ARBUTHNOT BANKING GROUP PLC

Arbuthnot Banking Group PLC

Annual General Meeting 2022

Trading Update

The Board of Arbuthnot Banking Group PLC (“Arbuthnot”, “the Company”, “the Bank” or the “Group”) announces the following statement regarding the trading performance of the Group for the four months to 30 April 2022 ahead of the Annual General Meeting due to be held later today.

Highlights

- **BoE base rate rises expected to contribute to increased revenue**
- **Loan Balances including Leased Assets at 30 April 2022 of £2,061m, a 3% increase compared to a 31 December 2021 balance and a 15% increase year on year**
- **Assets Under Management (AUM) of £1,353m broadly flat against 31 December 2021 despite the downturn in the market and an increase of 12% year on year**

Summary

The Group has made a good start to the year. The increase in the Bank of England base rate has had a positive impact to the Group’s revenues as the assets with variable rate benchmarks have repriced. Given the very strong surplus liquidity that the Group has maintained, the decision was taken not to compete on price in the “non-relationship” or “best buy table” deposit markets and thus the Group has allowed some deposits to mature. These are being replaced by more valuable “relationship” balances that are being generated by both the Private and Commercial banking teams.

Given the increased competition in the real estate lending markets, the Group has continued to maintain its discipline in lending only where return on capital hurdles are met. The Group has managed volume targets to preserve long term capital optimisation and returns.

As previously mentioned, the Group continues to examine all the options it has to achieve the planned growth rates as articulated in the “Future State” vision while being able to absorb the higher capital requirements as announced by the Bank of England with the re-introduction of the countercyclical capital buffers. These options will include continuing to optimise the balance sheet to focus on core business assets.

Banking

Private and Commercial Banking has continued its trend of strong client acquisition. The Bank continues to maintain strong levels of liquidity reserves without competing for higher priced “best buy table” deposits which have experienced a material uplift in interest rates following the successive base rate rises so far this year. Where deposits have matured and not been retained, a significant portion have been from aggregator and platform channels where the Bank does not have a direct relationship with the underlying client. Deposit balances at 30 April 2022 were £2,752m.

Going into 2022, the Bank had a strong lending pipeline that has resulted in drawdowns being broadly on plan. Net loan growth has been tempered by repayments ahead of expectations as the result of a number of watchlist lending cases being resolved. Despite this headwind, the Banking loan book has grown by 29% in the 12 months to April 2022.

The Bank of England base rate rises are expected to have a positive effect on the Group's revenue for the year. However, there has been a strong preference from clients for fixed rate lending outside the Bank's targeted returns on our capital. This has impacted the pipeline, but it is expected that opportunities will increase in H2 as the imminent prospect of steeper increases in the base rate appears to have subsided.

During 2021, the Bank announced a three-year strategic "originate to sell" loan agreement with a third party to partner with in building a Commercial Real Estate Loan portfolio. Transactions totalling £7.1m have been completed to date with a strong pipeline in development. Additionally, there is a large volume of capital intensive Commercial Real Estate loans maturing in H2 outside of the Bank's current appetite, to which it will be able to provide support to, via this agreement.

Wealth Management

Total AUM have remained broadly static for the first four months of 2022 despite the downturn in the markets. Gross inflows year to date have increased 25% on the prior year, resulting in 12% growth year on year to April 2022. Following the closure of the Dubai office in the prior year, client retention has remained in line with expectations.

Arbuthnot Commercial Asset Based Lending (ACABL)

Despite the challenging markets, the business has been presented with a number of transactions suiting ACABL's lending approach. The business completed its largest deal to date in January with facilities written in excess of £20m, comprising both traditional asset based lending as well as a Recovery Loan Scheme (RLS) facility.

The ACABL loan book has continued to increase at a good rate with 20% growth in the 4 months to 30 April 2022 and a 74% increase year on year to finish the period at £218.9m.

RLS products continue to be utilised in deal structuring where appropriate. At the end of April 2022 RLS exposure totalled £36.5m and is expected to increase to c£50m across 30 loans by the time the scheme closes at the end of Q2.

Renaissance Asset Finance (RAF)

The RAF loan book has grown 11% year on year, and has grown 2% in the first four months of the year. The business continues to experience strong demand for its asset finance facilities with the current pipeline of new business proposals and acceptances above pre pandemic levels. RAF however continues to experience delays in deal originations as a result of supply chain challenges.

Loans under forbearance measures following the pandemic continue to be confined to the London purpose-built taxi market but have shown significant recovery as London and the economy returns to normality.

Asset Alliance (AAG)
As previously reported, the global supply chain issues continue to affect Asset Alliance with a significant reduction in the delivery of new trucks. This has been further impacted by the war in Ukraine given the location of manufacturing capacity. This has resulted in a slowing of the original lending growth plan, with assets available to lease broadly flat against the year end and the same period for the prior year. However, used truck sales continue to be strong, achieving higher than budgeted margins which is supporting underlying profitability.

The business continues to develop its Bus and Coach lending business and focus on the stronger urban markets which remain robust with regular asset replacement cycles in place.

Arbuthnot Specialist Finance (ASFL)
ASFL continues to make progress on implementing its new business plan. The loan book remains in line with the prior year end with a steady pipeline.

Operations
The Bank continues to observe increased client banking activity with a 35% increase of outbound payments against the prior year, including outward Faster Payments increasing 49%. In addition, digital wallet transactions (Apple and Google Pay), launched during the prior year, are trending up with a steady increase in client usage month on month.

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.

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