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Arbuthnot Banking Group PLC
21 May 2025

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Arbuthnot Banking Group PLC
Annual General Meeting 2025

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 2025 ahead of the Annual General Meeting due to be held later today.

Highlights

- **Loan Balances including Leased Assets at 30 April 2025 of £2,361m (30 April 2024: £2,370m, 31 December 2024: £2,380m) as a cautious credit appetite was maintained.**
- **Deposits of £4,257m (30 April 2024: £3,646m, 31 December 2024: £4,132m), representing a 3% increase since the year end and a 17% increase year on year.**
- **Funds Under Management and Administration ("FUMA") of £2,250m, (30 April 2024: £1,873m, 31 December 2024: £2,214m), a 2% increase against 31 December 2024 and an increase of 20% year on year.**

Summary

Despite the global economic outlook becoming increasingly uncertain during the start of 2025, in particular due to the threat of trade wars and tariffs, the Group has continued to focus on progressing its on-going long-term strategic initiatives to attract profitable relationship driven deposits whist growing and diversifying its lending proposition.

In response to the uncertain backdrop, the Bank of England ("BoE") has reduced interest rates twice so far in 2025, with two cuts of 0.25%. This follows the prior reductions in August and November 2024. As previously signposted, downward movements in the base rate will impact the Group's net interest income, both whilst the cost of deposits catches up and as the Group's significant surplus liquidity balances earn less. However, given the on-going inflationary pressures that exist in the economy and the anticipated effect that the recently introduced increase in employers' National Insurance contributions may have, it might be that the BoE policy makers have less room to cut interest rates and in the long term the resting rate could be higher than some expect.

Group loan balances at 30 April 2025 were £2,361m, a small reduction from loan balances at 31 December 2024 and 12 months ago. This reflected the Group's on-going cautious credit appetite in response to recent economic uncertainty. However, the Group has continued to execute its strategy to allocate capital to its specialist lending divisions which continue to see growth opportunities. Despite the economic environment, the Bank has also begun to see more activity in its lending pipeline.

Our deposit gathering capabilities continue to prove successful with balances increasing to £4,257m an increase of 3% since the year end and 17% growth over the last 12 months. The focus on raising profitable deposits has become an important strategy as the Bank develops its client growth programmes.

Despite the volatile equity markets, within the Wealth Management division, Funds Under Management and Administration have increased by 2% since the start of 2025, with net inflows of £127m being partially offset by the downward revaluations in investment assets caused by the threat of an all out tariff war. FUMA balances are 20% higher than the same period in 2024.

As previously noted the Prudential Regulation Authority (PRA) announced its intention to delay the implementation of Basel 3.1 in the UK, to allow more time for greater clarity to emerge on the plans for implementation of the new rules in the United States. The Group has adjusted its lending appetite to have sufficient capital regardless of the introduction of the new rules but we await clarity as we continue to evaluate the relative benefits of this regime compared to the alternative being the Small Domestic Deposit

Takers (SDDT) regime, the new evolution of Strong and Simple.

Banking

Banking's relationship-led approach continued to support the acquisition and retention of criteria clients across Private and Commercial Banking.

Despite the annual expected outflows to HMRC in the early part of 2025, these were more than offset with an increase in deposit flows from new and existing clients. As a result, core deposits for Banking increased by £124m to £4,257m in the first four months of 2025, in contrast to a decline for the same period in the prior year.

Lending reduced in the first four months of 2025 by 2% to £1,515m as expected, as capital is recycled into higher margin lending by the subsidiary companies. The Bank continues to hold to its principles of maintaining high quality credit lending, with the volume and value of lending cases identified as higher risk reducing. With the macro-economic outlook remaining uncertain the Bank's loan appetite remains cautious, with the focus on supporting existing clients, whilst pursuing quality new business opportunities. Consequently, the Bank's cautious underwriting approach continues to result in limited losses from any new defaults.

Wealth Management

The threat of a global trade war resulted in high levels of market volatility. However, FUMA at the end of April closed at £2.25bn equating to 20% year on year growth. Despite adverse market-wide performance being reported, year to date Group gross inflows of £204m over the period compared to £171m over the same period last year, which has resulted in net flows for the current period of £127m.

Arbuthnot Commercial Asset Based Lending ("ACABL")

ACABL finished the period with a loan book of £216m a reduction of 6% from the end of 2024.

The economic uncertainty and low growth environment, which suppressed activity in 2024, continued in the first four months of 2025. Client facilities reaching the end of their terms continued to offset growth in the loan book, although originations and ACABL's pipeline are showing positive signs.

The business continues to closely monitor watch cases. The proven business model of high quality collateral continues to mitigate against credit losses.

Renaissance Asset Finance ("RAF")

RAF finished the period with a loan book of £264m up 6% from the end of 2024, with 21% year on year growth and new business up 16% against the same period in the prior year.

The Block Discounting business which launched in late 2021 continued to grow its loan book reporting a 16% increase over the period.

Asset Alliance ("AAG")

Whilst the commercial vehicle market continues to remain subdued, the first four months have seen strong origination within the bus and coach market. Total origination of £41m in the first four months has seen the assets available for lease rise 3%, to £373m. Yields on new business remain stable, in line with the prior year and resilient amidst recent rate reductions and a highly competitive market.

Trading in used, end of lease commercial vehicles has seen an upturn however an excess supply of older assets is resulting in margin pressure. The strategy to diversify the portfolio is working well, with strong performance from the bus and coach division and a positive overall lending pipeline.

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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