ARBUTHNOT BANKING GROUP PLC

17 October 2024

Arbuthnot Banking Group PLC

Third Quarter 2024 Trading Update

The Board of Arbuthnot Banking Group PLC ("Arbuthnot", the "Company" or the "Group") provides the following update regarding the trading performance of the Group for the three months to 30 September 2024.

Highlights

- **Customer deposit balances of £3.8bn at the period end (30 September 2023: £3.5bn)**
- **Customer loans (including leased assets) of £2.5bn at the period end (30 September 2023: £2.3bn)**
- **Funds under Management and Administration exceed £2bn for the first time with growth of 18% in the first nine months of 2024**
- **Completed London office move to newly refurbished premises in the heart of the City**

Group Performance

The Group continued to make progress with both its deposits and loans. However, while the Group maintained its plan to diversify the lending portfolios as indicated in the Future State 2 strategy, it is also good to report the strong performance of the Wealth Management division, which saw Funds under Management and Administration exceed £2bn for the first time in its history.

As widely anticipated the Bank of England signalled the next phase of its interest rate cycle with a 25 basis point cut effective 1 August, and as a result interest income started to be adversely affected.

During the third quarter the PRA published its proposed new capital rules for Basel 3.1 and also for banks considered to be “Small Domestic Deposit Takers” (Strong and Simple). These are the most significant changes to the industry’s capital regime since those introduced immediately after the financial crisis. The Group is in the process of analysing these rules to decide which to adopt. This will also determine if any changes in strategy are needed, in particular to lending asset classes so that the Group can continue to optimise its returns on capital.

Also in the third quarter the Group moved into its new offices in the City. The premises provide modern facilities to welcome both our clients and employees. The previous offices at Wilson Street and Dominion Street are being returned to the landlords in October, which will see the end of the associated dual running costs which were inevitable as part of this transition.

Finally, during the quarter the UK voted for a change in Government for the first time in nearly 15 years and we now await the Autumn Budget (“Budget”) to understand how the fiscal regime may change. We stand ready to react to this and to support our clients accordingly.

Business Division Highlights

Banking

The Bank reported strong growth and client acquisition in third quarter lending, across both Private and Commercial Banking to finish the quarter with loan balances of £1.6bn, with the majority of new lending being fixed rate providing mitigation against future expected base rate reductions.

Deposits finished the quarter at £3.8bn, despite significant deposit outflows from Banking into investment products provided by our Wealth Management division. Following the Bank of England base rate rises in 2022/23, the majority of the Bank's fixed term deposits have repriced, this along with more clients switching products as depositors try to fix their returns ahead of future falls, has resulted in the cost of deposits rising to 3.12% for the month of September.

Despite the ongoing economic headwinds, the loan book continued to perform robustly as a result of the Bank's conservative credit appetite and low LTV lending. It is expected the Banking loan book will contract towards the end of 2024 as the Group focuses on more capital efficient lending, by increasing its loan balances in the specialist lending businesses.

The Bank was also pleased to receive the results from its client satisfaction survey. A very strong response rate from clients was received and the overall Net Promoter Score (NPS) had improved from 64 to 71, which is top quartile across Private and Commercial Banking. The results underline the Bank's progress towards its vision to be the leading full service, human-scale relationship bank powered by modern technology and in pursuit of this the Bank continues to deliver its digital transformation plan.

Wealth Management

Funds Under Management and Administration have grown 18% in the nine months to 30 September, to finish the quarter at £2.0bn. A significant proportion of inflows were generated from deposits already held with Arbuthnot Latham, with clients transferring funds from cash deposits into investment assets.

Gross inflows were £81m, and net inflows were £43m for the third quarter with the number of new wealth management clients joining the Bank almost 50% higher than the prior year. Outflows have tracked slightly ahead of expectation, although they were significantly lower than levels observed in the prior year as the impact fades from higher interest rates which prompted debt reduction plans funded by the sale of investments.

The Direct Gilt Service, launched in February of this year, has proved significantly more popular than initially expected, having attracted almost £100m of assets. These have been generated from a blend of maturing fixed term deposits, and assets held in execution-only portfolios, along with external cash deposits.

Renaissance Asset Finance ("RAF")

RAF finished the quarter with a loan book of £242m, equating to annual growth of 38% when compared to £176m at the same time in the prior year and 23% growth for the first nine months of 2024.

RAF continued to broaden its offerings in the wholesale funding sector whilst developing a specialist finance portfolio, providing new and additional funding through providing block discounting facilities and revolving credit facilities to businesses with successful track records. This division was launched in 2021 and the Block Discounting loan book increased to £36m at the end of Q3, equating to an increase of 51% in the first nine months of 2024.

Arbuthnot Commercial Asset Based Lending ("ACABL")

ACABL finished the third quarter with a loan book of £293m, compared to £264m at 30 June 2024 and £240m at the end of 2023, representing growth of 22% in the first nine months of 2024.

Mid-market deal making remains fairly subdued with confidence yet to fully return to the market resulting in a reduction in the number of event-driven transactions which are the focus of ACABL. The established loan book however continues to provide opportunities to support existing clients with natural growth as well as bolt-on acquisitions.

The business model of lending against high-quality realisable assets along with a low ratio of clients to client managers allowing close and timely monitoring of client exposures has continued to shield the business from significant credit losses despite the challenging economic conditions.

Asset Alliance Group ("AAG")

AAG had Assets Available for Lease of £362m at 30 September 2024 compared to £363m at 30 June 2024 and £327m at 31 December 2023. The rolling yield on the leasing portfolio continues to be strong at 8.4%. However, the overall economic position within the UK remains uncertain with the upcoming Budget at the end of the month. These factors, together with improved availability and supply of new vehicles, have reduced the demand for used trucks and therefore, as previously reported, these asset sales continue to be challenging.

The Bus Rental Division is performing well with 100% utilisation and yields in excess of 9%, while the utilisation of the truck rental fleet has also moved above target levels of 90%.

The Directors of the Company accept responsibility for the contents of this announcement.

The information contained within this announcement is deemed to constitute inside information as stipulated under the retained EU law version of the Market Abuse Regulation (EU) No. 596/2014 (the "UK MAR") which is part of UK law by virtue of the European Union (Withdrawal) Act 2018. The information is disclosed in accordance with the Company's obligations under Article 17 of the UK MAR. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

ENQUIRIES:

Arbuthnot Banking Group 020 7012 2400
Sir Henry Angest, Chairman and Chief Executive
Andrew Salmon, Group Chief Operating Officer
James Cobb, Group Finance Director

Grant Thornton UK LLP (Nominated Adviser and AQSE Corporate Adviser) 020 7383 5100
Colin Aaronson
Samantha Harrison
Ciara Donnelly

Shore Capital (Broker) 020 7408 4090
Daniel Bush
David Coaten
Tom Knibbs

Maitland/AMO (Financial PR) 020 7379 5151
Neil Bennett
Sam Cartwright