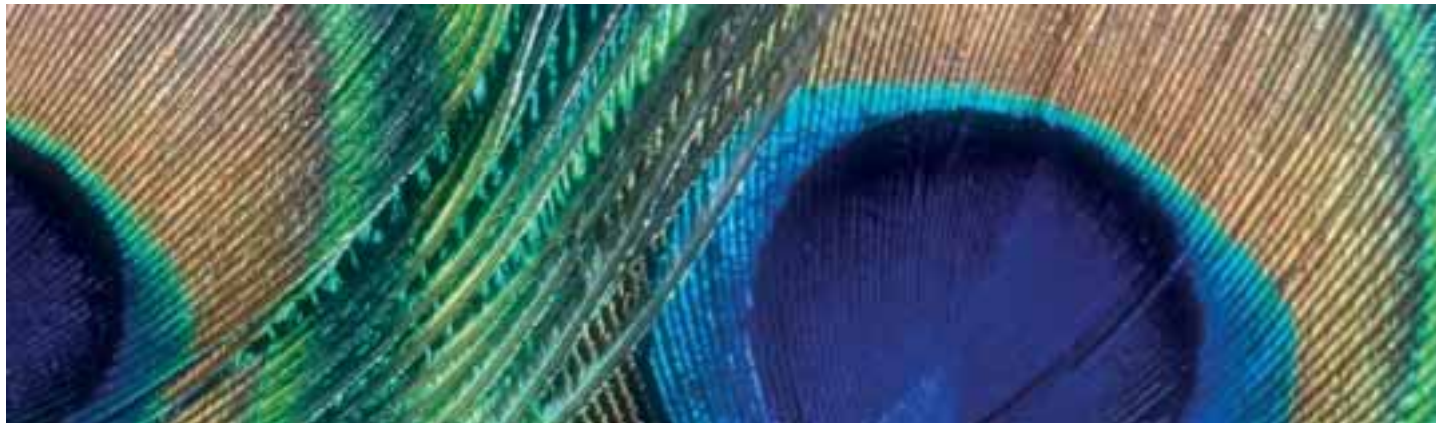




ARBUTHNOT BANKING GROUP PLC

PILLAR 3 DISCLOSURES FOR THE SIX MONTHS ENDED 30 JUNE 2022



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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.

The Disclosure (CRR) Part of the PRA Rulebook, applicable from 1 January 2022, 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 aim to 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 Interim Report and Accounts for 30 June 2022.

Scope

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

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. ABG was approved by the PRA as a Parent Financial Holding Company on 10 November 2021. Following its approval, ABG is responsible for ensuring compliance with consolidated prudential requirements.

The Group's banking subsidiary, Arbuthnot Latham & Co., Limited ("AL"), is authorised by PRA and regulated by the FCA and by the PRA. Four of AL's subsidiaries, Asset Alliance Limited, 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 corporate 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.

ABG is not a large institution and is not an LREQ firm in accordance with the Leverage Ratio – Capital Requirements and Buffers Part of the PRA Rulebook. Therefore, on a semi-annual basis ABG is required to

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disclose the key metrics referred to within Article 447 of the Disclosure (CRR) Part of the PRA Rulebook. This document provides the required disclosure as of 30 June 2022.

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 those 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. 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 table on the following page provides a summary of the main prudential regulatory ratios and measures as required within points (a) to (g) of Article 447 of the Disclosure (CRR) Part of the PRA Rulebook. Capital ratios and measures 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 ABG.

Key Regulatory Metrics

Arbuthnot Banking Group PLC

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Template UK KM1 - Key metrics template

		a	c	e
		Jun-22	Dec - 21*	Jun-21
Available own funds (amounts)				
1	Common Equity Tier 1 (CET1) capital (£'000)	164,835	176,235	174,733
2	Tier 1 capital (£'000)	164,835	176,235	174,733
3	Total capital (£'000)	201,993	213,007	211,822
Risk-weighted exposure amounts				
4	Total risk-weighted exposure amount (£'000)	1,474,180	1,427,724	1,401,884
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	11.18%	12.34%	12.46%
6	Tier 1 ratio (%)	11.18%	12.34%	12.46%
7	Total capital ratio (%)	13.70%	14.92%	15.11%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
UK 7a	Additional CET1 SREP requirements (%)	0.42%	0.63%	0.63%
UK 7b	Additional AT1 SREP requirements (%)	0.06%	0.13%	0.13%
UK 7c	Additional T2 SREP requirements (%)	0.08%	0.17%	0.17%
UK 7d	Total SREP own funds requirements (%)	8.56%	8.93%	8.93%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.50%	2.5%	2.5%
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 (%)	0.02%	0.02%	0.02%
UK 9a	Systemic risk buffer (%)	-	-	-
10	Global Systemically Important Institution buffer (%)	-	-	-
UK 10a	Other Systemically Important Institution buffer	-	-	-
11	Combined buffer requirement (%)	2.52%	2.52%	2.52%
UK 11a	Overall capital requirements (%)	11.08%	11.45%	11.45%
12	CET1 available after meeting the total SREP own funds requirements (%)	4.70%	5.59%	5.71%
Leverage ratio				
13	Total exposure measure excluding claims on central banks (£'000)	2,846,461	NA: For ABG the Leverage Ratio rules which exclude claims on central banks were effective from 1 January 2022**	
14	Leverage ratio excluding claims on central banks (%)	5.79%		
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)	759,771	776,633	695,169
UK 16a	Cash outflows - Total weighted value	588,165	547,432	477,558
UK 16b	Cash inflows - Total weighted value (£'000)	181,236	192,514	176,448
16	Total net cash outflows (adjusted value) (£'000)	406,929	354,918	301,109
17	Liquidity coverage ratio (%)	187%	219%	231%
Net Stable Funding Ratio****				
18	Total available stable funding (£'000)	2,389,557	NA: The current NSFR rules were effective 1 January 2022. **	
19	Total required stable funding (£'000)	1,908,852		
20	NSFR ratio (%)	125%		

* Includes year end verified reserves

** The disclosure of data for previous periods is not required when data is disclosed for the first time.

***The LCR balances are calculated as the simple averages of month end positions over the 12 months preceding the end of the reporting quarter

**** For this first disclosure, June 22, the NSFR reflects the actual rather than average position

Key Regulatory Metrics

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As part of the Bank of England's measures to respond to the economic shock from COVID-19, the UK countercyclical capital buffer ("CCyB") rate was reduced to 0% with binding effect from 11 March 2020.

At its December 2021 meeting the Financial Policy Committee ("FPC") increased the UK CCyB rate from 0% to 1%. This rate will come into effect from December 2022 in line with the usual 12-month implementation period. In July 2022 the FPC announced that the UK CCyB rate would increase to 2% with effect from July 2023.

The Capital Conservation Buffer is fully phased in at 2.5% of Total Risk Exposure.

The Group's Total Capital Requirement ("TCR"), as issued by the PRA, is the sum of the minimum capital requirements under the CRR (Pillar 1) and the Pillar 2A requirement. The current TCR of the Group is 8.32.