arbuthnot Latham

● Secure Trust Group becomes Arbuthnot Banking Group and listing moved to AIM

● Sale of Arbuthnot Securities to Westhouse



# History Of Arbuthnot Banking Group PLC



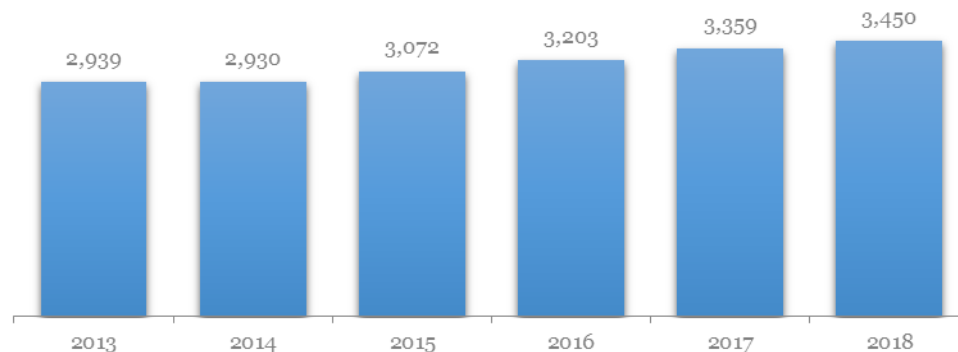


# Private Banking Overview

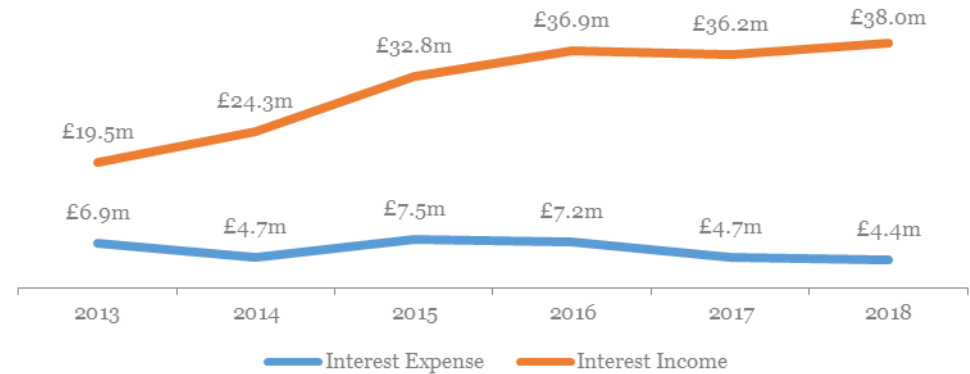
## Overview

- **Private Banking** – Comprises current accounts, deposit accounts, loans, overdrafts and foreign exchange
- **Financial Planning** – Independent and fee based (not commission), covering estate and tax planning, pensions and wealth preservation and generation
- **Investment Management** – Developing tailored investment strategies

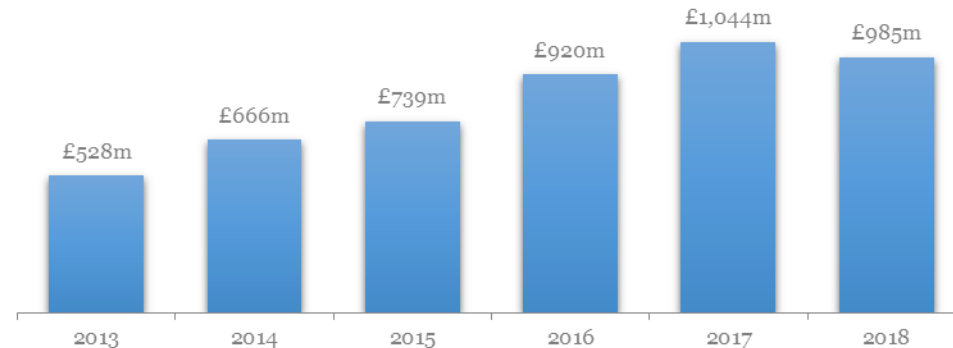
## Number Of Clients



## Interest Income vs. Interest Expense



## Assets Under Management





# Commercial Banking Overview

## Overview

Launched in 2015,

- **Banking** – Comprising current accounts, deposits, overdrafts, guarantees and charge cards. Clients have a dedicated Banker who is key to managing the relationship
- **Property Finance** – Comprises tailored lending to enable funding of both property investments and developments
- **Other Finance** – Comprises individual secured lending which is designed around the needs of each commercial client

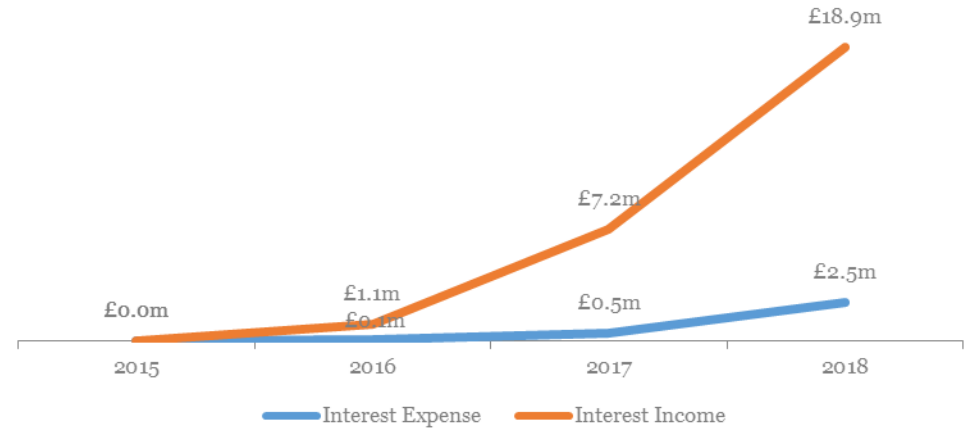
- ABG Management has significant experience in managing these business lines when building the Secure Trust Bank franchise

- ABG’s SME coverage extends from London to South and North West regions

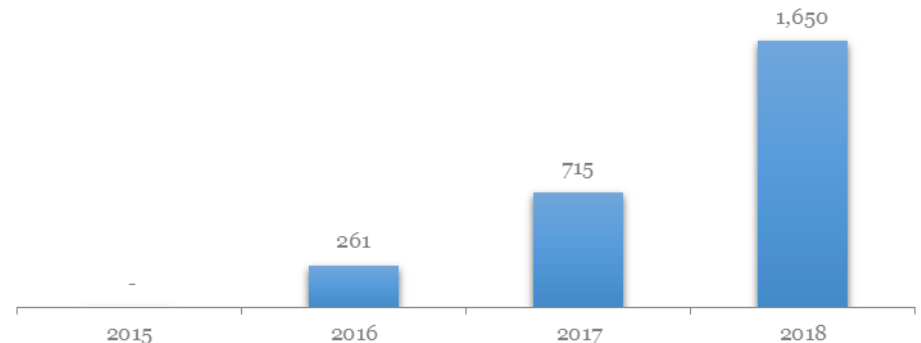
- Well diversified across high-growth sectors such as business services, digital and creative, and support services



## Breakout of Income



## Client Growth



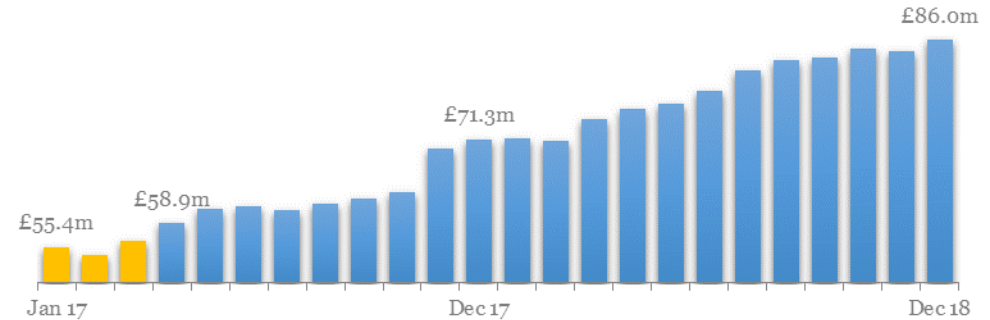


# RAF Overview

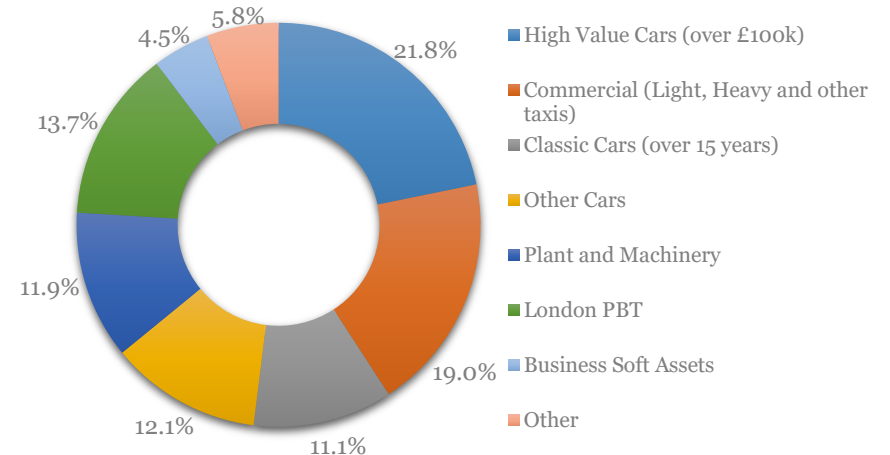


- In April 2017, Arbuthnot Latham acquired specialist lender Renaissance Asset Finance which had a client loan book of £56 million at that date
- RAF specialises in offering financing solutions mainly to high net worth individuals and businesses seeking to purchase high value cars and other equipment
- RAF's loan book amounted to £86.0 million as of 31 December 2018, an increase of 20.6% from the start of the year
- RAF is expanding its offering into new niche markets, such as horseboxes and drainage and is actively reviewing other markets, such as recovery vehicles and engineering & manufacturing
- This business has opened up new distribution channels for the bank and has formed the base from which the bank can develop further lending products for the asset backed financing markets

## RAF Loan Book Growth



## RAF Loan Book Composition





# New Business Lines

## Asset Based Lending

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- Launched in May 2018
- Asset based lending team of seven previously managed a similar business in Shawbrook and prior to that Centric Commercial Finance. The combined team has over 100 years of experience in the sector
- Credit oversight from core Arbuthnot team



ARBUTHNOT  
COMMERCIAL

Asset-Based  
Lending

## Specialist Finance

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- Currently in the set-up and soft launch phase. First loan approved February 2019
- Specialist finance team of 5 previously managed a similar business in Amicus. The combined team has over 50 years of experience in the sector
- Credit oversight from core Arbuthnot team



ARBUTHNOT  
SPECIALIST FINANCE

## Arbuthnot Direct

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- Launched February 2019
- Direct to market savings platform
- Origination driven via “best buy tables”
- Savings products have a maximum deposit amount of £250k
- Notice and time deposits with a tenor of up to 5 years



ARBUTHNOT  
DIRECT

# Arbuthnot Direct



- Arbuthnot Direct launched on 21 February 2019
- Arbuthnot Direct allows access to the direct savings market which will give Arbuthnot Latham the ability to raise deposits in a short space of time
- This allows the bank to react to business opportunities in the knowledge that it can participate in a deal process without having to hold significant excess deposits in the event of non-success
- The proposition is currently offering fixed term deposits in the 3 year and 5 year period. Initially we are targeting a modest book of up to £20-30 million
- Platform is serviced from our Exeter office with a third party service provider covering supplemental support in peak volume periods

Fixed term deposits from an experienced name you can trust.

Find out more

### Fixed Rate Accounts

Product	AER	Gross Annual Interest	Min Deposit	Max Deposit	
3 Year Fixed Term Deposit	2.40%	2.40%	£10,000	£250,000	<a href="#">Learn more</a>
5 Year Fixed Term Deposit	2.50%	2.50%	£10,000	£250,000	<a href="#">Learn more</a>

### Why Arbuthnot Direct?

- Over 180 years of experience**  
The Arbuthnot name has been synonymous with banking since 1833.  
[About Us](#)
- Strong British heritage**  
We're proud of our deep British roots, and all our Arbuthnot Direct staff are based in the UK.
- Protecting your money**  
We take your security seriously, and deposits are protected by the Financial Services Compensation Scheme. With Arbuthnot Direct, you can feel assured that your savings are always safe and secure.  
[About FSCS](#)
- Quick and simple online application**  
With Arbuthnot Direct you can apply for a fixed term deposit account entirely online, wherever and whenever you choose.

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# Business & Technology Transformation

## Product & Proposition launch

- Arbuthnot Direct was successfully launched to customers in Feb 2019
- A new product offering competitive 3 and 5 year fixed term deposits
- Fast, simple, end to end online application
- Access to the direct savings market gives Arbuthnot Latham the ability to raise significant deposits in a short space of time



## Digital channel optimisation

- Continued investment in digital channels (online & mobile)
- Planned upgrades will significantly enhance client experience
- Modernised user interface, additional functionality and enhanced authentication & security will be delivered in H2 2019



## Payments capability enhancements

- Significant investment in payments technology will provide modern, flexible, market competitive payments and clearing capabilities
- Cloud based API technology will be implemented in Q3 2019 to further enable Open Banking opportunities and payment options for clients



## Customer Relationship Management (CRM)

- Implementation of industry leading CRM technology will provide a single view of client for enhanced servicing, efficiency and effectiveness
- Initial CRM launch is targeted for end of 2019



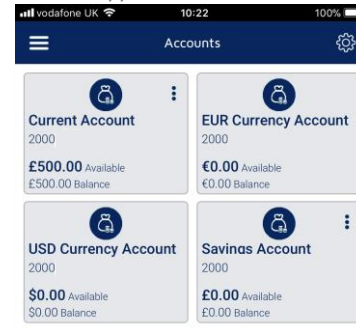
Arbuthnot Direct



Mobile App home screen



Mobile App a/c balance



2018 saw the mobilisation of a number of strategic technology projects that will transform the way in which clients can engage with the bank and our ability to service their individual needs



# Disclaimer

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This document is a summary only of certain information contained in the announcement dated 28 March 2019 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.



# ARBUTHNOT BANKING GROUP PLC

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Thank You

Arbuthnot Banking Group: 0207 012 2400

Sir Henry Angest – Chairman and Chief Executive  
Andrew Salmon – Group Chief Operating Officer  
James Cobb – Group Finance Director

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Registration No. 1954085