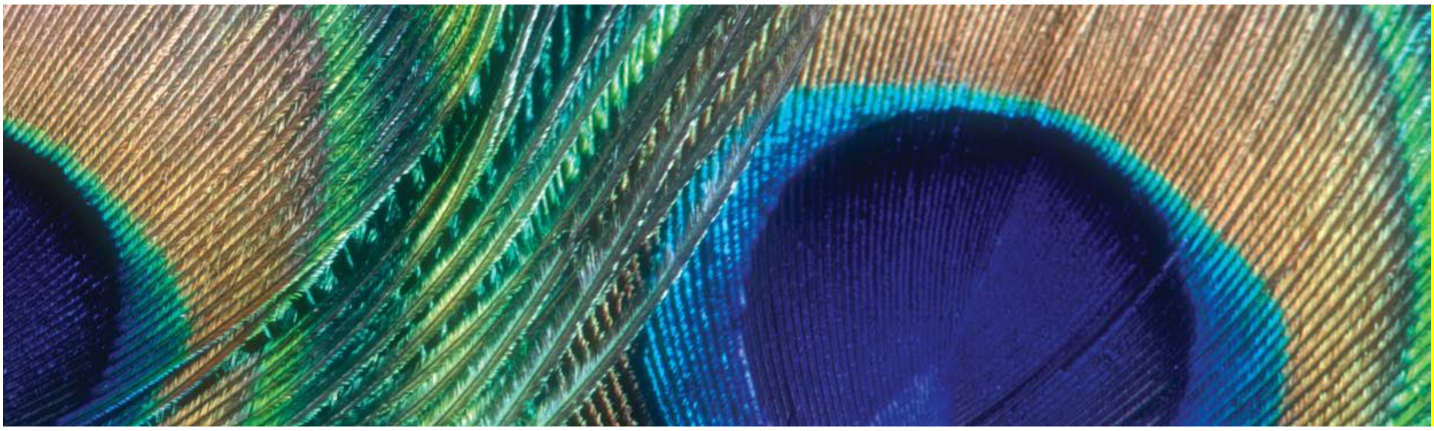
ARBUTHNOT BANKING GROUP PLC

PILLAR 3 DISCLOSURES FOR THE SIX MONTHS ENDED 30 JUNE 2024



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Overview

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Background

The Group's lead regulator, the Prudential Regulation Authority ("PRA"), sets and monitors capital requirements for the Group as a whole and for its regulated subsidiaries. The lead regulator adopted the EU Capital Requirement Regulation (575/2013) ("CRR") and the EU Capital Requirement Directive (2013/36/EU) ("CRD"). The requirements of the CRD had to be implemented into UK law and this was done primarily through the Financial Conduct Authority ("FCA") Handbook and PRA Rulebook.

EU Directive 2019/878 ("CRDV") amended the CRD and in the UK the PRA Rulebook and FCA Handbook were updated to capture the requirements applying from 29 December 2020. The CRR, as a Regulation, was directly applicable in the UK and because this applied before 11pm on 31 December 2020 it has been retained in UK law.

CRD V introduced a new requirement for certain types of parent financial holding company or mixed financial holding company to be subject to PRA supervisory approval and consolidated supervision. Arbuthnot Banking Group PLC ("ABG") was approved by the PRA as a Parent Financial Holding Company on 10 November 2021 (effective 22 October 2021). Following its approval, ABG is responsible for ensuring compliance with consolidated prudential requirements.

The Disclosure (CRR) Part of the PRA Rulebook sets out disclosure requirements for banks operating under the regime. The disclosure requirements (Pillar III) aim to complement the minimum capital requirements (Pillar I) and the supervisory review process (Pillar II) and encourage market discipline by allowing market participants to assess key pieces of information on risk exposures and the risk assessment processes of the Group.

This document should be read in conjunction with the Group's Report and Accounts for 30 June 2024.

Scope

The disclosures have been prepared at a consolidated level for ABG. There are no differences between the basis of consolidation of the Group for accounting and regulatory purposes.

The Group's banking subsidiary, Arbuthnot Latham & Co., Limited ("AL"), is authorised by the PRA and regulated by the FCA and by the PRA. Three of AL's subsidiaries, Asset Alliance Leasing Limited, Forest Asset Finance Limited and Renaissance Asset Finance Limited ("RAF"), are regulated by the FCA.

AL reports to the PRA on a solo-consolidated basis. The solo-consolidated group includes RAF, the entities within the Asset Alliance Group, and the unregulated subsidiaries Arbuthnot Commercial Asset Based Lending Ltd ("ACABL") and Arbuthnot Specialist Finance Limited ("ASFL").

Disclosure Policy

The Pillar III disclosures will be issued, at a minimum, in accordance with the frequency requirements of the PRA Rulebook. This document provides the required disclosure as of 30 June 2024.

ABG is a Small Domestic Deposit Taker ("SDDT") consolidation entity (effective 2 March 2024) and as a listed entity its Pillar III disclosure requirement, in accordance with Article 433b of the Disclosure (CRR) Part of the PRA Rulebook, can be summarised as:

- **On a semi-annual basis:**
  - The key metrics in accordance with PRA template UK KM1.
- **On an annual basis:**
  - **Disclosure of Own Funds Requirements and Risk-Weighted Exposure Amounts**: as required within point (d) of Article 438 the Disclosure (CRR) Part of the PRA Rulebook;
  - **Remuneration Policy**: as required within points (a) to (d), (h)(i), and (h)(ii) of Article 450(1) of the Disclosure (CRR) Part of the PRA Rulebook.

The Group monitors regulatory developments to ensure that its disclosures continue to be in accordance with PRA rules and expectations and industry best practice.

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The Pillar III disclosures are subject to internal review procedures broadly consistent with those undertaken for unaudited information published in the Report and Accounts. The information contained in this document has not been audited by the Group's external auditors, except to the extent it is deemed to be equivalent to that made under accounting or listing requirements.

The Pillar III disclosures have been prepared purely for explaining the basis on which the Group has prepared and disclosed certain regulatory requirements and information about the management of certain risks and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any judgement on the Group.

Attestation

The Group Finance Director attests that ABG has made the disclosures within this document in accordance with the requirements of the Disclosure (CRR) Part of the PRA Rulebook, as applicable to SDDT firms. Preparation of these disclosures has followed the Disclosure Policy, as above, and ABG's internal processes, systems and controls.

Media and location

The report will be published on the Arbuthnot Banking Group PLC corporate website: (www.arbuthnotgroup.com).

Key Regulatory Metrics

Arbuthnot Banking Group PLC
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The following table, UK KM1, provides a summary of the Group's main prudential regulatory ratios and measures[1].

The ratios are reviewed on a monthly basis to ensure that external requirements are adhered to. During the period all regulated entities have complied with all externally imposed capital and liquidity requirements to which they are subject.

The capital ratios and measures below are presented on a transitional basis and, therefore, include permissible adjustments for the IFRS9 transitional relief.

Point (h) of Article 447 of the Disclosure (CRR) Part of the PRA Rulebook requires the reporting of own funds and eligible liabilities ratios as calculated in accordance with CRR Articles 92a and 92b and broken down at the level of each resolution group, where applicable. Both these CRR Articles only apply to G-SIIs and so are not applicable to the Group.

[1] Disclosed in accordance with points (a) to (g) of Article 447 of the Disclosure (CRR) Part of the PRA Rulebook.

Key Regulatory Metrics

Arbuthnot Banking Group PLC
Pillar 3 disclosures for the six months ended 30 June 2024

Template UK KM1 - Key metrics template

		a	c	e
		30-Jun-24	**31-Dec-23***	**30-Jun-23**
	Available own funds (amounts)			
1	Common Equity Tier 1 (CET1) capital (£'000)	219,334	222,291	195,786
2	Tier 1 capital (£'000)	219,334	222,291	195,786
3	Total capital (£'000)	257,590	260,017	233,076
	Risk-weighted exposure amounts			
4	Total risk-weighted exposure amount (£'000)	1,884,215	1,713,146	1,591,076
	Capital ratios (as a percentage of risk-weighted exposure amount)			
5	Common Equity Tier 1 ratio (%)	11.64%	12.98%	12.31%
6	Tier 1 ratio (%)	11.64%	12.98%	12.31%
7	Total capital ratio (%)	13.67%	15.18%	14.65%
	Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)			
UK 7a	Additional CET1 SREP requirements (%)	0.18%	0.18%	0.18%
UK 7b	Additional AT1 SREP requirements (%)	0.06%	0.06%	0.06%
UK 7c	Additional T2 SREP requirements (%)	0.08%	0.08%	0.08%
UK 7d	Total SREP own funds requirements (%)	8.32%	8.32%	8.32%
	Combined buffer requirement (as a percentage of risk-weighted exposure amount)			
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	-	-	-
9	Institution specific countercyclical capital buffer (%)	1.90%	1.88%	0.93%
UK 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
UK 10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	4.40%	4.38%	3.43%
UK 11a	Overall capital requirements (%)	12.72%	12.70%	11.75%
12	CET1 available after meeting the total SREP own funds requirements (%)	5.35%	6.74%	6.07%
	Leverage ratio			
13	Total exposure measure excluding claims on central banks (£'000)	3,919,333	3,559,597	3,167,922
14	Leverage ratio excluding claims on central banks (%)	5.60%	6.24%	6.18%
	Additional leverage ratio disclosure requirements			
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	NA: Only LREQ firms shall disclose values in rows UK KM1;14a to UK KM1;14e		
14b	Leverage ratio including claims on central banks (%)			
14c	Average leverage ratio excluding claims on central banks (%)			
14d	Average leverage ratio including claims on central banks (%)			
14e	Countercyclical leverage ratio buffer (%)			
	Liquidity Coverage Ratio**			
15	Total high-quality liquid assets (HQLA) (Weighted value - average) (£'000)	1,171,136	1,046,604	793,927
UK 16a	Cash outflows - Total weighted value	791,955	692,133	654,748
UK 16b	Cash inflows - Total weighted value (£'000)	199,757	215,585	250,292
16	Total net cash outflows (adjusted value) (£'000)	592,198	476,548	404,456
17	Liquidity coverage ratio (%)	198%	220%	196%
	Net Stable Funding Ratio***			
18	Total available stable funding (£'000)	2,929,860	2,784,678	2,604,214
19	Total required stable funding (£'000)	2,210,325	2,043,499	2,002,771
20	NSFR ratio (%)	133%	136%	130%

* Includes year end verified reserves
**The LCR balances are calculated as the simple averages of month end positions over the 12 months preceding the end of the reporting quarter
*** The NSFR ratios are calculated as an average of the preceding four quarters

Key Regulatory Metrics

Total Capital Requirement

The Group's Total Capital Requirement ("TCR"), as issued by the PRA, is the sum of the minimum capital requirements under the CRR (Pillar I: 8%) and the Pillar 2A requirement. The current TCR of the Group is 8.32%.

Combined Buffer Requirements

The combined buffer is defined as the sum of the capital conservation buffer and the countercyclical capital buffer ("CCyB").

The Capital Conservation Buffer is calculated as 2.5% of Total Risk Exposure.

The CCyB is calculated as the institution-specific CCyB rate multiplied by Total Risk Exposure. A firm's institution-specific CCyB rate consists of the weighted average of the CCyB rates that apply to exposures in the jurisdictions where the firm's relevant credit exposures are located.

The UK CCyB rate is set by the Financial Policy Committee ("FPC"). At its December 2021 meeting the FPC increased the UK CCyB rate from 0% to 1%, effective from 13 December 2022. In July 2022 the FPC increased the UK CCyB rate from 1% to the current 2% and this was effective from 5 July 2023.