ARBUTHNOT BANKING GROUP PLC

26 May 2021

Arbuthnot Banking Group PLC

Annual General Meeting 2021

Trading Statement

The Board of Arbuthnot Banking Group PLC ("Arbuthnot", "the Company" or the "Group") announces that the following statement regarding the trading performance of the Group for the four months to 30 April 2021 will be made at the Annual General Meeting to be held later today Wednesday 26 May 2021.

Highlights

- The Group has made a good start to the year. New loan originations have totalled £247mn an increase of 57% compared to the same period in the prior year.
- Customer loan balances at the end of April stand at £1.795 bn (including the assets available for lease acquired with Asset Alliance) which represents an increase of 9% on the position at 30 April 2020 and growth of 12% since 31 December 2020. If the impact on loan balances were to be restated for the sale of the "Tay" mortgage portfolio, the growth rates would be 12% on the prior year and 15% since the year end.
- The Bank continues to see strong inflows of customer deposits with total balances at 30 April 2021 standing at £2.597 bn, an increase of 24% over the prior year and 10% since 31 December 2021.
- Deposit rates continue to fall as pre-pandemic pricing matured to be replaced by lower rates. The cost of funds during April 2021 has fallen to 40 bps.
- Assets Under Management at 30 April 2021 totalled £1.207 bn, an increase of 16% on the prior year and 5% higher than 31 December 2020.
- During April the Bank surpassed £3 bn in total assets for the first time.
- Acquisition of Asset Alliance Group was successfully completed.
- The number of facility letters issued, and loans drawn, in March 2021 reached its highest level for twelve months

Banking

In the opening months of 2021 new client acquisitions were recorded at their highest level since 2017. Growth has been generated by both the Private and Commercial Banking businesses, while at the same time the Bank has continued to support existing clients by providing further banking and wealth planning solutions.

The lending pipeline generated towards the end of 2020 has resulted in good loan book growth in the first four months of 2021. The lending pipeline remains strong with growth expected to continue for the rest of the year. The Bank has continued its strategy of conservative lending whilst ensuring focus remains on the risk reward profile of potential opportunities. As a result, the allocation of capital towards residential investment lending versus commercial real estate has continued, as highlighted in the "Future State" vision set out in the Group's 2020 Results Presentation that is available on the Company's website.

The Dubai branch closure has proceeded as planned and the existing relationships are being migrated to be serviced from our London based banking teams. The Dubai office will officially close on 31 May 2021.

The Bank was also in the first wave of institutions to be accredited for the Recovery Loan Scheme with facilities now available to be issued by both the Bank and its Asset Based Lending Business to support the UK economy as it recovers from the downturn.

Wealth Management

Wealth Management generated positive gross inflows recording a 55% increase on the prior year, which equates to a 19% annualised gross inflow rate against opening assets under management. The Wealth management pipeline continues to build positively, with several larger value mandates in development.

The Sustainable Portfolio Service is expected to launch in the second quarter, which will utilise the business's central risk framework. The service will leverage the underlying research and macro views of the Investment Committee, whilst seeking to maximise exposure to themes that will deliver positive social and environmental outcomes.

The Wealth Planning business enjoyed a good start to 2021, with promising levels of lead generation and subsequent activity resulting in a positive performance uptick.

Renaissance Asset Finance (''RAF'')

The decline in loan balances seen in 2020 caused by a drop in demand from SMEs for vehicles and capital equipment together with a tightened approach to risk has now stabilised and RAF is experiencing increased demand for asset finance facilities. Its current pipeline of new business proposals and acceptances are at good levels as confidence appears to be returning to the economy.

Loans under forbearance measures have fallen significantly from the peak in May 2020. The London taxi market now accounts for the majority of loan balances under forbearance; this is taking longer to recover due the lack of activity in central London and remains a key area of focus. However, as restrictions ease taxi operators are reporting an improvement in activity which it is hoped will return to pre pandemic levels over the summer as social distancing guidelines relax and business and leisure activity increases.

Arbuthnot Commercial Asset Based Lending ("ACABL")

The Groups asset-based lending business has made a strong start to the year. The business has continued to grow its loan book and build its pipeline with significant activity and demand for its products experienced to date in 2021.

Revenue generated from servicing fees has grown in line with client activity as businesses up-scale their revenues to make up for the lows of the previous twelve months. Additionally, as expected, with increased client activity, there have been signs that amounts drawn against existing facilities are recovering to pre-pandemic levels.

Asset Alliance Group ("AAG")

The Bank completed its acquisition of AAG on 31 March 21 and is currently completing the fair value exercise required to include the assets and liabilities of the business in the Group results.

The value of second-hand trucks continues to increase due to a global scarcity of the computer processor chips used in the manufacture of new trucks, which has led to a shortage of new trucks. This will have two impacts on the business. Firstly, the fair value exercise will generate a materially higher bargain purchase than initially indicated in the announcement made by the Group on 10 December 2020 but will slow down the initial growth of AAG in 2021, which should accelerate in 2022 as supply shortages are expected to ease. In the meantime, to supplement its growth plans, the business is concentrating on its distribution of bus and coach products mainly into the larger urban bus markets.

Operations

The Bank continues to operate effectively since the move to remote working, with all services being maintained and good progress with the Bank's transformation agenda.

As reported at the year end the Bank introduced its extended hours Faster Payments capability. During the first quarter of 2021, 19% of Faster Payments were processed outside of these core business hours, improving the client experience and aligning the Arbuthnot Latham proposition with that of the larger retail banks.

Despite continuing to operate remotely, the Bank on-boarded nearly 300 clients during the first quarter of 2021, a 33% increase on the same period last year. Levels of client attrition remains low.

Client payments in March 2021 were 6.8% higher than the prior year. The number of facility letters issued, and loans drawn in March 2021 reached its highest level for twelve months.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU No. 596/2014) which is part of UK law by virtue of the European Union (withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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