ARBUTHNOT BANKING GROUP PLC

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Annual General Meeting 2023 Trading Update

The Board of Arbuthnot Banking Group PLC ("Arbuthnot", "the Company", "the Bank" or "the Group") is pleased to make the following statement regarding the trading performance of the Group for the four months to 30 April 2023 ahead of the Annual General Meeting due to be held later today.

Highlights

- The Group continues to benefit from the business model it has established over many years, whereby the return of a higher Bank of England ("BoE") Base Rate brings increased revenue on both its lending and excess liquidity.
- BoE Base Rate rises continue to contribute to increased revenue, with deposit costs due to increase over time.
- Loan Balances including Leased Assets at 30 April 2023 of £2,234m (30 April 2022: £2,061m, 31 December 2022: £2,216m), a 1% increase on the 31 December 2022 balance and an 8% increase year on year.
- Deposits of £3,255m (30 April 2022: £2,752m, 31 December 2022: £3,090m), a 5% increase since the year end and an 18% increase year on year.
- Assets Under Management ("AUM") of £1,376m, a 4% increase against 31 December 2022 and an increase of 2% year on year.

Summary

Since the end of 2022, the Bank of England Base Rate has had three further rate increases, from 3.50% at the year end to 4.50% currently. As previously reported, the Group benefits from Base Rate rises immediately as its treasury assets and the majority of its loan book are referenced to the BoE Base Rate. In response the Group has also increased its deposit pricing. However, the blend of call, current, time and notice accounts mean the increase in the cost of deposits lags behind that of the revenue generated from the Group's assets. Deposit balances have continued to grow with a net inflow of £165m for the period, despite the Bank allowing some non-relationship deposits to mature and not be renewed.

As expected, loan book growth for the 4 months to end of April was lower than previous periods, as the Group endeavoured to tighten its credit criteria whilst demand for lending post-pandemic has been suppressed by rising inflation and the financial impact of the war in Ukraine.

The Group was pleased to announce in April 2023 that it had raised £12m through an equity capital raising. The new capital will enable the Group to maintain its current growth momentum aspirations for 2023 and beyond. The Board also noted that the additional capital would allow the Group to take advantage of the opportunities that are expected to emerge. The first of these has been agreed, with the Group's Asset Alliance business purchasing £42m of operating leases at a discount to face value.

The Board believes that the successful capital raise also demonstrates shareholders' confidence in the Group's business model and core principles of lending against high quality security whilst maintaining high levels of liquidity.

Banking
Against the backdrop of ongoing economic uncertainty, the Bank has continued to stay focused on client service, which has led to growth in client acquisition for both deposits and lending in the first four months of 2023.

The Bank's long term approach and cautious banking model resonates well with criteria clients looking for a bank where they can build a long term relationship.

Deposits grew £165m in the first four months of 2023 to reach £3,255m at the end of April, despite the turbulence in the global banking sector. The cost of deposits has increased but at a slower rate than the BoE Base Rate increases given the mix of deposits, with growth in current, call, time and notice products.

Lending increased marginally by £10m for the 4 months and is on plan reflecting the continued focus on allowing capital intensive lending to mature and refinance away, to be replaced with more capital efficient lending, whilst the Group also tightened its credit criteria. The impact of the changing macroeconomic environment is resulting in some signs of stress in the loan book, however given the Bank's cautious underwriting approach with low LTV ratios, the Bank is well positioned to exit any defaults with little or no loss.

Wealth Management
Total AUMs have increased 4% for the first four months of 2023 to £1,376m at the end of April 2023 as a result of positive net inflows and market performance.

Arbuthnot Commercial Asset Based Lending ("ACABL")
In early May, ACABL celebrated its 5th year anniversary. Since launch, the business has grown its loan book with facility limits in excess of £500m and built a team of 31 highly experienced staff.

Demand for ACABL products slowed towards the end of 2022 which has carried over into early 2023, with fewer corporate finance transactions proposed due to ongoing market challenges. The business has been introduced to, but declined, an increased number of refinancing opportunities due to a more cautious approach being taken in the current market. Funds in use finished the period at £256m, compared to £269m for the previous year end as a more conservative approach to lending has been adopted and some expected client attrition has been seen, coupled with reduced activity from Private Equity sponsors.

In the first quarter ACABL renewed its accreditation to provide Recovery Loan Scheme loans as a continued additional source of funding for deal structures where appropriate.

Renaissance Asset Finance ("RAF")
RAF finished the period with a loan book of £146m, up 9% from the year end, with 48% year on year growth.

New business levels have remained positive and the balance sheet continues to grow in line with the new Future State plan, with improved margins achieved on new business despite the current economic environment.

Whilst some pressure is expected, particularly in the SME customer base, the book continues to perform in the current economic climate with problem debts marginally lower than expected.

Asset Alliance Group (“AAG”)
AAG continues to trade well with Assets Available to Lease of £209m at the end of April 2023, equating to year on year growth of 66%, and 11% year to date.

Supply chain issues, although slowly resolving, continue to be a headwind although it is expected that these issues will improve in the near term. Where in prior periods, supply chain issues have led to a buoyant used truck market, the business expects this market to weaken, but margins currently remain stronger than expected.

AAG has agreed terms to purchase £42m of operating leases at a discount to face value, to provide buses for contracted operations in London. This is expected to draw down on 26 May 2023.

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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