

Arbuthnot Banking Group PLC

2014 INTERIM RESULTS

22 July 2014



2014 Interim Review

ANDREW SALMON – Chief Operating Officer

JAMES COBB – Group Finance Director



Key Messages

- Profit before tax £9.5m an increase of 368%
- Underlying profit before tax £13.2m an increase of 83%
- Underlying earnings per share 38.1p (H1 2013: 20.7p)
- Interim dividend per share 11p (H1 2013: 11p)
- Customer loan growth 25%
- Customer deposits exceed £1bn for the first time
- Secure Trust Bank SME finance proposition developing as planned
- Arbuthnot Latham investment in Private Bankers proving successful
- Completed £75m Institutional placing of shares in Secure Trust Bank
- Net Assets expected to increase by 81%
- Capital in place for next phase of growth



Headline Results

Six Months Ending 30 June	2014	2013
Operating Income	£57.2m	£43.2m
Operating Expenses	£40.2m	£33.9m
Profit Before Tax	£9.5m	£2.0m
Underlying Profit Before Tax	£13.2m	£7.2m
Basic Earnings Per Share	25.3p	0.0p
Interim Dividend Per Share	11p	11p
Total Assets	£1.2bn	£0.95bn
Regulatory Capital	£80m	£65.6m
Net Asset Per Share	586.3p	432p
Return on Average Equity	20.5%	3%

- Operating Income increased 32%
- 13% positive operating leverage
- PBT increased by 368%
- Underlying PBT increased 83%
- Regulatory Capital increased by 22%
(before the institutional share placing)
- Total assets increased by 26%
- Net asset per share increased by 38%
- Return on Equity 20.5%



Divisional Performance

Six Months Ending 30 June ---£(000's)	2014	2013	Change
Private Banking (Arbuthnot Latham)	1,737	970	79%
Retail Banking (Secure Trust)	11,514	6,207	86%
Group Centre	(3,726)	(5,140)	28%
Profit Before Tax	9,525	2,037	
Tax	(2,862)	(633)	
Profit After Tax	6,663	1,404	
Of Which			
Attributable to Group Share Holders	3,873	5	
Minority Interests	2,790	1,399	



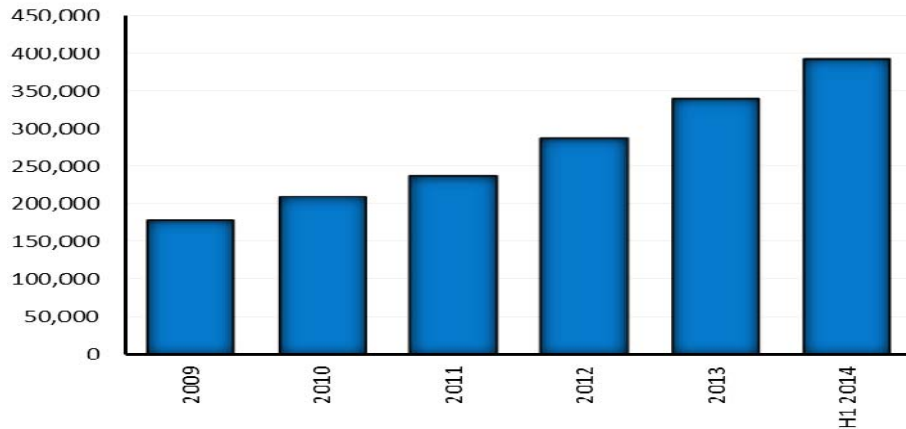
Private Banking

- Profit before tax of £1.7m
- Customer assets increased by 28% to £394m
- Customer deposits increased by 30% to £589m
- Assets under management increased by 32% to £566m
- Loan to deposit ratio at 67% from 68%
- Gilliat Financial Solutions traded profitably in H1 a subsequent approach by a competitor has led to a sale of intellectual property and business will cease in Q3 with no material impact to results expected.
- Highlights:
 - ✓ Investment in private bankers proving successful
 - ✓ Continued fluidity in private banking client market
 - ✓ Dubai office opened and celebrates its first anniversary
 - ✓ New Internet and mobile banking systems launched

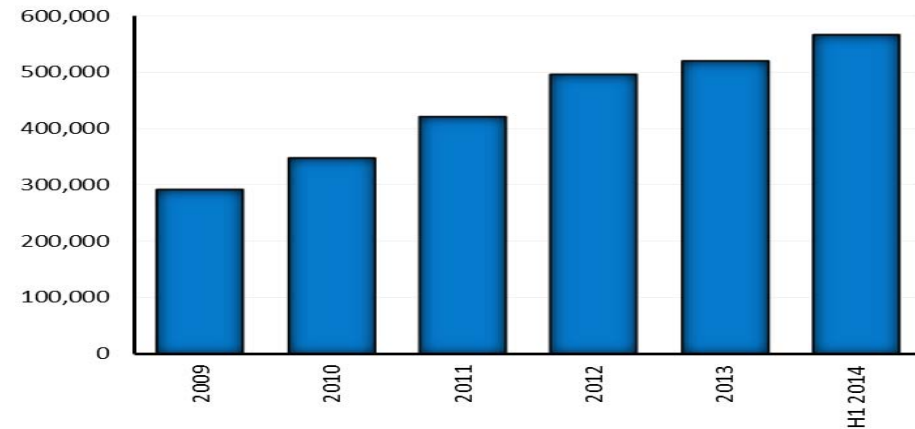


Private Banking – Business Momentum

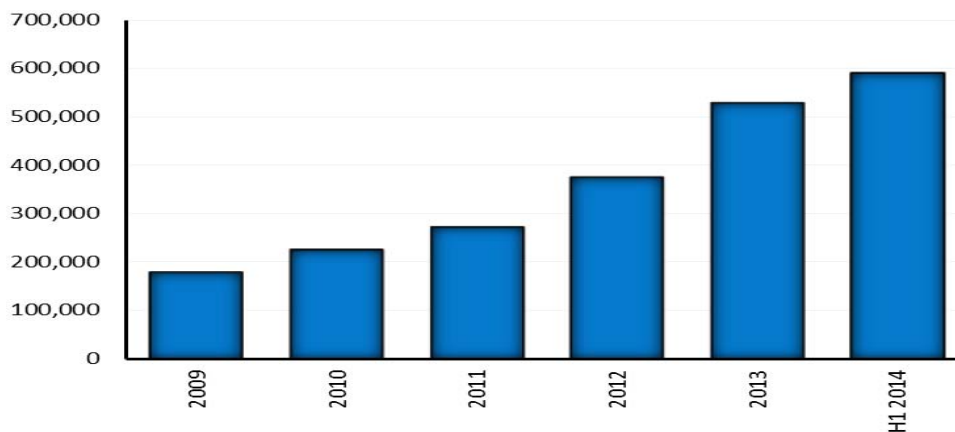
Customer Loans (£000's)



Customer Deposits (£000's)



Assets Under Management (£000's)



- Loan growth CAGR 19% (16% in H1 2013)
- Deposit growth CAGR 16% (13% H1 in 2013)
- AUM growth CAGR 30% (28% in H1 2013)



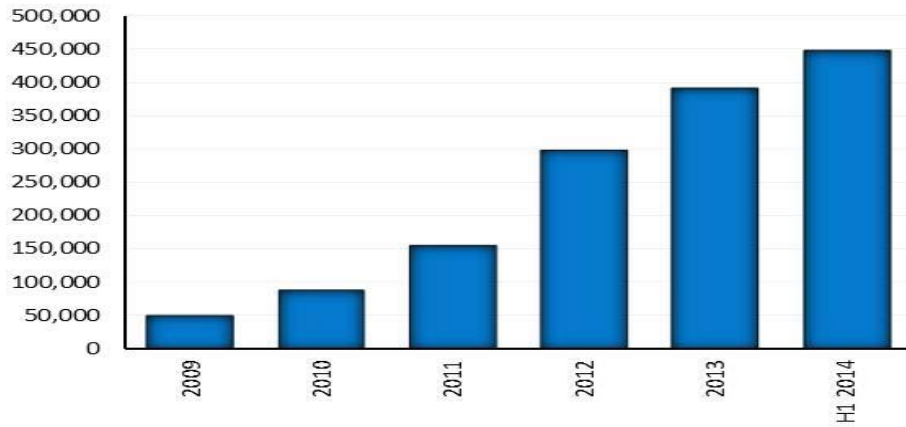
Retail Banking

- Profit before tax of £11.5m
- Underlying profit increased to £15.2m (H1 2013:£6.2m)
- Customer assets increased by 22% to £448m
- Customer deposits increased by 23% to £477m
- Customer numbers increased 20% to 391,610
- Highlights:
 - ✓ Completed institutional share placing for £50m new shares (£25m of ABG holding also placed)
 - ✓ SME lending progressing
 - ✓ Invoice finance platform in test phase - launch planned in August 2014
 - ✓ Arts Council (renamed Creative United) contract to be renewed

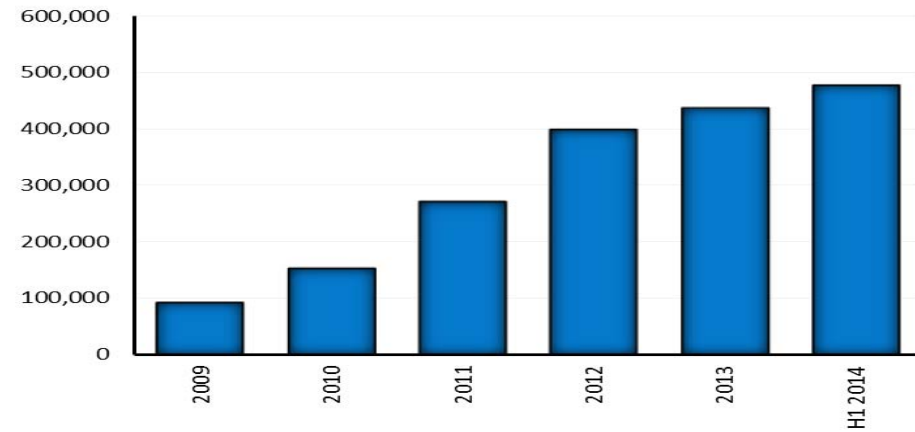


Retail Banking – Business Momentum

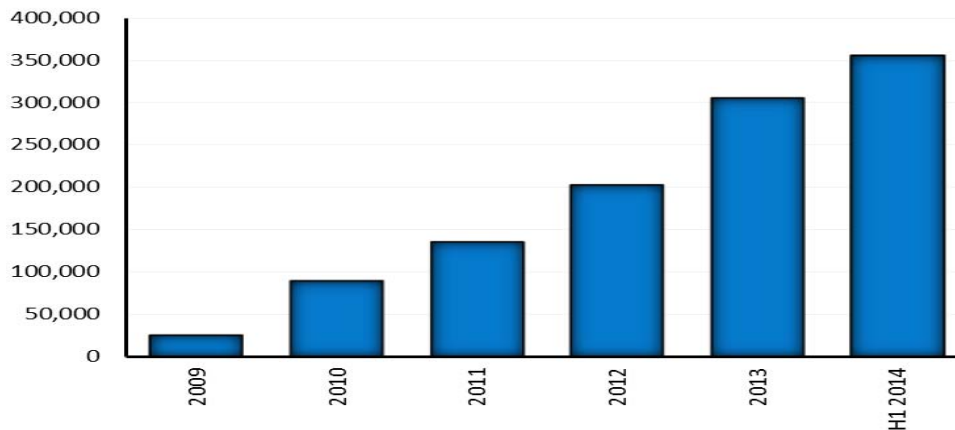
Customer Loans (£000's)



Customer Deposits (£000's)



Lending Volumes (£000's)



- Loan growth CAGR 62% (76% in H1 2013)
- Deposit growth CAGR 44% (50% H1 in 2013)
- Lending Volume growth CAGR 79% (95% H1 in 2013)

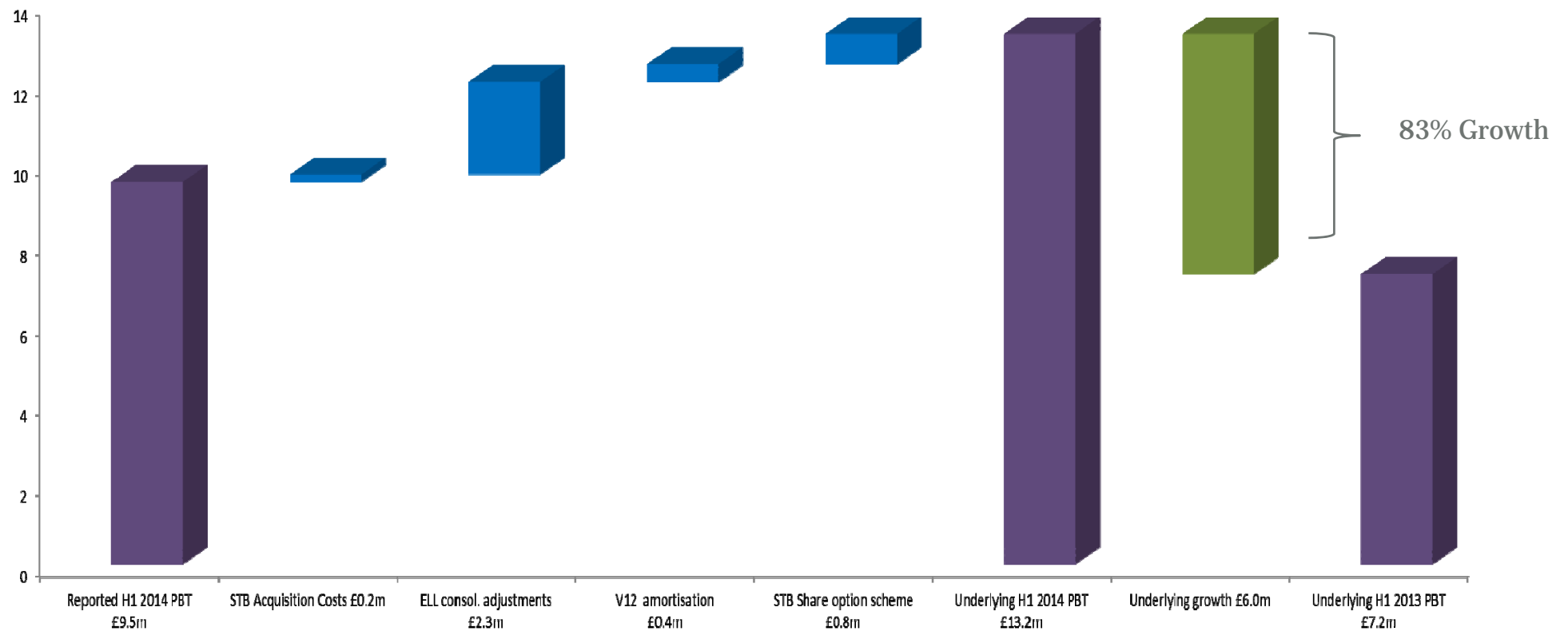


Appendix



Underlying profit (1/2)

Underlying Profit Bridge (£m)



Underlying profit (2/2)

Six Months Ending 30 June - £(000's)	2013	2014
Profit before tax	2,037	9,525
V12 amortisation		446
ELL fair value amortisation	2,766	2,321
Cost of acquisitions	386	183
Cost of option scheme	2,042	754
Underlying Profit	7,231	13,229

Lending Balances

£(m's)						June	
	2009	2010	2011	2012	2013	2014	
Arbuthnot Latham	178	211	238	289	341	394	
Personal Lending	15	22	44	68	79	84	
Motor Finance	5	31	63	90	115	128	
Retail Finance	6	25	45	66	115	134	
Everyday Loans	-	-	-	74	81	85	
Commercial Lending (SME)	-	-	-	-	2	13	
Acquired Portfolios / Others	26	11	2	0.3	0.1	4	
Total STB	51	89	155	298	391	448	

➤ Good growth in all portfolios

➤ Building a diversified lending business

➤ SME lending starting (both property and invoice finance)



Forward Looking Statements

This document is a summary only of certain information contained in the announcement dated 22 July 2014 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 Arbutnot 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 Arbutnot 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. Arbutnot 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 Arbutnot 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 Arbutnot Banking Group undertakes no obligation to update any of its forward looking statements.

