



ARBUTHNOT BANKING GROUP PLC

Annual Report & Accounts 2024

The importance of history and Sun Tzu

The importance of previous experience cannot be overstated. “Those who are not willing to learn from history are doomed to repeat the mistakes of previous generations.”

A good place to start, therefore, is with the famous Chinese General, Sun Tzu and his writings in “The Art of War” c. 2500 years ago. He established some basic truths such as:

“He whose ranks are united in purpose will be victorious.”

“The commander will surely choose those who are most fortunate.”

“The traits of a true commander are: courage, wisdom, humanity and integrity.”

Origins of Arbuthnot Latham

George Arbuthnot (1772 – 1843) was a son of the Edinburgh banker Robert Arbuthnot. He started in 1803 as a partner in Latour & Co. in Madras (today Chennai), Southern India. Latour & Co. had been set up in 1780 by Count Francis Joseph Louis Latour de Quercy, who died in 1808. In 1807 Latour & Co. became Arbuthnot & Co. and George Arbuthnot became the leading partner until he retired in 1824. In his farewell letter to the partners he said:

“...not only give the constituent (client) the assurance that his money is safe, but also give him the feeling that he is benefitting himself by dealing with the House.”

In 1826 John Alves Arbuthnot started as a clerk at Arbuthnot & Co. and in 1831 became a partner. He married the daughter of George Arbuthnot. Upon his return to London he established, together with Alfred Latham, the trading house Arbuthnot & Latham on 13 March 1833.

(For more details, read the book: Arbuthnot Latham 1833 – 2023 by David Lascelles, 2nd edition)

1	Corporate Philosophy	60	Remuneration Report
2	Business Overview	63	Independent Auditor’s Report
3	Financial Highlights	70	Consolidated Statement of Comprehensive Income
4	Chairman’s Statement	71	Consolidated Statement of Financial Position
8	Strategic Report – Business Review	72	Company Statement of Financial Position
14	Strategic Report – Financial Review	73	Consolidated Statement of Changes in Equity
26	Strategic Report – Non-Financial and Sustainability Information Statement	75	Company Statement of Changes in Equity
28	Strategic Report – Stakeholder Engagement and s.172 Report	76	Consolidated Statement of Cash Flows
30	Strategic Report – Sustainability Report	77	Company Statement of Cash Flows
44	Board of Directors	78	Notes to the Consolidated Financial Statements
47	Group Directors’ Report	159	Five Year Summary
52	Corporate Governance	160	Notice of Annual General Meeting
		164	Corporate Contacts and Advisers



Arbuthnot Banking Group PLC

The Seven Principles

Ever since George Arbuthnot first gave guidance about corporate behaviour, it has been the culture of Arbuthnot to follow his advice. The Seven Principles summarise Arbuthnot's corporate philosophy and ethics.

During the 192 year history of serving its customers, Arbuthnot has proven its ability to adapt and grow by applying such principles with pragmatism and common sense.

1. Arbuthnot serves its **shareholders**, its **customers** and its **employees** with **integrity** and **high ethical standards**. This is demonstrated in a **progressive dividend** policy, in **fair pricing** and in **pay for performance**.
2. Arbuthnot attaches great importance to **good relations** with customers and business partners, and treating them **fairly and promptly**. Arbuthnot believes in **reciprocity**.
3. Arbuthnot is **independent, and profit and growth oriented** while maintaining a **controlled risk profile**.
4. Arbuthnot's business is conducted in an **innovative, flexible and entrepreneurial** manner, with an **opportunistic and counter-cyclical** attitude.
5. Arbuthnot's approach is based on **diversification** to spread the risk, a **long-term view** to further growth, **empowerment of management** and a culture of **rewards for achievements** to engender **loyalty and motivation**.
6. Arbuthnot does not sacrifice **long term prospects** for short term gains – nor sacrifice **stability** for quick profits, and it will never put the whole company at **risk**.
7. Ultimately, the success of Arbuthnot depends on the **teamwork, commitment, and performance** of its employees, combined with the **determination** to win.

The continued application of these principles will allow the business to pursue growth in a controlled manner, providing a high quality service to its customers whilst delivering good returns to shareholders and securing the well-being of its employees. To this end an inclusive and balanced workplace will provide a rewarding as well as challenging environment.

Sir Henry Angest
Chairman & CEO

26 March 2025

Business Overview



ARBUTHNOT LATHAM

Bankers since 1833

Private Banking

Arbuthnot Latham provides a high quality private banking and wealth management service, consisting of three core elements:

Private Banking	Comprises current accounts, deposit accounts, loans, overdrafts and foreign exchange. Each client deals with a dedicated Private Banker who is key to providing an individual service.
Financial Planning	Built on long-term relationships and bespoke financial strategies. The service is independent and fee, not commission based.
Investment Management	Comprises asset management, developing tailored investment strategies to ensure that each client's specific investment objectives are met.

Commercial Banking

Arbuthnot Latham provides a bespoke commercial banking service which includes:

Banking	Comprising current accounts, deposits, overdrafts, guarantees and charge cards. Clients have a dedicated Banker who is key to managing the relationship.
Property Finance	Comprises tailored lending to enable funding of both property investments and developments.
Other finance	Comprises individual secured lending which is designed around the needs of each commercial client.

Asset Finance



Provides asset finance funding in particular for high value and classic cars but also business assets.



Provides vehicle finance and related services, predominantly in the truck & trailer and bus & coach markets.

Asset Based Lending



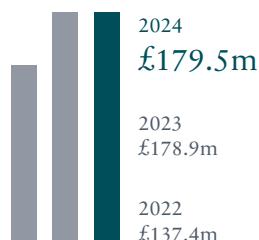
Provides finance secured on either invoices, assets or stock of the borrower.

Deposits

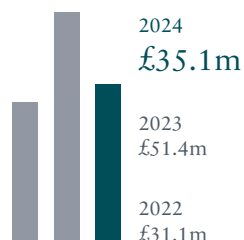


Provides deposit products directly to the retail market via a newly created internet platform, with rates advertised on the best buy tables.

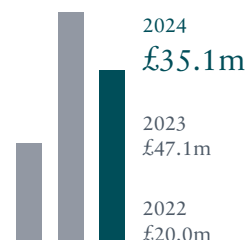
Financial Highlights



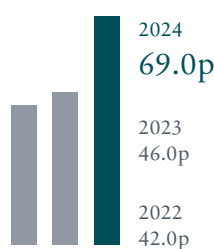
Operating income



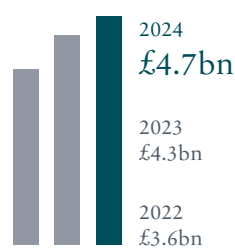
Underlying profit before tax



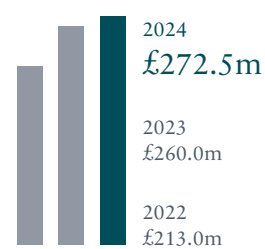
Profit before tax



Total ordinary dividend per share



Total assets



Regulatory capital



£2.4bn

customer loans at
December 2024*

£4.1bn

of deposit funding at
December 2024

£2.2bn

funds under management
and administration at
December 2024

* This balance includes both Customer loans and assets available for lease.

Chairman's Statement



The Group has continued to progress its strategic goal of diversification

Arbuthnot Banking Group (“ABG” or “The Group”) is pleased to report a profit before tax of £35.1m. Although this is lower than the £47.1m recorded in 2023, I believe this to be a very creditable performance by the business as we have long been signalling that 2023 benefited from rising rates and that as interest rates begin to fall, the lag effect of the pricing of deposits would catch up and our costs of funds would increase. This has been the case in 2024 as the average cost of funds increased from 2.43% to 3.15% contributing to an increase in our interest expense of £42.4m year on year.

On a strategic and operational level, I am pleased with the progress being made across the Group. Our loan book, including assets available for lease, increased to £2.4bn with continued good contributions from our specialist lending subsidiaries. Once again, the attractiveness of the proposition and personal service of our banking products continued to resonate with our clients as the deposit balances grew by 10% to close in excess of £4bn. This is a major milestone that the bank surpassed for the first time in its history.

The most notable achievement, however, is the success of our Wealth Management division. The funds under management and administration increased by 30% to surpass £2bn for the first time and closed the year at £2.2bn. This is on top of the 29% growth in the prior year meaning the division has increased its client balances by 67% over the past two years. This is particularly pleasing in a marketplace where competitors are finding it increasingly difficult to grow their balances organically and to counter this have found growth possible only through acquisitions.

The success of this growth has now led us to focus on improving the profitability of the division and we have started a project in 2025 to optimise the business processes and product offerings. This should begin to show returns in 2026.

Opening of new offices by HRH The Princess Royal

As I mentioned in my report last year, we were busy preparing to move into our new head office located at 20 Finsbury Circus. I am pleased to say that the move was completed successfully during the late summer and the response we have received from both our clients and employees has exceeded our expectations.

This has brought increased levels of energy and collaboration to the Group which has made it far easier to move the business forward. More recently I was delighted to welcome HRH The Princess Royal to officially open the new premises. She toured the new offices and met with the Board of Directors and a number of our managers and staff. The Bank has a long and notable 192 year history but this will certainly be remembered as a major highlight.

Business Environment

During the early months of 2024 it became increasingly apparent that we would face a change in Government as and when a general election was called. Prior to this, the now Labour administration indicated that economic growth would be its main goal, something that I have been championing for several years. However, the type of growth is just as important as simply any growth.

The economy needs to be less bureaucratic, less regulated and more business friendly. Growth must come from private enterprises and not just the public sector and investment in large infrastructure projects.

Therefore, I find it almost inconceivable that the new Government's first initiatives could be any less business friendly. Businesses face higher levels of minimum wages, increased employer national insurance contributions and greater employee rights in the new Employment Bill, all of which place additional burdens on private enterprises and will inevitably reduce growth and investment and increase unemployment. It is inevitable, and already proving to be, that small and medium sized businesses will be the most disadvantaged by these burdens. We hope that further engagement with businesses and the economic imperative to deliver growth will cause the Government to pursue a more pro-growth policy agenda over the course of this parliament, and events across the Atlantic may work to catalyse this.

Capital Regime

An example of how the policy environment in the United States can have a direct and immediate impact on the United Kingdom is the regulatory capital framework. The intention to cease implementation of the new Basel 3.1 capital rules in the United States has led the PRA to announce that it is delaying the introduction of these rules in the United Kingdom until 2027 so that it can see how the situation in the United States develops.

Given the incremental capital requirements, on top of those that are already higher than any other developed country, Basel 3.1 could be another major impediment to growth as banks deleverage to cope with the new rules.

I therefore hope with optimism that the rules will ultimately be abandoned. In the meantime, we will continue to manage our business with an eye to the new requirements and will adjust lending appetites accordingly until the direction of travel becomes clearer.

Chairman's Statement *continued*

Board Changes and Personnel

During the year I was pleased to welcome Richard Gabbertas to the Group Board. I would like to give my thanks to the contribution that Paul Marrow has given to Arbuthnot Latham over the past 10 years as he retired from its Board in May 2024. He has held several roles including Chair of the Risk Committee and has always given good advice to the business gained from his long career in the banking industry.

As ever, the continued success of the Group reflects the hard work and commitment of our members of staff. On behalf of the Board, I extend our thanks to all of them for their contribution in 2024. Finally, I would like to thank my fellow Directors on both the Board of Arbuthnot Banking Group PLC and Arbuthnot Latham & Co., Ltd for their help and advice during the year.

Dividend

During 2024 the Board announced the payment of a special dividend of 20p per Ordinary share and Ordinary Non-Voting share which was paid along with the interim dividend of 20p (2023: 19p) per Ordinary share and Ordinary Non-Voting share.

Additionally, the Board is recommending a final dividend in respect of 2024 of 29p per Ordinary share and Ordinary Non-Voting share. This is an increase of 2p compared to the final dividend of 2023. The final dividend, if approved at the 2025 AGM, will be paid on 30 May 2025 to shareholders on the register at the close of business on 22 April 2025. This, together with the interim and special dividend gives a total dividend of 69p per Ordinary share and Ordinary Non-Voting share, which compares to the total dividend of 46p per share paid in respect of 2023.



Outlook

The outlook for the economy appears to be more pessimistic. The UK was considered to be one of the fastest growing markets in the middle of 2024. Now that the fiscal plans of the new Government have become clear, the economy has ground to a halt, with growth forecasts being cut, and the real possibility of recession coming about in the near term. In addition there is further uncertainty in relation to Basel 3.1 and future regulatory capital requirements.

However, our business has never been constrained by a lack of good opportunities and client growth remains strong. I believe this will remain the case going forward. Therefore, we will continue to follow our principles and philosophy and keep our focus on enhancing our stable and sustainable business.

Sir Henry Angest
Chairman & CEO

26 March 2025

Strategic Report

Business Review

The Group continued to make progress with both its deposits and loans throughout 2024. While the Group maintained its plan to diversify the lending portfolios as indicated in the Future State 2 strategy, published with the 2022 Annual Results, it is also pleasing to report the strong performance of the Wealth Management division, which saw Funds under Management and Administration exceed £2bn for the first time in its history, closing the year at £2.2bn.

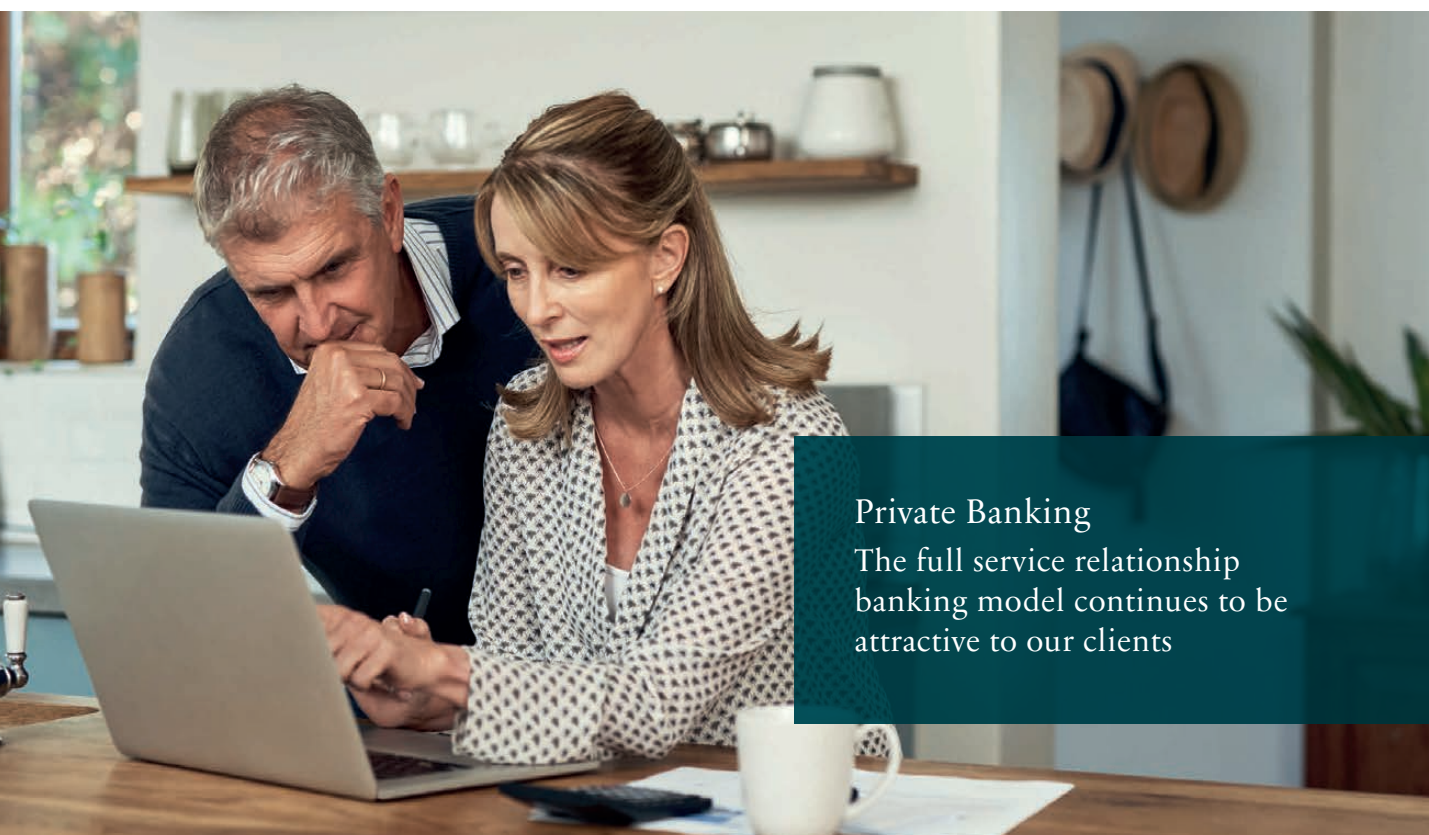
The Bank finished the year with total deposits of £4.1bn compared to £3.8bn for the prior year. The Bank continued its strategy of funding the specialist lending divisions with cheaper yet sticky balances from relationship driven deposit account clients. Whilst the Bank experienced increased deposit rates, it did not compete for deposits on the non-relationship aggregator platforms.

Lending balances (including lease assets) finished the year at £2.4bn, compared to £2.3bn for the previous year end. However, as mentioned in the previous year's Report and Accounts, the Bank continued to operate with a tightened credit appetite and reduced LTVs for new lending below the Bank's previous guidance of 60%. Despite the growth in lending the broader economic uncertainty and lower

business confidence resulted in reduced new business pipelines towards the end of the year.

The Group reported a profit before tax of £35.1m compared to £47.1m for the prior year. As noted in the prior year Report and Accounts, this decline was expected due to the lag effect of time deposits repricing to higher interest rates in the current year, whereas lending interest income had repriced immediately after the successive interest rate rises in the prior year. In 2024, after twelve months of a static interest rate, the Bank of England made its first 25 basis point interest rate cut on 1 August with a further 25 basis point cut on 7 November. Consequently, the majority of the Bank's financial assets which are based on a variable rate repriced downwards immediately and so interest income reduced accordingly.

It appears that the interest rate cycle has now turned downwards as inflation has receded. This has resulted with the outlook for residential property prices expected to increase 1.8% compared to a 6.4% fall in the prior year, and with commercial property expected to fall 1.3% compared to 4.9% the prior year. These factors have resulted in a release of £0.3m from the expected credit loss provision. Despite the



Private Banking

The full service relationship banking model continues to be attractive to our clients

improved conditions, the Bank did experience an increase in expected credit loss provisions, due to idiosyncratic factors on a small number of business exposures. The total charge for the year was £6.3m compared to £3.2m for 2023.

In the third quarter the Group moved into its new offices in the City. The premises, which provide modern facilities to both our clients and employees, was officially opened by HRH The Princess Royal on 4 February 2025. As part of the transition dual running costs associated with the previous premises were incurred until October, when the existing lease breaks were exercised.

The Bank was also pleased with the results from its annual employee engagement survey which showed high levels of employee engagement, and pride in working for the Arbuthnot Group. The business has recently launched an enhanced employee brand initiative, focusing on what employees gain from joining the company and thriving in a dynamic environment.

Banking

The Bank reported strong growth in client acquisition for 2024, across both Private and Commercial Banking, to finish the year with loan balances of £1.5bn, with the majority of new lending being fixed rate providing mitigation for the Bank against future expected base rate reductions.

Deposits finished the year at £4.1bn, despite significant deposit outflows from banking into investment products provided by our Wealth Management division. Following the Bank of England base rate rises in 2022/23, the majority of the Bank's fixed term deposits have repriced. This, along with more clients switching products as depositors try to fix their returns ahead of future interest rate falls, has resulted in the average cost of deposits rising to 3.15%.



* This balance includes both customer loans and assets available for lease.

** Average net margin: Gross interest income yield less average interest rate on customer deposits.

*** Loan to deposit ratio: Customer loans (including both customer loans and assets available for lease) divided by customer deposits.

Strategic Report

Business Review *continued*

The number of Private Clients grew 9% in 2024, with over 5,000 at the year end. This was despite the UK Private Banking market which holds over £400 billion in assets from approximately 500,000 clients, seeing a 1% decline in total accounts during the year. A high proportion of growth was due to clients seeking a personal service as their financial situations become more complex. The Bank's Media Team has been our fastest-growing segment in the Bank over the past four years with success attributed to their responsiveness and quality of service, and the expansion of the teams business into supporting technology, e-games, and the IP markets.

The Bank continues its strategy to focus on low-cost relationship deposits. Commercial Banking deposits increased across a wide spread of target segments with growth of 30% over a twelve-month period. Conversely, non-relationship balances have been intentionally reduced as these were more expensive to maintain.

Loan book quality remains strong despite the macroeconomic environment. The Bank's cautious underwriting approach with low LTVs is resulting in new problem loans in the year being exited with little or no loss.

The Bank was also pleased to receive the results from its client satisfaction survey. A very strong response rate from clients was received and the overall Net Promoter Score (NPS) had improved from 64 to 71, which is top quartile across Private and Commercial Banking. The results underline the Bank's progress towards its vision to be the leading full service, human-scale relationship bank powered by modern technology; in pursuit of this the Bank continues to deliver its digital transformation plan.



Commercial Banking

The bank continues to develop its highly focused SME offering whilst maintaining a personalised service

Wealth Management

The Wealth Management business experienced strong growth in new business flows in 2024, driven by economic recovery and increased investor confidence with improved market conditions and higher bond yields attracting further investments. Funds Under Management and Administration increased by 30% during 2024, reaching £2.2bn at the year end (2023: £1.7bn) with gross inflows totalling £482m, representing 28% of balances at the start of the year. Gross outflows of £139m were 16% lower than the previous year.

The Direct Gilt Service, launched in February 2024, supported further momentum achieving £163m under management. This service has become our fourth largest discretionary service in terms of Funds Under Management and Administration within one year of launching. The sources of these funds included maturing fixed term deposits, assets from execution-only portfolios, and external cash deposits.

Wealth Planning issued advice on £321m of new assets, compared to £151m in 2023, representing two-thirds of discretionary asset inflows. A total of 210 clients were onboarded in 2024, a 51% increase.

Arbuthnot Commercial Asset Based Lending (“ACABL”)

In its 7th year of trading ACABL reported a profit before tax of £11.9m (2023: £8.5m), an increase of 40% compared to the prior year. Despite lower lending volumes throughout the year, the business generated a higher proportion of service based fees from current and exited clients.

ACABL completed 22 new transactions with £122m of facilities written (2023: 17 new transactions and £73.1m of facilities written).

Whilst the environment of higher interest rates and economic uncertainty continued, a number of long standing Private Equity and Family owned clients successfully exited their businesses in the second half of the year, but despite this the loan book reached its highest level in the business’s history of almost £300m. However, a combination of lower originations given the macro-economic environment, and expected attrition as some clients reached maturity resulted in drawn balances at year end of £216.2m, a decline of 10% on the prior year (2023: £239.8m).

As expected in the context of the current macro-economic environment, the business continued to observe a higher number of watchlist clients. However, the business model of lending against high-quality realisable assets along with a low ratio of clients to client manager continues to result in successful outcomes. The expected credit loss rate on the book remains low at 13bps.

Facility limits of £542m were in place at year-end (2023: £536m) across a client base of 112 (2023: 104) which continue to operate in a broad range of sectors.

In line with the reported strong growth in profits, the business processed £2.5 billion of invoices during the year, an increase of £200 million on the prior year.

Strategic Report

Business Review *continued*

Renaissance Asset Finance (“RAF”)

RAF provides non-regulated asset finance facilities to SMEs and high net worth individuals.

RAF reported a record profit before tax for the year of £5.6m (2023: £1.6m) with a loan book of £248.8m equating to an increase of 25% compared to the prior year end balance of £198.8m. The average margin achieved on new business was maintained at 2023 levels and the volume of new deals written increased by 26% on 2023.

The now established Block Discounting business which launched in late 2021 grew its loan book by 83% in 2024 and is now making a significant contribution to the profitability of the business. This, together with improved operational efficiency and low bad debt expense, has led to increased profitability for the business.

The ruling by the Court of Appeal in October 2024 in relation to the payment of motor finance broker commissions has been noted. Although this ruling and the subsequent appeal to the Supreme Court has created some uncertainty across the sector, the Board believes that this ruling is not applicable to RAF as it is not regulated by the FCA and has only lent to sophisticated borrowers, the majority of whom are corporate entities. In addition, RAF has not facilitated transactions where the car dealer is acting as both seller and credit broker.



Specialist lending divisions are generating opportunities to diversify our business

Asset Alliance Group (“AAG”)

AAG reported a small profit before tax of £28k compared to a £3.2m loss for the prior year. As at 31 December 2024, the business had assets available for lease and finance leases totalling £363.0m (2023: £326.8m), with strong growth in new lending equating to an increase of 11% over the year.

The business continued diversification of lending channels and in turn delivered portfolio growth. The Bus & Coach sector and its newly established Bus Rental Division in particular contributed strongly with long tenures and high yields.

Supply of new commercial vehicles continued to return to an element of normality although Commercial Vehicle leasing remaining largely subdued for much of the year. In contrast, Bus & Coach supply lead time extended during the year with leasing activity seeing healthy and strong activity.

The market for used, end of lease commercial vehicles remained subdued for the majority of the year due in the main to previous over supply in the immediate post covid years. Whilst demand for used assets slowed, encouragingly margins remained good.

Owned Properties

The Bank retains four assets in its property portfolio totalling £22.6m (2023: £20.7m) of which one is overseas.

Property investment yields remain high despite a fall in interest rates. Consequently, £1.4m of impairments have been charged to the income statement for the Group’s property portfolio.

Operations

The Bank has continued to drive positive momentum in the acquisition of clients from its target markets. Net growth in new clients for 2024 was strong with over 1,200 new banking clients onboarded in 2024, of which 48% were non-personal clients. This growth has seen operational aspects of the business continue to increase, with over 1.2 million inbound and outbound payments processed in 2024, a growth of 9.5% on the previous year. 98% of outbound payments were originated online, underpinning the need for continued investment in the Bank’s digital strategy. There has also been good progress in the investment management operations area, increasing automation and streamlining processes, which has helped support the growth in this part of the business. The number of clients serviced has grown by 15% and the volume of trades has increased by 19%.

In 2024, the Bank commenced its implementation of the digital transformation programme, which will enhance the client experience and offer the customer more choice and flexibility in how they interact with the Bank. In addition, the programme will improve operational efficiency and will deliver greater integration across the Bank’s suite of applications in a modern, cloud-based architecture. The first phase of this transformation is focused on the introduction of a new online and mobile banking offering, initially for commercial clients, which will run through 2025.

There was continued progress in embedding the Bank’s Operational Resilience arrangements, with a focus on reviewing and testing business continuity plans whilst working closely with cloud and other technology partners to ensure suitable measures exist across all areas that support delivery of the Bank’s key services.

Sustainability

The business has made a commitment to reduce its environmental impact and to improve its environmental performance as an integral part of its business strategy.

Strategic Report

Financial Review

Arbuthnot Banking Group adopts a pragmatic approach to risk taking and seeks to maximise long term revenues and returns. Given its relative size, it is nimble and able to remain entrepreneurial and capable of taking advantage of favourable market opportunities when they arise.

The Group provides a range of financial services to clients and customers in its chosen markets of Banking, Wealth Management, Asset Finance, Asset Based Lending, Specialist Lending and Commercial Vehicle Finance. The Group's revenues are derived from a combination of net interest income from lending, deposit taking and treasury activities, fees for services provided and commission earned on the sale of financial products. The Group also generates revenue from the sale of commercial vehicles and earns rental income on its properties and holds financial investments for income.

The Group has reported a profit before tax of £35.1m (2023: £47.1m). The underlying profit before tax was £35.1m (2023: £51.4m).

Lower net interest income was in line with expectations as reported in the prior year Annual Report and Accounts. In 2023 the Group benefitted from significant excess liquidity held at the Bank of England, together with lending linked to the Bank of England base rate that repriced immediately after successive interest rate rises, while fixed rate deposits naturally lagged and only repriced on maturity. The drop in net interest income was partially offset by higher fee and commission income and operating income from leasing activities. Increased investor confidence with improved market conditions, together with the Direct Gilt Service launched in February 2024, contributed to exceptional growth in Funds under Management and Administration, closing the year at £2.2bn (2023: £1.7bn). Operating income from AAG leased assets increased from £19.9m to £25.5m. The prior year amount was reduced by £4.3m as part of the release of fair value adjustments at acquisition.

Highlights

Summarised Income Statement

	2024 £000	2023 £000
Net interest income	125,867	136,619
Net fee and commission income	28,113	22,402
Operating income from banking activities	153,980	159,021
Revenue	110,832	100,952
Cost of goods sold	(85,301)	(81,074)
Operating income from leasing activities	25,531	19,878
Total group operating income	179,511	178,899
Other income	1,660	2,522
Operating expenses	(139,806)	(131,113)
Impairment losses - loans and advances to customers	(6,275)	(3,191)
Profit before tax	35,090	47,117
Income tax expense	(10,236)	(11,738)
Profit after tax	24,854	35,379
Basic earnings per share (pence)	152.3	222.8

Underlying profit/(loss) reconciliation

	Arbuthnot Latham &Co. £000	Group Centre £000	Arbuthnot Banking Group £000
31 December 2024			
Profit/(loss) before tax and group recharges	46,499	(11,409)	35,090
Underlying profit	46,499	(11,409)	35,090
Underlying basic earnings per share (pence)			152.3

The average net margin on client lending was 5.1% (2023: 5.7%).

The Group's operating expenses increased to £139.8m compared to £131.1m for the prior year, mainly due to higher staff costs with the expansion of all businesses.

The prior year included one specific adjustment to arrive at the underlying profit for the year as reflected in the tables below.

In 2021, the Group acquired Asset Alliance Group Holdings Limited. The business was acquired at a discount to its fair value, resulting in a bargain purchase of £8.6m. Included in the fair value adjustments at acquisition was an uplift to the valuation of lease assets, together with a residual value provision. In 2023, the remaining fair value uplift of £6.8m at the beginning of that year was realised through sales of vehicles in the year. Similarly, the remaining residual value provision at the beginning of 2023 of £2.5m was released. In 2024 and future years, no adjustment is therefore required.

Total assets increased by £0.4bn to £4.7bn (2023: £4.3bn). Loans and advances to customers together with assets available for lease increased by 2% from the prior year. Customer deposits increased by 10% in the year and contributed to the 18% increase in liquid assets.

The net assets of the Group now stand at £16.36 per share (2023: £15.47).

Underlying profit reconciliation

	Arbuthnot Latham &Co. £000	Group Centre £000	Arbuthnot Banking Group £000
31 December 2023			
Profit/(loss) before tax and group recharges	58,499	(11,382)	47,117
Profits realised on sale of trucks previously included in bargain purchase	4,267	–	4,267
Underlying profit	62,766	(11,382)	51,384
Underlying basic earnings per share (pence)			244.6

Balance Sheet Strength

Summarised Balance Sheet

	2024 £000	2023 £000
Assets		
Loans and advances to customers	2,094,212	2,064,217
Assets available for lease	285,953	267,591
Liquid assets	2,178,705	1,848,377
Other assets	170,357	163,655
Total assets	4,729,227	4,343,840
Liabilities		
Customer deposits	4,132,493	3,759,567
Other liabilities	329,778	331,833
Total liabilities	4,462,271	4,091,400
Equity	266,956	252,440
Total equity and liabilities	4,729,227	4,343,840

Strategic Report

Financial Review *continued*

Segmental Analysis

The segmental analysis is shown in more detail in Note 45. The Group is organised into seven operating segments as disclosed below:

1. Banking – Includes Private and Commercial Banking and the acquired mortgage portfolio. Private Banking – Provides traditional private banking services. Commercial Banking – Provides bespoke commercial banking services and tailored secured lending against property investments and other assets.
2. Wealth Management – Financial planning and investment management services.
3. RAF – Specialist asset finance lender mainly in high value cars but also business assets.
4. ACABL – Provides finance secured on either invoices, assets or stock of the borrower.
5. AAG – Provides vehicle finance and related services, predominantly in the truck & trailer and bus & coach markets.
6. All Other Divisions – All other smaller divisions and central costs in Arbuthnot Latham & Co., Ltd (Investment property, Central costs and Arbuthnot Specialist Finance Ltd)
7. Group Centre – ABG Group management.

The analysis presented below, and in the business review, is before any consolidation adjustments to reverse the impact of the intergroup operating activities and also intergroup recharges and is a fair reflection of the way the Directors manage the Group.

Banking

Banking reported a profit before tax of £28.1m (2023: £66.0m). The prior year number was re-presented to include mortgage portfolios, which was previously disclosed as a separate operating segment. Net interest income reduced by £21m, with lending remaining flat while deposit balances increased by 10%. The lag effect of time deposits repricing to higher rates in the current year (after successive interest rate rises in the prior year), as highlighted in the prior year Report and Accounts, together with higher deposit balances, resulted in materially higher interest expense. After one year of static interest rates, the Bank of England reduced rates by 25 basis points (“bps”) on 1 August 2024 and a further 25bps on 7 November 2024. This resulted in the immediate reduction of income received on the majority of the Bank’s financial assets that are based on variable rates, while the reduction in interest expense will again lag behind as fixed term deposits reprice on maturity.

There was a net impairment charge of £5.6m compared to £1.2m for the prior year. Even though a more stable economic environment compared to the prior year resulted in lower provisions from the expected credit loss model, this was offset by extra provisions on a small number of exposures in Stage 3.

Indirectly allocated operating costs increased by £11.1m, mainly as a result of increased staff costs in support departments, the higher costs relating to the new office building and further investment in information technology.

Customer loan balances, as planned, reduced by £24m to remain fairly flat from the prior year at £1.5bn and customer deposits increased to £4.1bn (2023: £3.8bn). The average loan to value was 48.9% (2023: 47.8%).

Wealth Management

Wealth Management reported a loss of £4.9m (2023: loss of £4.3m). Fee and commission income increased by £2.3m, but was more than offset by a £2.9m increase in costs. Staff costs increased by £1m and the contribution from the division before indirectly allocated costs increased from £1.2m to £2.3m. However, indirectly allocated costs from the support departments increased by £1.7m from the prior year. Funds Under Management and Administration increased by £0.5bn to £2.2bn, as improved market conditions together with the newly launched Direct Gilt Service contributed to significant growth. The full year impact on income will be seen in future years.

Banking

Summarised Income Statement

	2024 £000	2023 £000
Net interest income	97,410	118,376
Net fee and commission income	3,799	2,617
Operating income	101,209	120,993
Operating expenses - direct costs	(19,614)	(16,151)
Operating expenses - indirect costs	(47,901)	(36,755)
Impairment losses - loans and advances to customers	(5,571)	(2,048)
Profit before tax	28,123	66,039

Wealth Management

Summarised Income Statement

	2024 £000	2023 £000
Net fee and commission income	13,665	11,328
Operating income	13,665	11,328
Operating expenses - direct costs	(11,368)	(10,097)
Operating expenses - indirect costs	(7,190)	(5,487)
Loss before tax	(4,893)	(4,256)

Strategic Report

Financial Review *continued*

RAF

Renaissance Asset Finance returned a profit of £5.6m (2023: £1.6m). Interest income increased by £6.7m from higher balances and higher rates, which was partly offset by higher funding costs of £1.9m. Operating expenses were £1.3m higher than in 2023, mainly due to higher staff costs.

Customer loan balances increased by 25% to £248.8m (2023: £198.8m), with the Block Discounting business growing by 83% in the year. The average yield for 2024 was 8.7% (2023: 8.2%).

ACABL

ACABL recorded a profit before tax of £11.9m (2023: £8.5m).

The loan book reached its highest level of nearly £300m in the second half of the year, however, lower originations together with expected client attrition resulted in loan balances of £228.2m at the end of the year (2023: £239.8m). The business had issued facilities of £542m (2023: £536m). Despite a 5% reduction in loan balances, operating income increased by £4.4m. Higher interest income of £2.1m was partially offset by higher internal funding costs of £0.7m, while fee and commission income also increased by £3.0m. Operating expenses increased by £1.2m, mainly due to an increase in staff costs.

RAF

Summarised Income Statement

	2024 £000	2023 £000
Net interest income	12,872	8,044
Net fee and commission income	239	34
Operating income	13,111	8,078
Other income	-	170
Operating expenses - direct costs	(6,981)	(5,634)
Impairment losses - loans and advances	(554)	(982)
Profit before tax	5,576	1,632

ACABL

Summarised Income Statement

	2024 £000	2023 £000
Net interest income	10,043	8,642
Net fee and commission income	9,922	6,911
Operating income	19,965	15,553
Operating expenses - direct costs	(7,993)	(6,777)
Impairment losses - loans and advances to customers	(32)	(234)
Profit before tax	11,940	8,542

AAG

The business made a small profit after reaching its breakeven point in 2024 (2023: loss of £3.2m for the period). The prior year income was reduced by £4.3m as part of the release of fair value adjustments at acquisition.

It should be noted that the current year includes £15.3m internal funding costs compared to £10.2m in the prior year. As interest rates start to come down, the fixed rate lending with lower funding costs will start to generate higher profits.

The markets for the disposal of second-hand vehicles was subdued, mainly as a result of the oversupply post covid. However, margins remained strong.

Operating expenses increased by £0.2m from the prior year, while credit provisions were £0.1m (2023: £0.1m).

As at 31 December 2024 the business had a total of £363.0m (2023: £326.8m) of assets available for lease and finance leases, which is a 11% increase on the prior year.

Other Divisions

The aggregated profit before tax of other divisions was £5.7m (2023: loss of £10.3m). The prior year was re-presented to include Arbuthnot Specialist Finance Limited ("ASFL") and £4.2m of interest expense charged from the Group Centre on subordinated loans. This change does not affect the statutory profit of any legal entity and represents the way the Group is currently managed and is in line with how it is presented in the current year.

Operating income increased by £4.8m to £16.3m (2023: £11.5m).

Reported within the other divisions in other income was rental income on our property portfolio of £1.0m (2023: £0.7m).

Operating expenses reduced due to a number of one-off costs recognised in the prior year. These included impairment charges to the owned property portfolio, the revision of final sale costs related to the King Street property, an estimate for the dilapidation provisions triggered by the office move and IT development expenses.

AAG

Summarised Income Statement

	2024 £000	2023 £000
Net interest expense	(10,208)	(7,864)
Net fee and commission expense	(15)	(12)
Revenue	110,832	100,952
Cost of goods sold	(85,301)	(81,074)
Operating income	15,308	12,002
Other income	88	–
Operating expenses - direct costs	(15,308)	(15,093)
Impairment losses - loans and advances to customers	(60)	(98)
Profit/(loss) before tax	28	(3,189)

Other Divisions

Summarised Income Statement

	2024 £000	2023 £000
Net interest income	15,755	9,927
Net fee and commission income	503	1,524
Operating income	16,258	11,451
Other income	2,473	3,191
Operating expenses - direct costs	(12,948)	(25,082)
Impairment losses - loans and advances to customers	(58)	171
Profit/(loss) before tax	5,725	(10,269)

Strategic Report

Financial Review *continued*

Group Centre

The Group costs remained flat at £11.4m (2023: £11.4m). The prior year was re-presented to include £4.2m of interest charged to Other Divisions on subordinated loans. This change does not affect the statutory profit of any legal entity and represents the way the Group is currently managed and is in line with how it is presented in the current year. Subordinated loan interest reduced by £0.3m due to interest rates starting to decline in the year.

The increase in operating expenses of £0.6m is mainly due to higher staff costs.

Capital

The Group's capital management policy is focused on optimising shareholder value over the long term. There is a clear focus on delivering organic growth and ensuring capital resources are sufficient to support planned levels of growth. The Board regularly reviews the capital position.

The Group and the individual banking operation are authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. One of the requirements for the Group and the individual banking operation is that capital resources must be in excess of capital requirements at all times.

In accordance with the parameters set out in the PRA Rulebook, the Internal Capital Adequacy Assessment Process ("ICAAP") is embedded in the risk management framework of the Group. The ICAAP identifies and assesses the risks to the Group, considers how these risks can be mitigated and demonstrates that the Group has sufficient resources, after mitigating actions, to withstand all reasonable scenarios.

Group Centre

Summarised Income Statement

	2024 £000	2023 £000
Net interest income	4,174	3,975
Subordinated loan stock interest	(4,179)	(4,481)
Operating income	(5)	(506)
Other income	39	-
Operating expenses	(11,443)	(10,877)
Loss before tax	(11,409)	(11,383)

The Board determines the level of capital the Group needs to hold. The Group holds Pillar 1 capital for credit, market and operational risk as a starting point, and then considers whether each of the calculations delivers a sufficient amount of capital to cover risks to which the Group is, or could be, exposed. Where the Board considers that the Pillar 1 calculations do not adequately cover the risks, an additional Pillar 2A capital requirement is applied. The PRA will set a Pillar 2A capital requirement in light of the calculations included within the ICAAP. The Group's Total Capital Requirement, as issued by the PRA, is the sum of the Pillar 1 and the Pillar 2A capital requirements. The current Total Capital Requirement of the Group is 8.32%.

The ICAAP document is updated at least annually, or more frequently if changes in the business, strategy, nature or scale of the Group's activities or operational environment suggest that the current level of capital resources is no longer adequate. The ICAAP brings together the management framework (i.e. the policies, procedures, strategies, and systems that the Group has implemented to identify, manage and mitigate its risks) and the financial disciplines of business planning and capital management. The Group's PRA regulated entity is also the principal trading subsidiary as detailed in Note 44.

The Group's regulatory capital is divided into two tiers:

- Common equity Tier 1 ("CET1"), which comprises shareholder funds less regulatory deductions for intangible assets, including Goodwill and deferred tax assets that do not arise from temporary differences.
- Tier 2 comprises qualifying subordinated loans.

Capital ratios are reviewed on a monthly basis to ensure that external requirements are adhered to. All regulated entities have complied with all of the externally imposed capital requirements to which they are subject.

Capital ratios

	2024 £000	2023 £000
CET1 Capital Instruments*	267,027	252,705
Deductions	(32,550)	(30,414)
CET1 Capital after Deductions	234,477	222,291
Tier 2 Capital	37,982	37,726
Own Funds	272,459	260,017
CET1 Capital Ratio (CET1 Capital/Total Risk Exposure)	13.2%	13.0%
Total Capital Ratio (Own Funds/Total Risk Exposure)	15.3%	15.2%

* Includes year-end audited result.

Strategic Report

Financial Review *continued*

Risks and Uncertainties

The Group regards the monitoring and controlling of risks and uncertainties as a fundamental part of the management process. Consequently, senior management are involved in the development of risk management policies and in monitoring their application. A detailed description of the risk management framework and associated policies is set out in Note 6.

The principal risks inherent in the Group's business are reputational, macroeconomic and competitive environment, strategic, credit, market, liquidity, operational, cyber, residual value, conduct and, regulatory and capital.

Reputational risk

Reputational risk is the risk to the Group from a failure to meet reasonable stakeholder expectations as a result of any event, behaviour, action or inaction by ABG itself, its employees or those with whom it is associated. This includes the associated risk to earnings, capital or liquidity.

ABG seeks to ensure that all of its businesses act consistently with the seven corporate principles as laid out on page 1 of the Annual Report and Accounts. This is achieved through a central Risk Management framework and supporting policies, the application of a three-lines of defence model across the Group and oversight by various committees. Employees are supported in training, studies and other ways and encouraged to live out the cultural values within the Group of integrity, energy and drive, respect, collaboration and empowerment. In applying the seven corporate principles, the risk of reputational damage is minimised as the Group serves its shareholders, customers and employees with integrity and high ethical standards.

Macroeconomic and competitive environment

The Group is exposed to risks that may arise from the macroeconomic and competitive environment.

In recent years there have been a number of global and domestic events which have had significant implications for the Group's operating environment, namely: Russia's war in the Ukraine, the Israel-Hamas war in Gaza and Coronavirus. The culmination of these events has led to significant turmoil in both global and domestic markets. Geo-political volatility and uncertainty remains high with the potential to adversely affect the UK economy, as well as the Group's customers and assets.

Strategic risk

Strategic risk is the risk that the Group's ability to achieve its corporate and strategic objectives may be compromised. This risk is particularly important to the Group as it continues its growth strategy. However, the Group seeks to mitigate strategic risk by focusing on a sustainable business model which is aligned to the Group's business strategy. Also, the Directors normally meet once a year to ensure that the Group's strategy is appropriate for the market and economy.

Credit risk

Credit risk is the risk that a counterparty (borrower) will be unable to pay amounts in full when due. This risk exists in Arbuthnot Latham, which currently has a loan book of £2.1bn (2023: £2.1bn). The lending portfolio in Arbuthnot Latham is extended to clients, the majority of which is secured against cash, property or other high quality assets. Credit risk is managed through the Credit Committee of Arbuthnot Latham.

Market risk

Market risk arises in relation to movements in interest rates, currencies, property and equity markets.

Interest rate and currency risk

The Group's treasury function operates mainly to provide a service to clients and does not take significant unmatched positions in any market for its own account. As a result, the Group's exposure to adverse movements in interest rates and currencies is limited to interest earnings on its free cash and interest rate re-pricing mismatches. The Group actively monitors its exposure to future changes in interest rates. However, at the current time the Group does not hedge the earnings from the free cash which currently totals £912m. The cost of hedging is prohibitive. Cash is held at the Bank of England and with the general consensus in the market that rates are expected to fall, the Group has shifted its focus to longer term fixed rate lending products and also investing some of the excess liquidity into high quality short dated fixed income assets, such as gilts.

Property and equity market risk

The Group is exposed to changes in the market value of its properties. The current carrying value of Investment Property is £5.3m (2023: £6.0m) and properties classified as inventory is £17.4m (2023: £14.7m). Any changes in the market value of the property will be accounted for in the Income Statement for the Investment Property and could also impact the carrying value of inventory, which is at the lower of cost and net realisable value. As a result, it could have a significant impact on the profit or loss of the Group. The Group is also exposed to changes in the value of equity investments. The current carrying value of financial investments is £4.9m (2023: £3.9m). Any changes in the value of financial investments will be accounted for in Other Comprehensive Income.

Liquidity risk

Liquidity risk is the risk that the Group, although solvent, either does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure such resources at an excessive cost. The Group takes a conservative approach to managing its liquidity profile. Retail client deposits, together with drawings from the Bank of England Term Funding Scheme and capital fund the Bank. The loan to deposit ratio is maintained at a prudent level, and consequently the Group maintains a high level of liquidity. The Arbuthnot Latham Board annually approves the Internal Liquidity Adequacy Assessment Process ("ILAAP"). The Directors model various stress scenarios and assess the resultant cash flows in order to evaluate the Group's potential liquidity requirements. The Directors firmly believe that sufficient liquid assets are held to enable the Group to meet its liabilities in a stressed environment.

Strategic Report

Financial Review *continued*

Operational risk

Operational risk is the risk that the Group may be exposed to financial losses from conducting its business. The Group's exposure to operational risk include its Information Technology ("IT") and Operating platforms. There are additional internal controls in these processes that are designed to protect the Group from these risks. The Group's overall approach to managing internal control and financial reporting is described in the Corporate Governance section of the Annual Report.

In line with guidance issued by the Regulator, the Bank has continued to focus on ensuring that the design of systems and operational plans are robust to maintain operational resilience in the face of unexpected incidents.

Cyber risk

Cyber risk is an increasing risk for the Group within its operational processes. It is the risk that the Group is subject to some form of disruption arising from an interruption to its IT and data infrastructure. The Group regularly tests the infrastructure to ensure that it remains robust to a range of threats and has continuity of business plans in place including a disaster recovery plan.

Residual value risk

Residual value risk equals the difference in the residual value of a leased asset set at lease inception and the lower salvage value realised upon its disposal or re-lease at the end of the lease term. The Group is exposed to residual value risk in its AAG business. Normal residual value risk is managed through the process set out below, and it should be noted that the transition to greener technology may further impact residual values in two ways. Firstly, residual values could decrease due to assets becoming obsolete; climate related regulations might change, which could result in legal restrictions on the use of assets or technological advances could lead to preferred environmental technologies. Secondly, the lack of historical information on green vehicles could lead to inaccurate measurement of residual values at inception of leases.

The AAG business manages Residual Value setting through its Residual Value Committee that comprises representatives from its Asset Management, Procurement, Sales and Leasing divisions and is chaired by the Residual Value Manager. Assets are valued using either an approved Residual Value matrix or individually, dependent upon the nature of the asset and current market conditions. The strategy for Residual Value setting and oversight of the Residual Value Committee is conducted by the AAG Residual Risk Committee, which in turn reports into the Asset Alliance Group Holdings Limited board. The Residual Risk Committee, chaired by the AAG Group Risk Director, includes AAG CEO, AL Group Risk Director, AAG Managing Director, AAG Finance Director and heads of Asset Management, Sales and Leasing divisions in AAG.

Conduct risk

As a financial services provider the Group faces conduct risk, including selling products to customers which do not meet their needs, failing to deal with clients' complaints effectively, not meeting clients' expectations, and exhibiting behaviours which do not meet market or regulatory standards.

The Group adopts a low risk appetite for any unfair customer outcomes. It maintains clear compliance guidelines and provides ongoing training to all employees. Periodic spot checks, compliance monitoring and internal audits are performed to ensure these guidelines are followed. The Group also has insurance policies in place to provide some cover for any claims that may arise.

Financial Crime

The Group is exposed to risk due to financial crime including money laundering, sanctions evasion, bribery and corruption, market abuse, tax evasion and fraud. The Group operates policies and controls which are designed to ensure that financial crime risks are identified, appropriately mitigated and managed.

Regulatory and capital risk

Regulatory and capital risk includes the risk that the Group will have insufficient capital resources to support the business and/or does not comply with regulatory requirements.

The Group adopts a conservative approach to managing its capital. The Board of Arbuthnot Latham approves an ICAAP annually, which includes the performance of stringent stress tests to ensure that capital resources are adequate over a three year horizon. Capital and liquidity ratios are regularly monitored against the Board's approved risk appetite as part of the risk management framework.

Regulatory change also exists as a risk to the Group's business. Notwithstanding the assessments carried out by the Group to manage regulatory risk, it is not possible to predict how regulatory and legislative changes may alter and impact the business. Significant and unforeseen regulatory changes may reduce the Group's competitive situation and lower its profitability.

Strategic Report

Non-Financial and Sustainability Information Statement

The table below sets out where stakeholders can find information on non-financial matters, as required by Sections 414CA and 414CB of the Companies Act 2006, enabling them to understand the impact of the Group's key policies and activities.

Reporting Requirement	Policies and Standards	Information Necessary to Understand Impact of Activities and Outcome of Policies
Environmental Matters	<ul style="list-style-type: none"> • Credit Policy • Managing Financial Risks of Climate Change Framework • Environmental Management Policy 	<ul style="list-style-type: none"> • Stakeholder Engagement and S. 172 (1) Statement, pages 28 and 29 • Sustainability Report, pages 30 to 43 • Corporate Governance Report page 55
Employees	<ul style="list-style-type: none"> • Agile Working Policy • Board Diversity Policy • Dignity at Work Policy • Equity, Diversity and Inclusion Policy • Flexible Working Policy • Health and Safety Policy • Long Service Awards Policy • Parental Leave Policy • Personal Appearance Policy • Remuneration Policy • Training & Development Policy • Whistleblowing Policy 	<ul style="list-style-type: none"> • Stakeholder Engagement and S. 172 (1), pages 28 and 29 • Sustainability Report, pages 30 to 43 • Directors Report, page 49 • Corporate Governance Report, page 54
Social Matters	<ul style="list-style-type: none"> • Complaints Handling Policy • Fraud Policy • Tax Strategy • Vulnerable Clients Policy 	<ul style="list-style-type: none"> • Arbuthnot Principles, page 1 • Stakeholder Engagement and S. 172 (1) Statement, pages 28 and 29 • Sustainability Report, pages 30, 31, 32, 33 and 35
Respect for Human Rights	<ul style="list-style-type: none"> • Anti-Modern Slavery Policy • Dignity at Work Policy • Equity, Diversity and Inclusion Policy • Personal Data Protection Policy 	<ul style="list-style-type: none"> • Stakeholder Engagement and s.172 (1) Statement, pages 28 and 29 • Sustainability Report, pages 30, 31, 32, 35 and 37
Anti-Corruption and Anti-Bribery	<ul style="list-style-type: none"> • Anti-Bribery and Corruption Policy • Anti-Money Laundering Policy • Client Acceptance policy • Cyber Strategy • Group Market Abuse and Insider Dealing Policy • Physical Security Policy 	<ul style="list-style-type: none"> • Sustainability Report, pages 30 and 35

Reporting Requirement	Policies and Standards	Information Necessary to Understand Impact of Activities and Outcome of Policies
Description of Principal Risks and Impact of Business Activity		<ul style="list-style-type: none">• Strategic Report, pages 22 to 25
Description of the Business Model		<ul style="list-style-type: none">• Business Overview
Non-Financial Key Performance Indicators		<ul style="list-style-type: none">• Sustainability Report, pages 30 and 31

Strategic Report

Stakeholder Engagement and s.172 Report

This section of the Strategic Report describes how the Directors have had regard to the matters set out in section 172 (1) (a) to (f) of the Companies Act 2006 when making decisions. It forms the Directors' statement required by ABG as a large-sized company under section 414CZA of the Act.

The Directors have acted in a way that they considered, in good faith, to be most likely to promote the success of the Company for the benefit of its members as a whole, and in doing so had regard, amongst other matters, to:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Arbuthnot Principles and Values set out on page 1 explain the Board's approach to its stakeholders. Details of how the Directors had regard to the interests of its key stakeholders during the year are set out below, in the Group Directors Report on page 49 and in the Corporate Governance Report on page 54.

The Board has regard to the interests of all its key stakeholders in its decision making since the Directors are conscious that their decisions and actions have an impact on them. The stakeholders we consider in this regard are our shareholders, employees, customers, suppliers, regulators and the environment in which we operate.

Likely consequences of any decision in the long term

The Directors make their decisions to ensure that long-term prospects are not sacrificed for short term gain, reflecting the values and support of Sir Henry Angest, Chairman and Chief Executive and majority shareholder, which have proved successful in creating and maintaining value for all shareholders for over 40 years. This was demonstrated in the year by a number of Board decisions.

During the year, as part of its continued succession planning and continuing the recent practice of most directors serving on the boards of both the Company and Arbuthnot Latham (AL), given that has one operating business, the Board appointed Richard Gabbertas, a director of AL since November 2020, as a non-executive director, subject to the review of Grant Thornton as Nominated Adviser and Aquis Stock Exchange (AQSE) Corporate Adviser which was performed, prior to his appointment on 2 July 2024.

In September 2024, the Board approved the Company's Diversity, Equity and Inclusion strategy which is based on

Arbuthnot's Seven Principles. These Principles are central to the way the Company works, summarising its corporate philosophy and ethics, and it seeks to ensure that all of its businesses act consistently with them. The approach to Diversity, Equality and Inclusion is therefore holistic, embedded in the Arbuthnot culture and delivered through its cultural values, rather than being as a standalone activity.

Interests of the Company's employees

Overall the Board's intention is to hire the best people and to provide the right environment for them to perform to the best of their ability.

The decision made in the prior year to move London offices was driven partly by the intention to enhance the staff experience. The Board receives an update on human resource matters at each of its meetings. It is also kept informed of the results of employee surveys. In November 2024 it considered the results of the engagement survey, launched in September 2024 to assess how engaged employees felt with the business, obtaining feedback on key areas that affect engagement. The engagement survey received an 91% response rate from employees, with an 85% engagement score including 92% agreeing with the statement of being proud to work for the Group. The Board regards the maintenance of a high level of employee engagement as key to the Company's future success as an organisation on every level and the focus will continue to be to develop our working environment to achieve this aim.

Executive Directors and senior management are fully engaged with the workforce, most of whom interact on a daily basis. Employees are also able to raise concerns in confidence with the HR Team, with grievances followed up in line with a specified process which satisfies all legal requirements. As explained in the section 172 (1) Statement of Arbuthnot Latham, the Company's banking subsidiary, one of its non-executive directors, Jayne Almond, has been designated by its board as the director to engage with Arbuthnot Latham group's workforce whereas the Company itself has fewer than 20 employees, all of whom have direct access to Board members.

As set out in the Whistleblowing Policy, Richard Gabbertas is the Company's Whistleblowing Champion in succession to Ian Dewar and is available at all times in this role. There is an anonymous whistleblowing service via an external provider. There is also protection for employees deriving from the Public Interest Disclosure Act 1998. Any material whistleblowing events are notified to the Board and to the applicable regulator.

Company's business relationships with suppliers, customers and others

The Directors attach great importance to good relations with customers and business partners. In particular, our clients are integral to our business and forging and maintaining

client relationships are core to AL's business and crucial for client retention. The Board's decision in the prior year to move offices, confirmed with the approval of the change of registered office from 12 August 2024, was driven also partly by the intention to enhance the client experience. As regards customers, the Board considered the first formal submission of a Consumer Duty annual assurance report from the Chief Compliance Officer, together with a verbal report from its Board Champion, Angela Knight.

The Company is committed to following agreed supplier payment terms. There is a Supplier Management Framework in place covering governance around the Company's procurement and supplier management activities. For due diligence and compliance purposes, suppliers are assessed through an external registration system. The Modern Slavery Statement, approved by the Board in March as part of its annual review of the Company's stance and approach to the Modern Slavery Act, explains the risk-based approach that the Company has taken to give assurance that slavery and human trafficking are not taking place in its supply chains or any part of its business. The Board requires that AL implements an Anti-Modern Slavery Policy, procedures and processes in relation to the AL Group, which reflects the commitment to act ethically and with integrity, in all their respective business relationships and additionally, to ensure that slavery and human trafficking are not taking place anywhere in the AL Group or in the AL Group's supply chain.

Balancing stakeholder interests

An illustration of the balancing of the interests of our stakeholders in their long-term interest was the Board's decision in July 2024 to pay a special dividend of 20p per Ordinary share and Ordinary Non-Voting share to shareholders, alongside its interim dividend of 20p per Ordinary share and Ordinary Non-Voting share, in recognition of the recent strong performance of the Group which made it appropriate for shareholders to receive an extra payment. This decision was made after the Board had satisfied itself that forecasts showed the Company having sufficient liquidity and capital. The Board has decided to recommend a final dividend of 29p per Ordinary share and Ordinary Non-Voting share. This is an increase of 2p per Ordinary share and Ordinary Non-Voting share compared to the final dividend of 2023 and in total represents total dividends for the year of 69p per Ordinary share and Ordinary Non-Voting share, an increase of 23p per Ordinary share and Ordinary Non-Voting share.

Impact of the Company's operations on the community and the environment

As part of the management information reviewed at its regular meetings, the Board receives a Risk Management report, containing a report on Sustainability / Environmental, Social and Governance ("ESG") matters which includes a Climate

Change Dashboard, monitoring climate change measures in place including Scope 1, 2 and 3 GHG emissions. This dashboard sets out climate-change measures and actions.

The Board is updated on the steps the Group is taking to become more sustainable, given its exposure to climate change transition risk as the UK evolves to a low carbon economy. It is also kept informed of the formal approach to ESG established to develop over time, which will underpin the Arbuthnot Principles and Values within the workplace under five 'pillars of sustainability' – governance, clients, employees, community and environment (ESG Pillars). The ESG actions taken are in recognition of the Group's responsibility to make a positive societal impact and the political, regulatory and legal pressure with clients and investors interested in the Group's ESG stance. The Board has again approved an energy and carbon report meeting the requirements of the Streamlined Energy and Carbon Reporting standards, as set out in the Sustainability Report on pages 42 and 43.

During the year, ahead of any likely future decisions required, the Board received a presentation from Asset Alliance Group's Strategic Development Manager on the planned strategy to facilitate a move away from a diesel-based HGV fleet to offering alternative solutions for its customers, based on their needs and operations.

In September 2024 the Board approved the enterprise-wide climate change risk appetite, risk assessments, and stress test scenarios and results.

Desirability of the Company maintaining a reputation for high standards of business conduct

The Directors believe that the Arbuthnot culture set out in the Arbuthnot Principles and Values manifests itself at Board level and in the external view of the Group as a whole. The importance of the Group's reputation is considered at each Board meeting. These Principles are encapsulated in five Group cultural values, embedded into day-to-day activities. These values are integrity, respect, empowerment, energy and drive, and collaboration.

Acting fairly as between members of the Company

The majority shareholder, Sir Henry Angest, is the Company's Chairman and Chief Executive. There is continuing engagement with other major shareholders and the Directors make their decisions on behalf of all shareholders. The Board welcomes engagement with them and will continue to maintain communications via one-to-one meetings as appropriate. The Directors treat all shareholders equally, albeit that holders of non-voting shares do not have the right to vote in shareholder meetings.

Strategic Report

Sustainability Report

Introduction

The Group has continued to embed sustainable practices across its business and remains committed to ensuring that its activities have a positive impact on clients, shareholders, employees, society and the environment. Two of our key business principles, reciprocity and stability, rely on recognising our responsibility to make a positive societal impact.

Climate change is an important topic for consumers and investors alike. In parallel, inclusive growth and the impact organisations have on society are increasingly a focus. Organisations are being held accountable for their impact. We focus on how we can improve to build a future that delivers growth, sustainability and inclusion.

Our responsible business initiatives enable us to monitor and measure our social impact by considering the impact of our practices and outputs across five pillars: governance, clients, community, environment and employees as explained on pages 35 to 37.

Governance

The Group has a solid system of governance in place, endorsing the principles of openness, integrity, and accountability that underpin good corporate governance. The Group operates to high standards of corporate accountability with an effective Board and Board committees. This, together with the role and overall holding of Sir Henry Angest, the ultimate majority shareholder, and compliance with PRA and FCA regulations and with those of the London Stock Exchange Alternative Investment Market and the Aquis Exchange, is fundamental to our success as a business.

Policies

The Group has adopted a wide range of policies that straddle the five pillars to ensure that employees and management are aware of their responsibilities towards our clients and comply with all regulatory requirements. Some of the key policies are set out below and in the Non-Financial and Sustainability Statement on page 26.

Human Rights commitments

The Group is committed to operating in an ethical manner and ensuring the relationships we have with all our stakeholders adhere to high standards. These are reflected in both our Anti-Modern Slavery Policy and in our Supplier Code of Conduct.

The Group is committed to finding and reducing the risk of slavery or human trafficking in every part of our supply chain.

Clients

Relationships with our clients are at the heart of what we do. We take the time to understand what is important to our clients so that we can be confident that we are working in their best interests, for business, for family, for life. Being a relationship-led bank, every single one of our clients has a dedicated relationship manager to guide and support them. This is supported by our strong Net Promoter Score (NPS) (Non-financial Key Performance Indicator) which is now reviewed annually. In 2024, over 500 private banking and commercial clients completed the survey, and we were delighted that our NPS now stands at 71, a significant increase from the 64 we achieved in the last survey in 2022. On average, clients scored us 9 out of 10 for overall satisfaction, with over 95% saying they were satisfied or very satisfied with the services they receive from us.

Consumer Duty

Our approach in 2024 to the introduction of the new FCA Principle on Consumer Duty in the previous year, was to maintain that clients are at the heart of everything we do. We continue to review all our products and services to ensure they meet good customer outcomes. We also trained frontline staff on different ways to communicate clearly with clients.

Client support

As a relationship-led bank, our purpose is to help our clients go further. This means ensuring that they receive a bespoke service, tailored to their needs, helping them achieve their financial goals. As part of our focus on excellent service, we have increased the minimum banking criteria and account tariff charges from February 2025.

Vulnerable clients

The term 'vulnerability' captures a range of circumstances our clients can face. To ensure we are treating vulnerable clients fairly, we have implemented vulnerable client guidance focused on identifying and supporting vulnerable clients.

We have a Vulnerable Client Committee to support our staff with vulnerable clients. This includes providing training resources. In 2024 the Vulnerable Client Committee welcomed Cancer Support UK, GamCare, and Mental Health UK to provide training for our frontline colleagues.

Employees

We focus on maintaining an outstanding culture and workplace for all our employees. Once again our high engagement scores are a testament to this. We secured a 5-star employer rating from WorkBuzz for the fourth consecutive year. Our employee engagement survey (Non-Financial Key Performance Indicator), conducted in November 2024, showed that 85% of employees are strongly engaged and 92% are proud to work here. These figures reflect a strong alignment with our company's values and a robust commitment from our people to our organisation's success. Up again by 4 percentage points, 88% of employees would recommend Arbuthnot as a great place to work.

Wellbeing

Our work environment fosters and enhances the wellbeing of our employees. Aligned with our mission and core values - Integrity, Respect, Empowerment, Energy & Drive and Collaboration, our wellbeing strategy is designed to resonate with the recognition that our employees constitute our greatest asset. Our wellbeing strategy focuses on four pillars: mental, physical, social and financial. Through these pillars, we provide our employees with a range of resources and tools to support their wellbeing, including resources provided by BUPA, Headspace, Hargreaves Lansdown, ActiveHub, and our Employee Assistance Programme.

We work with external provider Activehub to encourage and incentivise our employees to become active, with 416 engaged with the app, 840 challenge sign-ups and over 25,000 activities logged.

Early Careers and Young Professionals

In 2024, we welcomed 45 young adults to our work experience events, hosted 60 A-Level students at our annual Female Student Event, and engaged 13 summer interns. Additionally, 30 young adults joined our 2024 one-year placements, graduate, and apprentice programmes.

The Group offers five different Early Careers Programmes, including work experience, summer internships, one-year placements, graduate placements and apprenticeships.

We partner with Young Professionals, an organisation which works with schools across the UK from different socio-economic backgrounds to provide an insight and introduction to different industries, in order to grow the quality and diversity of our Early Careers talent pool.

Strategic Report

Sustainability Report *continued*

Employee development

As a rapidly growing business, we encourage career progression and seek to develop our people's skills to help them grow within the organisation.

Mentoring

We support our employees' continued development through our internal mentoring programme. We partner with Pushfar, an internal mentoring platform to ensure mentees can find a suitable mentor to assist them in their careers.

Benefits

We offer our employees an array of benefits at favourable rates including life assurance.

Workplace pension scheme

The Group offers all eligible employees membership of a contributory defined contribution plan, which is operated by Hargreaves Lansdown who present annually to the Pension Scheme Governance Committee. The matters discussed at this Committee's meetings are communicated to employees, continuing the focus on their financial wellbeing.

Employee networking forum: Connect

Our colleague network, Connect, continued to educate staff on a range of inclusive topics and promoted employee networking.

The purpose of Connect is to:

1. Promote a safe and supportive workplace for all to work, learn and thrive.
2. Understand the challenges faced in our workplace in order to effect change to increase diversity.
3. Attract and retain a diverse workforce.

Our Connect network hosted a range of events including topics such as neurodiversity, imposter syndrome, and psychological safety.

Diversity, Equity, and Inclusion

Our ambition is to create an environment which enables everyone to perform to the best of their potential.

In September 2024, the Board approved the Company's Diversity, Equity and Inclusion strategy, based on Arbuthnot's Seven Principles, building on the Company's achievements to date. These Principles are central to the way Arbuthnot works, summarising its corporate philosophy and ethics, and the Group seeks to ensure that all of its businesses act consistently with them. Over the past few years these Principles have been embedded in five cultural values (integrity, respect, empowerment, energy/drive and collaboration).

The fundamental value being worked on in the context of Diversity, Equity and Inclusion strategy is respect, i.e. respect for people whatever their background or belief. The aim is for the Group to be a place that can foster diversity. The make-up of employees is diverse from graduate up to senior management level, indicating that such a culture has been established. The strategy is also a statement of the intention to hire the best people and to provide the right environment for them to perform to the best of their ability. The approach to Diversity, Equity and Inclusion is therefore holistic, embedded in the Arbuthnot culture and delivered through its key principles and cultural values, rather than being as a standalone activity.

Colleague Promises and Commitments to Clients

In January 2025 we launched our Colleague Promises and Commitments to Clients to reinforce what it means to be a client or employee of Arbuthnot. These commitments provide clarity on what clients can expect from us and what is means to work for the Group reflecting the long-standing vision, principles, and values that define our business.

Our Colleague Promises and Commitments to Clients set the standard for what people can expect when they interact with the Group.

Community

The Group recognises that we must commit to driving positive community impact, creating an impact within the communities in which we exist and operate, and connecting the dots between the charities we support and the social initiatives we run.

Volunteering and Philanthropy

We maintained our partnerships with Surrey Docks Farm and The Switch, and we also began supporting both Hackney and Bow foodbanks. We encouraged our staff to fundraise for The Felix Project, a charity fighting hunger and food waste, with over £20,000 raised in 2024.

To assist with our skills-based volunteering and to ensure we support education and financial education, The Switch, offers our employees the opportunity to volunteer in schools in Tower Hamlets. Sessions here included CV-writing workshops, Money Matter workshops and interview preparation.

Supported by the Worshipful Company of Farmers, at Surrey Docks Farm, we have had large teams of employees help with the running of the farm, including mucking out the sheep and goats' pens, hedge trimming, installing raised beds, creating dead hedges, clearing overgrown areas and more.

We donated 157 laptops to schools in Tower Hamlets through the charity Business2Schools. Thomas Buxton Primary School took 30 devices for their pupils and distributed the rest to local schools in need.

We are also proud of the work of Asset Alliance Group with charity Transaid whose patron is HRH The Princess Royal. AAG is a corporate partner of Transaid, having agreed a three-year partnership in 2024. By being a corporate partner, AAG contributes time, knowledge, and resources to support Transaid's road safety and access to healthcare projects across sub-Saharan Africa, where they have been working to save lives for more than 25 years.

In October 2024 an intrepid trio from AAG completed a kayak challenge, paddling across the English Channel to raising over £9,000 for Transaid. They covered 18.5 nautical miles in five hours and 45 minutes.

Towards the end of 2024, AAG committed to donate a rigid truck to Transaid's professional driver training partner - the Industrial Training Centre (ITC), in Lusaka, Zambia. The vehicle left Felixstowe port at the end of December, and set sail for Dar-es-Salaam in Tanzania before making the journey overland to Lusaka.

Additionally, our regional offices played a crucial role in our community support efforts: the Exeter office supported the YMCA, while in Manchester we supported The Seashell Trust and The Christie.

Pound for Pound and Payroll giving

We provide pound for pound matching of up to £250 for UK registered charity fundraising events each year.

We also offer our employees the opportunity to donate regularly from their gross pay to charities of their choice.

Environment

We have made a commitment to reduce our environmental impact and to improve our environmental performance as an integral part of our business strategy. We are committed to achieving net-zero by 2050 and effective management of our carbon footprint is an important part of our strategy.

As a consequence, we have in place an Environmental Management policy which sets out our high-level approach to managing environmental issues and provides requirements to help the Bank to achieve its commitments. Enhancing transparency within our own supply chains is part of our mission to work closely with our third-party relationships. In doing so, working together will help us establish how we can better engage and be held accountable.

Due to the nature of the Group's business, we are primarily a consumer of services rather than goods and materials. However, we are still committed to reducing the impact of our supply chain. As a minimum, we expect our suppliers to provide evidence towards their environmental status, where relevant and appropriate.

The Bank's Credit Policy sets out the Group's limited appetite for financial and reputational risk emanating from climate change, which includes physical risk (extreme weather, flooding etc.) and transitional risk (changes to law, policy, regulation and culture). The Bank adopts a favourable stance towards a low carbon economy and lending propositions that have a neutral or positive impact on the environment/climate. The Bank will also consider the impact on public perception and potential impact on continuing demand for clients' products and services, as well as any impact on its underlying security. These factors are assessed as part of the credit application and on-going review processes.

In December, we submitted an action plan under the Energy Savings Opportunity Scheme (ESOS), a Government mandated requirement to identify tailored and cost-effective measures to save energy and achieve carbon and cost savings. We continue to build employee awareness on environmental matters and energy efficiencies.

Strategic Report

Sustainability Report *continued*

20 Finsbury Circus

Since moving in July 2024 into our new, BREEAM-rated Excellent office at 20 Finsbury Circus, we have refocused our efforts on operational carbon reduction. Our commitment to achieving net-zero by 2050 is a crucial part of our strategy, and effective management of our environmental impact is at the forefront of our initiatives.

By investing in technologies like building management systems and LED lighting, we significantly reduce energy consumption and improve our Energy Performance Certificate (EPC) ratings. At 20 Finsbury Circus, we source renewable energy to power our operations, which further reduces our carbon footprint and supports sustainable energy practices. Additionally, we have implemented efficient air conditioning systems to optimise energy use and enhance the comfort of our building occupants. Using onsite shredders and compactors to compress waste reduces transport costs and further reduces our carbon footprint. In 2025 we also introduced recycling bins to enable our staff to sort waste effectively.

We are continuously working to reduce our Scope 1 and Scope 2 emissions by decarbonising our buildings and increasing their energy efficiency. These efforts are essential steps towards our sustainability goals.

Summary across our five pillars

We are taking steps, guided by our five pillars of governance, clients, community, environment and employees, to help us become more sustainable.

Pillar	Current status
Ensure responsible and transparent corporate governance which aligns to business goals while making a positive societal impact	<ul style="list-style-type: none"> • We have been embedding sustainability into our business practices by recording, monitoring, and publishing performance. • We have policies in place, such as our: <ul style="list-style-type: none"> – Anti-Money Laundering Policy – Board and Senior Management Diversity Policy – Anti-Bribery and Corruption Policy – Client Acceptance Policy – Group Market Abuse and Insider Dealing Policy – Whistleblowing Policy – Anti-Modern Slavery Policy • We have a published Tax Strategy, which sets out the Group’s commitment to compliance with tax law and practice in the UK, which includes paying the correct amount of tax at the right place and right time and having a transparent and constructive relationship with the tax authority. • We have effective risk management which underpins our strong risk culture supporting the Group’s vision. • We have a Supplier Code of Conduct that promotes equal opportunities and diversity, acting with integrity, endorsement of sustainable procurement within the supply chain, safe working practices, and data, cyber and privacy protection.
Ensuring best outcomes for our clients	<ul style="list-style-type: none"> • We seek regular feedback from our clients to reinforce our proposition and service. • We also have a new complaints team and take dissatisfaction seriously, remediating issues promptly. • We take the protection of our client data seriously and have robust measures in place to protect client data in line with our legal and regulatory requirements. • We make regular anti-fraud communications to clients, alerting them to the different techniques used by criminals to unlawfully obtain people’s data and money. • We have continued to invest in the Bank’s core banking system, demonstrating that operational resilience and the ability to make services available to our clients is of the utmost importance. • We continue to invest in our risk management capabilities across Credit, Compliance, Operational Risk and Financial Crime with a view to ensuring good client outcomes through the continuing stability of the Bank. • We continue to embed the FCA’s Consumer Duty requirements for all relevant products and services. We continue to consider ways that we can improve outcomes for our customers. • We have initiated a Digital Transformation Project to further enhance the Bank’s services to clients. • We have policies in place, such as our: <ul style="list-style-type: none"> – Complaints Handling Policy – Fraud Policy – Personal Data Protection Policy – Physical Security Policy – Vulnerable Clients Policy • We seek regular feedback from our clients to reinforce our proposition and service. • We also have a new complaints team and take dissatisfaction seriously, remediating issues promptly. • We take the protection of our client data seriously and have robust measures in place to protect client data in line with our legal and regulatory requirements.

Strategic Report

Sustainability Report *continued*

Pillar	Current status
Having a positive impact on the community in which we operate	<ul style="list-style-type: none"> • We support philanthropy through matching charity donations, payroll giving, and volunteer days. In 2024 we supported The Felix Project, The Switch, Bow Foodbank, Hackney Foodbank and Surrey Docks Farm. • We will continue to encourage skills-based and team-based volunteering, increasing our focus on education and financial literacy. • We continue to encourage employees fundraising and challenges. • We donated 157 laptops to schools in Tower Hamlets through Business2Schools. • Our regional offices supported charities. Our Exeter office supported YMCA and our Manchester office supported The Seashell Trust and The Christie.
Ensuring that our business practices have a positive impact on the environment	<ul style="list-style-type: none"> • We will set goals and progress against these with a view to reaching net-zero carbon emissions as a business by 2050. • We have reported in line with the requirements of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022. • We assess both direct and indirect climate-related risks and opportunities. • We incorporate annual sustainability reporting into our annual report and accounts. • We have an Environmental Management Policy to help us achieve our commitments. • We have established a Sustainable investment Service (SPS). <p><i>Energy and Waste</i></p> <ul style="list-style-type: none"> – We have moved the London head office to 20 Finsbury which is a BREEAM-rated excellent office – Invested in building management systems and LED lighting to reduce energy consumption and improve EPC ratings. – Implemented efficient air conditioning systems to optimize energy use and enhance occupant comfort. – Sourced renewable energy at 20 Finsbury Circus to power operations, reducing carbon footprint and supporting sustainable energy practices. – Shredded waste materials onsite to cut down on emissions from transportation. – Introduced new recycling bins and signage. – Used compactors onsite to compress waste, reducing the number of collections needed and saving on transport costs. <ul style="list-style-type: none"> • We have a Supplier Management Framework which reflects the Environmental Management Policy. • We ensure the responsible disposal of computer equipment and have a waste recycling programme in place. <p><i>Transport</i></p> <ul style="list-style-type: none"> • Our benefits include a cycle to work scheme and season ticket loan. We continue to finance and lease electric vehicles through our RAF and AAG subsidiaries. • We will set goals and progress against these with a view to reaching net-zero carbon emissions as a business by 2050.

Pillar	Current status
<p>Creating a supportive and diverse workplace in which employees can thrive.</p>	<ul style="list-style-type: none"> • We promote a working environment that seeks to develop employee skills, and ensures employees are treated fairly and supports their wellbeing. Policies to support this include: <ul style="list-style-type: none"> - Agile Working Policy - Flexible Working Policy - Health and Safety Policy - Parental Leave Policy - Remuneration Policy - Training & Development Policy - Dignity at Work Policy - Equity, Diversity and Inclusion Policy • We have invested in new offices and working environments in Bristol and in our London headquarters. • We operate an internal recognition scheme: Arbuthnot Achievers. • We conduct annual employee surveys (conducted anonymously) with 91% response rate and employee engagement scores of 85%. • We have adopted agile and flexible working policies. • We pay all employees a living wage and have market aligned job families. • All eligible employees may receive a bonus, in addition to pension contribution, absence pay and other core and flex benefits. We also offered eligible employees the opportunity to enhance at favourable rates their cover for life assurance and related cover. • We publish details of our gender pay gap annually. • We have an internal staff networking forum: Connect. • We have an internal colleague wellbeing programme and wellbeing support resources. • We provide all our staff access to our extensive Learning and Development Programme. We also have a Leadership Development Academy and Early Careers Programme. • We have a Pension Governance Committee to manage and communicate our workplace pension scheme.

Metrics

Disclosures around metrics are given in the section on Climate-related Financial Disclosures above.

Strategic Report

Sustainability Report *continued*

Climate-related Financial Disclosures

This section of the Strategic Report describes how the Directors have implemented the requirements of the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 which amended the Companies Act 2006 to introduce Task Force on Climate-related Financial Disclosures’ (“TCFD”) aligned disclosure requirements into the existing non-financial information requirements. These regulations are broadly in line with the recommendations of the global TCFD.

This report covers how climate related risks and opportunities are managed; and on the performance measures and targets applied in managing these issues. The TCFD encourages consistent, reliable and clear measurement and reporting of climate-related financial risks. Its recommendations provide a framework for understanding and analysing how climate change affects our customers, our own operations and our strategy. The recommendations are to assess disclosures around governance, strategy, risk management and metrics and targets.

We have assessed the Group against the TCFD recommended disclosures and we set out below our assessments.

The Board considers the Group’s business model to be resilient to the financial risks from climate-related risks based on the risk assessments and stress test scenario results.

Requirement	Response
<p>Governance</p> <p>Describe the board’s oversight of climate-related risks and opportunities.</p> <p>Describe management’s role in assessing and managing climate-related risks and opportunities.</p>	<p>The AL Board Risk Committee annually reviews and approves the enterprise-wide climate change</p> <ul style="list-style-type: none"> • Risk appetite, • Risk assessments, and • Stress test scenarios and results. <p>The AL Board Risk Committee reviews the ESG dashboard (that includes Climate Change) at each meeting. This dashboard details climate-change measures and actions. The tolerances are partly based on the climate change stress test scenarios outputs.</p> <p>Climate change risk is considered as falling within two categories:</p> <p>Physical Risk: Arising from longer-term changes in the climate and weather-related events, rising average temperatures, heatwaves, droughts, floods, storms, sea-level rise, coastal erosion and subsidence.</p> <p>Transition Risk: Arising from the adjustment towards a low-carbon economy and could lead to changes in risk appetite, strategy, policy, technology and sentiment.</p> <p>The Board also considers climate change risk in major change decisions, most recently in the case of the 2024 London premises relocation.</p> <p>The Senior Management Function (“SMF”) accountability for the financial risks of climate change sits with Stephen Kelly, the AL CRO.</p> <p>Climate change is managed within the Group’s governance and risk management frameworks which includes the consideration of both current and emerging risks.</p>

Requirement	Response
<p>Strategy</p> <p>Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p> <p>Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p> <p>Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>The Board considers the Group's business model to be resilient to the financial risks from climate-related risks based on the risk assessments and stress test scenario results.</p> <p>The existing income streams are not materially impacted by either transitional or physical risks.</p> <p>The business strategy is also positioned to capture opportunities and support the transition to a low carbon economy.</p> <p>The key risks and opportunities are:</p> <p><i>Short and medium term (0-5 years)</i></p> <ul style="list-style-type: none"> • Growing investor, client, and employee preference to work with, or for companies promoting a low-carbon economy • AL Core transition risk and opportunity on the rising EPC expectations for buy to let residential property • RAF transition risk and opportunity from the demise of combustion engines and switch to electric engines. • AAG transition risk and opportunity from the demise of combustion engines and switch to alternatives. <p><i>Long term (5-30 years)</i></p> <ul style="list-style-type: none"> • AL Core physical risk (flood risk) on residential property. <p>These risks are mitigated and the financial impact is not considered significant in relation to AL's revenue:</p> <ul style="list-style-type: none"> • Residential property loan risks are mitigated by the loan durations (typically less than 5 years) and strong loan to values. • RAF combustion engine risks are mitigated by the short loan durations (typically less than five years). • AAG heavy goods vehicles combustion engine risks are mitigated by the short leasing durations (typically less than five years), lack of viable alternate technologies and by the strategic objective to keep the fleet focused on latest Euro 6 models and as young as possible. Asset residual values and lifespans are monitored considering possible technology changes. • The Group exposure to the Energy or Utility sectors is less than 1% of the portfolio. <p>The Group is positively minded toward supporting the transition to a low carbon economy and seeks to capitalise on opportunities as follows:</p> <ul style="list-style-type: none"> • AL looks more positively on lending applications with property collateral that has and EPC rating of C or better. The business is also piloting a green lending product aimed at attracting higher EPC portfolios and funding EPC improvements. • RAF is supporting clients by financing leases on electric and hybrid vehicles. It has had success in financing hybrid London taxis and smaller electric vehicles. • AAG finances electric buses and is working with the industry on transition pathways to cleaner technology alternatives for heavy goods vehicles. • AL has offered clients the option to invest funds in a Sustainable Investment Service since 2021. This service seeks to incorporate environmental, social and governance ("ESG") factors to achieve a positive impact without sacrificing long-term financial returns.

Strategic Report

Sustainability Report *continued*

Requirement	Response
<p>Risk Management</p> <p>Describe the organisation's processes for identifying and assessing climate-related risks.</p> <p>Describe the organisation's processes for managing climate-related risks.</p> <p>Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</p>	<p>The AL Board Risk Committee approve the climate change risk assessment and stress test scenarios prepared by risk management annually.</p> <p>The risk assessments identify and assesses the transition and physical risk to the business model and lending book. They consider the existing and emerging regulatory requirements and other relevant factors, as well as the potential size and scope of climate-related risks.</p> <p>The stress test scenarios are refreshed annually and inform the risk assessments. The scenarios are tailored versions of the 2021 Climate Biennial Exploratory Scenario ("CBES") as outlined in the BOE "Key elements of the 2021 Biennial Exploratory Scenario: Financial risks from climate change".</p> <p>Three scenarios are considered which are plausible representations of what might happen based on different future paths of governments' climate policies. They cover the period to 2050 and assume either early action (in current year), late action (ten years' time) or no additional action.</p> <p>Two scenarios consider routes to net-zero carbon dioxide emissions globally by 2050: an Early Action scenario and a Late Action scenario. These scenarios primarily explore transition risks from climate change:</p> <ul style="list-style-type: none"> • Early Action: Under this scenario, climate policy is ambitious from the beginning, with a gradual intensification of carbon taxes and other policies over time. Global carbon dioxide emissions are reduced to net-zero by around 2050 and global warming (relative to pre-industrial levels) is successfully limited to 1.8°C by the end of the scenario, falling to around 1.5°C by the end of century. The required adjustment in the economy creates a temporary headwind to growth but this dissipates in the latter half of the scenario once a significant portion of the required transition has occurred, and the productivity benefits of green technology investments begin to be realised. • Late Action: The implementation of policy to drive the transition to a net-zero economy is assumed to be delayed by a decade under this scenario. Policy measures are then more sudden and disorderly because of the delay. Global warming is limited to 1.8°C by the end of the scenario (2050) relative to pre-industrial levels, but then remains around this level at the end of the century. The more compressed nature of the reduction in emissions also results in material short-term macroeconomic and financial markets disruption. UK unemployment rises to 8.5% and the economy goes into recession for a short period. Falls in output are particularly concentrated in emissions-intensive sectors. <p>The third scenario is based on the physical risks that would begin to materialise if governments around the world fail to enact policy responses to global warming and no additional action is taken to address climate change. This is considered a severe scenario, being based on climate outcomes that would only occur later this century under the assumption that no additional action is taken to address climate change, and represents a worse than expected outcome even under such conditions. The absence of transition policies in this scenario leads to a growing concentration of greenhouse gas emissions in the atmosphere and, as a result, global temperature levels continue to increase, reaching 3.3°C higher relative to pre-industrial levels by the end of the scenario. This leads to chronic changes in precipitation, ecosystems and sea-levels, which are unevenly distributed globally, and in some cases irreversible. There is also a rise in the frequency and severity of extreme weather events. There are permanent impacts on living and working conditions, buildings and infrastructure. As a result, UK and global GDP growth is permanently lower and macroeconomic uncertainty increases. Reflecting the fact that the future looks materially worse at the end of the scenario, with the adverse effects of climate change set to worsen further, UK and US equity prices are respectively just under 20 and 25% lower than they might otherwise be.</p> <p>Climate change is managed within the Group's governance and risk management frameworks. Specifically, the:</p> <ul style="list-style-type: none"> • AL Board Risk Committee oversees ESG and the financial risks of climate change. • AL Credit Committee considers implications of climate change on new and existing lending. • AL Investment Committee considers implications of climate change on investment decisions. • AL Product Governance Committee considers climate change on propositions. <p>Climate Change is referenced in key documents including the:</p> <ul style="list-style-type: none"> • ICAAP, • Risk appetite framework, • AL risk hierarchy, • Credit policy.

Metrics and Targets	Aspirations	Metrics
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<p>All Buy to Let lending properties to be either EPC C or have valid exemption by 2035.</p> <p>AL lend against high quality residential collateral. Typically these properties are EPC C. AL also support Landlords to improve the quality of their collateral, including EPC gradings, where they are currently beneath C.</p>	<ul style="list-style-type: none"> • % of BTL properties EPC C and above (as % BTL).
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>All leases to be for electric, or clean alternative vehicles by 2050 with exception of classic cars.</p> <p>AL want to support clients as they transition to the low carbon economy and recognise the transition will occur at different speeds. However, AL will cease providing financing on petrol and diesel cars and vans from 2035, and non-zero emission heavy goods vehicles from 2040.</p>	<ul style="list-style-type: none"> • % of new electric and hybrid (as % of total vehicles financed excluding classic cars).
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (“GHG”) emissions and the related risks.	<p>Energy & utility exposure to be maintained at less than 1% of AL lending portfolio (0.32%, December 2024).</p>	<ul style="list-style-type: none"> • Energy and Utility Exposure as a % of portfolio.
	<p>Be operationally Net Zero by 2050</p> <p>By reducing carbon emissions and minimising waste</p> <ul style="list-style-type: none"> • AL switched to a new London building in 2024. The building is Bream rated “Excellent” • Company car fleet to be fully electric or hybrid by 2035 • Company heavy goods fleet (AAG) to be powered by non-combustion engines by 2040 <p>Improve recycling rates to 60% by 2025</p>	<ul style="list-style-type: none"> • Scope 1 and 2 intensity ratios • % General waste recycled • % Electric / hybrid company cars (as % of total company cars)
	<p>Scope 1,2 and 3 emissions are reported on page 42.</p> <p>(Scope 3 emissions will remain as per 2023. We have investigated and decided against extending Scope 3 emissions reporting to the lending and investment portfolios. The Scope 3 emissions methodology and data would not be reliable and would give an illusion of accuracy that would not help decision making.)</p>	

Strategic Report

Sustainability Report *continued*

Streamlined Energy & Carbon Reporting (SECR)

The Group has worked again with a specialist energy management consultancy, Carbon Decoded, to gather the information required to be reported by large unquoted companies under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018:

- All energy in line with Greenhouse Gas Reporting (GHG) Scope One - gas and owned transport, Scope Two - electricity and Scope Three - non-owned transport.
- An intensity metric to enable year on year improvements to be tracked.

The report covers data from 1 January to 31 December 2024. The Group has reported all sources of environmental impact, as required in SECR, over which it has financial control, being the Company and its subsidiaries.

Base Year

The Base Year for the organisation is a rolling annual comparison.

Reporting Methodology

- Data has been collected for electricity, gas and transport.
- GHG Protocol Corporate Accounting and Reporting Standard has been followed where relevant.
- Data was collected specifically for the purpose of SECR.
- The 2023 and 2024 UK Government Conversion Factors for Company Reporting were used for all calculations of Carbon emissions.
- Data was estimated where necessary, as set out below.

Estimated Data

The following data was estimated in 2024:

- *Dominion Street, London Natural Gas*
Gas use is included in the rent for the property and sub-metering is not available; estimates are based on floor area.

The final bills for Dominion Street electricity were not provided and the data for September and October is based on 2023 data.

- *Bristol and Gatwick*
Energy is included in the rent and sub-metering for the office is not available and so estimates are based on floor area. Note that the floor area, occupied by the business in Bristol, and therefore the estimated electricity for this property increased this year.

- *On-site Transport*

There were issues with both meters in 2024 and usage has been estimated in October, November and December based on 2023.

Operational Scopes

The report contains all Scope One and Two energy use and Scope Three Grey Fleet for the whole Group as required by SECR.

Corrective Actions

There are no corrective actions for 2024.

Reporting Summary

	2024				2023				% Change on Previous Year
	Measure	kWh	Carbon Tonnes tCO ₂ e	Intensity Ratio tCO ₂ e	Measure	kWh	Carbon Tonnes tCO ₂ e	Intensity Ratio tCO ₂ e	
Scope One									
Natural Gas - Intensity Ratio tCO ₂ e/m ²	14,391	340,896	62	0.0040	5,779	407,063	75	0.0130	-17%
Kerosene - Intensity Ratio tCO ₂ e/m ²	1,545	31,910	8	0.0050	1,545	57,345	14	0.0090	-43%
Diesel - Mixed Onsite Use No Metric Available		230,379	55			336,008	80		-31%
Company HGVs Intensity Ratio tCO ₂ e/miles	69,926	294,331	70	0.0010	68,985	293,381	70	0.0010	0%
Company Cars Intensity Ratio tCO ₂ e/miles	348,117	254,935	59	0.0002	384,242	273,464	64	0.0002	-8%
Total Scope One	1,152,451	254			1,367,261	303			-16%
Scope Two									
Electricity - Intensity Ratio tCO ₂ e/m ²	19,422	2,235,188	463	0.0240	12,400	1,693,514	351	0.0283	32%
Company Cars Intensity Ratio tCO ₂ e/miles	93,508	31,778	7	0.0001	17,106	3,063	1	0.0000	600%
Total Scope Two	2,266,966	470			1,696,577	352			34%
Scope Three									
Grey Fleet Vehicles Intensity Ratio tCO ₂ e/miles	247,558	277,450	64	0.0003	272,158	294,941	69	0.0003	-7%
Total Scope Three	247,558	277,450	64	0.0003	272,158	294,941	69	0.0003	-7%
Total of all Scopes	3,696,867	788			3,358,779	724			
Estimated Data		6%				18%			

Changes from 2023

A new head office in London at 20 Finsbury Circus was opened in July 2024, resulting in the closure of the Group's offices in Wilson Street and Dominion Street, prior to the expiry of the leases in October. The increase in electricity in 2024 is due to the three London office buildings operating concurrently and the heat pump heating at 20 Finsbury Circus. This will reduce in 2025 due to there being only one building.

Conversion factors are now available to calculate the fuel and electricity used in plug in hybrid vehicles (PHEV). These calculations have been used this year to demonstrate the commitment made to improving the emissions of the company fleet.

Intensity Ratio

An intensity ratio is used to enable year on year comparison. As Arbuthnot is an office-based business the recognised standard measure is kilowatt-hour per square metre (kWh/m²). This enables the energy use to be compared to industry standard benchmarks. Similarly for transport, the metric is kilowatt-hour per mile (kWh/mile). The metrics have been reported as required by the Regulations.

Energy Efficiency Actions

To summarise the energy efficiency actions for 2024:

- The planned move to more efficient and lower emission offices at 20 Finsbury Circus was completed. In 2025, this will deliver a reduction in Scope One Natural Gas carbon tonnes (tCO₂e) from Wilson Street and Dominion Street (74.5 tCO₂e) to Scope Two electricity at 20 Finsbury Circus, as the new office has heat pump heating.
- AAG have continued to improve the fleet with a further investment in plug-in hybrid vehicles. This has meant that despite a 9% increase in mileage across the AAG group car and van fleet, the emission increase has been held at 0.5%
- Where possible, offices have replaced kerosene use with cleaner air conditioning options, which has reduced Scope One fuels and emissions by 6.3 tCO₂e.

James Cobb
Group Finance Director

26 March 2025

Board of Directors



Sir Henry Angest



James Cobb



Andrew Salmon



Jayne Almond



Frederick Angest



The Hon Sir Nigel Boardman



Ian Dewar



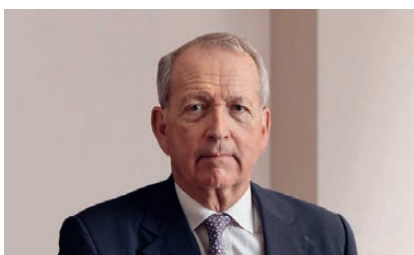
Richard Gabbertas



Angela Knight CBE



Lord Sassoon



Sir Alan Yarrow



Nicholas Jennings
Company Secretary

Sir Henry Angest

Chairman and Chief Executive

Appointed to the Board in December 1985, Sir Henry is Chairman and Chief Executive. He is also President and a director of Arbuthnot Latham & Co., Limited of which he was Chairman from 1994 to 2022. He gained extensive national and international experience as an executive of The Dow Chemical Company and Dow Banking Corporation. He was previously chairman and a director of Secure Trust Bank PLC, chairman of the Banking Committee of the London Investment Banking Association and a director of the Institute of Directors. He was Master of the Worshipful Company of International Bankers and is now Master Emeritus.

James Cobb FCA

Group Finance Director

Appointed to the Board in November 2008 as Group Finance Director, Mr. Cobb is also Finance Director and Deputy Chief Executive of Arbuthnot Latham & Co., Limited. He was previously a director of Secure Trust Bank PLC and Deputy Chief Financial Officer and Controller of Citigroup's Global Consumer Group in Europe, Middle East and Africa and qualified as a Chartered Accountant with Price Waterhouse.

Andrew Salmon FCA

Chief Operating Officer

Appointed to the Board in March 2004, Mr. Salmon is Group Chief Operating Officer and Head of Business Development, having joined the Company in 1997. He is also Chief Executive of Arbuthnot Latham & Co., Limited. He was previously a director of Secure Trust Bank PLC and of Hambros Bank Limited and qualified as a Chartered Accountant with KPMG.

Jayne Almond

Independent Non-Executive Director

Appointed a Director in September 2023, Ms Almond is also a director of Arbuthnot Latham & Co., Limited. She is a highly experienced professional in the banking, mortgages and financial services arenas and is Chairman of Enity Bank Group AB. She was previously Chairman, Chief Executive or NED in a wide range of organisations including Butterfield Mortgages Limited and Kensington Mortgages, a subsidiary of Barclays Bank UK plc.

Frederick Angest

Non-Executive Director

Appointed a Director in September 2022, Mr. Angest is also a director of Arbuthnot Latham & Co., Limited, where he works currently as a Senior Banker, having previously worked within Wealth Management and Credit Risk.

The Hon Sir Nigel Boardman

Independent Non-Executive Director

Appointed a Director in June 2019, Sir Nigel is also chairman and a director of Arbuthnot Latham & Co., Limited. He was a partner at the law firm, Slaughter and May from 1982 to 2019. He is also senior independent director of Aston Martin Lagonda Global Holdings plc, a director of Mile Group Unlimited and of Glyde Group Unlimited, the holding companies for ABP Foods Jersey and chair of HSM Limited, a human resource consultancy.

Sir Nigel is Chair of the charity Help for Heroes, chair of The Medical College of Saint Bartholomew's Hospital Trust, a charity funding medical research and Vice-Chair of the London Philharmonic Orchestra. He is also an adviser to the Consello Group, a specialised investing and financial services platform. Sir Nigel was previously a non-executive director of the Department for Business, Energy and Industrial Strategy and chaired its audit, risk and assurance committee.

Ian Dewar FCA

Independent Non-Executive Director

Appointed a Director in August 2015, Mr. Dewar was a partner for 19 years in the Financial Services Practice of KPMG from which he retired in 2012 after 32 years at the firm. He was previously Senior Independent Director of Brewin Dolphin Holdings PLC and a non-executive director of Manchester Building Society.

Richard Gabbertas FCA

Independent Non-Executive Director

Appointed a Director in July 2024. He is also a director of Arbuthnot Latham & Co., Limited and Chairman of its Board Risk Committee. Mr. Gabbertas was a Partner for 23 years in the Financial Services Practice of KPMG where he led the regional practice. He retired in 2018 after 38 years with the firm. He is also a non-executive director of Recognise Bank Limited.

Board of Directors *continued*

Angela Knight CBE

Independent Non-Executive Director

Appointed a Director in September 2023, Ms Knight is also a director of Arbuthnot Latham & Co., Limited. She is Chair of the Board of Pool Reinsurance Company Limited, a director of Encore Capital Group, Inc and a non-executive independent member of the board of the Astana Financial Services Authority of Kazakhstan. She was Master of the Worshipful Company of International Bankers.

She has a wealth of commercial and financial experience from her time in government as a Treasury Minister and as Chief Executive of the British Bankers' Association (now UK Finance) and of Energy UK. She was Member of Parliament for Erewash from 1992 to 1997. Her previous non-executive roles include Lloyds TSB plc, Scottish Widows, LogicaCMG plc, Transport for London, Port of London Authority, Brewin Dolphin Holdings PLC, TP ICAP plc, Taylor Wimpey PLC and Vanquis Banking Group plc. She was also Chair of the Office of Tax Simplification, an independent body of HM Treasury.

Lord Sassoon FCA

Independent Non-Executive Director

Appointed a Director in September 2023, Lord Sassoon is also a director of Arbuthnot Latham & Co., Limited. He is Chairman of the Audit Committee. He began his career at KPMG, before joining SG Warburg (latterly UBS Warburg) where he led the firm's global privatisation business, ending as Vice-Chairman, Investment Banking. From 2002 to 2013 he served in HM Treasury as Managing Director, Finance, Regulation and Industry before acting as President of the Financial Action Task Force and was then Commercial Secretary to the Treasury.

He is currently a non-executive director of Barco NV, a listed Belgian visualisation technology company, and of China Construction Bank Corporation. He is President of the China-Britain Business Council, Member of the International Advisory Council of the China Investment Corporation, Chair of Sir John Soane's Museum and Chair of the Pilgrim Trust. He was an executive director of Jardine Matheson Holdings Limited from 2013 to 2020 and was previously a non-executive director of The Merchants Trust plc and of Jardine Lloyd Thompson Group plc.

Sir Alan Yarrow FCSI (Hon)

Independent Non-Executive Director

Appointed a Director in June 2016, Sir Alan spent 37 years with Dresdner Kleinwort until 2009, latterly as group vice chairman and chairman of the UK Bank. He is a director of Institutional Protection Services Ltd. He is also vice president of the Royal Mencap Society, Independent Partnership Advisor to James Hambro & Partners, an advisor to Zeamo Inc. (USA), a Council Member of the Commonwealth Investment and Enterprise Council and a member of the Property Trust Board, City & Guilds Art School. He is HM Lieutenant of the City of London, a member of the Court of the Fishmongers' Company and a member of the Takeover Appeal Board. He was Lord Mayor of the City of London for the year 2014-15 and was previously chairman of the Chartered Institute for Securities & Investment.

Nicholas Jennings FCA

Company Secretary

Appointed Group Company Secretary in July 2018, Mr. Jennings was previously company secretary of Daily Mail and General Trust plc and of Close Brothers Group plc. He is a Chartered Accountant.

Group Directors' Report

The Directors present their report for the year ended 31 December 2024.

Business Activities

The principal activities of the Group are banking and financial services. The business review and information about future developments, key performance indicators and principal risks are contained in the Strategic Report on pages 8 to 43.

Corporate Governance

The Corporate Governance report on pages 52 to 59 contains information about the Group's corporate governance arrangements, including in relation to the Board's application of the UK Corporate Governance Code.

Results and Dividends

The results for the year are shown on page 70 of the financial statements. The profit after tax for the year of £24.9m (2023: £35.4m) is included in reserves. The Directors recommend the payment of a final dividend of 29p (2023: 27p) per Ordinary share and Ordinary Non-Voting share which, together with the interim dividend of 20p (2023: 19p) per Ordinary share and Ordinary Non-Voting share and a special dividend of 20p (2023: Nil) per Ordinary share and Ordinary Non-Voting share paid on 20 June 2024 represents total dividends for the year of 69p (2023: 46p) per Ordinary share and Ordinary Non-Voting share. The final dividend, if approved by members at the 2025 Annual General Meeting ("AGM"), will be paid on 30 May 2025 to shareholders on the register at close of business on 22 April 2025.

Directors

The names of the Directors of the Company at the date of this report, together with biographical details, are given on pages 44 to 46 of this Annual Report. Mr. R.K. Gabbertas was appointed to the Board on 2 July 2024. All the other Directors listed on those pages were directors of the Company throughout the year.

Mr. Gabbertas offers himself for election under Article 75 of the Articles of Association. Mr. I.A. Dewar and Sir Alan Yarrow will retire from the Board at the Annual General Meeting and do not seek re-election. Sir Henry Angest, and Mr. A.A. Salmon being eligible, offer themselves for re-election under Article 78 of the Articles of Association. Sir Henry and Mr. Salmon have a service agreement terminable on twelve months' notice.

Articles of Association

The Company's articles of association may only be amended by a special resolution of the Ordinary shareholders. They were last amended at the AGM in May 2017 and can be viewed at www.arbuthnotlatham.co.uk/group/investor-relations/announcements.

Viability Statement

In accordance with the UK Corporate Governance Code, the Directors confirm that there is a reasonable expectation that the Group will continue to operate and meet its liabilities, as they fall due, for the three-year period up to 31 December 2027. A period of three years has been chosen because it is the period covered by the Group's strategic planning cycle and also incorporated in the Individual Capital Adequacy Assessment Process ("ICAAP"), which forecasts key capital requirements, expected changes in capital resources and applies stress testing over that period.

The Directors' assessment has been made with reference to:

- the Group's current position and prospects – please see the Financial Review on pages 14 to 25;
- the Group's key principles – please see Corporate Philosophy on page 1; and
- the Group's risk management framework and associated policies, as explained in Note 6 to the financial statements.

The Group's strategy and three-year plan are evaluated and approved by the Directors annually. The plan considers the Group's future projections of profitability, cash flows, capital requirements and resources, and other key financial and regulatory ratios over the period. The ICAAP is embedded in the risk management framework of the Group and is subject to continuing updates and revisions when necessary. The ICAAP process is used to stress the capital position of the Group over the three-year planning period. It is updated at least annually as part of the business planning process.

Group Directors' Report *continued*

Going Concern

In assessing the Company's and the Group's Going Concern position, the Directors have made appropriate enquiries which assessed the following factors:

- the Group's strategy, profitability and funding;
- the Group's risk management (see Note 6 to the financial statements) and capital resources (see Note 7);
- the results of the Group's capital and liquidity stress testing;
- the results of the Group's reverse stress testing and the stress levels that have the potential to cause its business plan failure; and
- the Group's recovery plan and potential management actions to mitigate stress impacts on capital and liquidity.

The key Macro-Economic Risks for the stress testing included:

- Property market falls of up to 35% in property values;
- Stock market falls of up to 33% in UK equity prices;
- Interest rate rise/fall; and
- Regulation change.

The key Idiosyncratic Risks for the stress testing included:

- Credit losses;
- Operational events (i.e. fraud, cyber event, etc.);
- Decline in profitability; and
- Liquidity event (i.e. significant deposit outflow).

As a result of the assessment, the Directors are satisfied that the Company and the Group have adequate resources to continue in operation for a period of at least twelve months from when the financial statements are authorised for issue. The financial statements are therefore prepared on the going concern basis.

Share Capital

The Company has in issue two classes of shares, Ordinary shares and Ordinary Non-Voting shares, each with a nominal value of 1p. The Non-Voting shares rank *pari passu* with the Ordinary shares, including the right to receive the same dividends as the Ordinary shares, except that they do not have the right to vote in shareholder meetings.

Authority to Purchase Shares

Shareholders will be asked to approve a Special Resolution renewing the authority of the Directors to make market purchases of shares not exceeding 10% of the issued Ordinary and Ordinary Non-Voting share capital. The Directors will keep the position under review in order to maximise the Company's resources in the best interests of shareholders. Details of the resolutions renewing this authority are included in the Notice of Meeting on pages 160 and 161. No shares were purchased during the year. The maximum number of Treasury shares held at any time during the year was 390,274 Ordinary shares and 19,040 Ordinary Non-Voting shares of 1p each.

Financial Risk Management

Details of how the Group manages risk are set out in the Strategic Report and in Note 6 to the financial statements.

Directors' Interests

The interests of current Directors and their families in the shares of the Company at the dates shown, together with the percentage of the current issued share capital held (excluding treasury shares), were as follows:

Beneficial Interests - Ordinary shares

Beneficial Interests	1 January 2024	31 December 2024	4 March 2025	%
Sir Henry Angest	9,176,185	9,392,185	9,392,185	58.0
Sir Nigel Boardman	26,062	26,062	26,062	0.2
J.D. Almond	11,617	11,617	11,617	0.1
J.R. Cobb	6,000	6,000	6,000	-
A.A. Salmon	51,699	51,699	51,699	0.3

Beneficial Interests - Ordinary Non-Voting shares

Beneficial Interests	1 January 2024	31 December 2024	4 March 2025	%
Sir Henry Angest	86,674	86,674	86,674	64.9
J.R. Cobb	60	60	60	-
A.A. Salmon	516	516	516	0.4

Substantial Shareholders

The Company was aware at 4 March 2025 of the following substantial holdings in the Ordinary shares of the Company, other than those held by one director shown above:

Holder	Ordinary Shares	%
Liontrust Asset Management	1,592,148	9.8
Slater Investments	1,167,876	7.2
The Late Mr. R Paston	529,130	3.3

Significant Contracts

No Director, either during or at the end of the financial year, was materially interested in any contract with the Company or any of its subsidiaries, which was significant in relation to the Group's business. At 31 December 2024, two directors had loans from Arbuthnot Latham & Co., Limited amounting to £2.8m (2023: £1.5m) and seven directors had deposits amounting to £3.9m (2023: £3.2m), all on normal commercial terms as disclosed in Note 43 of the financial statements.

Directors' Indemnities

The Company's Articles of Association provide that, subject to the provisions of the Companies Act 2006, the Company may indemnify any Director or former Director in respect of liabilities (and associated costs and expenses) incurred in connection with the performance of their duties as a Director of the Company or any subsidiary and may purchase and maintain insurance against any such liability. The Company maintained directors and officers liability insurance throughout the year.

Employee Engagement

The Company gives due consideration to the employment of disabled persons and is an equal opportunities employer. It also regularly provides employees with information on matters of concern to them, consults on decisions likely to affect their interests and encourages their involvement in the performance of the Company through regular communications and in other ways. Further information on employee engagement is given in the Strategic Report on pages 31 and 32.

The Company has a policy in place to ensure that it applies the Equality Act 2010 which makes it unlawful to discriminate inter alia on the grounds of disability. At the recruitment stage, reasonable adjustments are made to ensure that no candidate is put at a disadvantage because of their disability. Should existing employees become disabled, every effort is made to retain them within the workforce wherever reasonable and practicable. The Group also endeavours to provide equal opportunities in the training, promotion and general career development of disabled employees.

Engagement with Suppliers, Customers and Others

Information on engagement with suppliers, customers and other stakeholders is given in the Strategic Report on pages 28 and 29.

Streamlined Energy & Carbon Reporting

The information required by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 is set out in the Sustainability Report on pages 42 and 43. These Regulations implement the Government's policy on Streamlined Energy and Carbon Reporting (SECR) to support business in understanding its responsibility for carbon emissions and to help establish plans to become Net Zero by 2050.

Group Directors' Report *continued*

Political Donations

The Company made political donations of £16,000 during the year (2023: £7,500), being principally payment for attendance at political functions, as permitted by the Ordinary Resolution of Ordinary shareholders passed on 22 May 2024.

Events after the Balance Sheet Date

There were no material post balance sheet events.

Annual General Meeting ("AGM")

The Company's AGM will be held on Wednesday 21 May 2025 at which Ordinary Shareholders will be asked to vote on a number of resolutions. Shareholders are encouraged to submit their votes in respect of the business to be discussed via proxy, appointing the Chairman of the meeting as their proxy. This will ensure that votes will be counted if shareholders are unable to attend the meeting in person. The resolutions, together with explanatory notes about voting arrangements, are set out on pages 160 to 163.

Discretionary Bonuses

An Ordinary resolution will be proposed at the forthcoming AGM to replace the resolution passed on 8 May 2014 which authorises the Company to pay a discretionary bonus to one or more executive director provided that in any case the payment does not exceed two times the annual basic salary of that director or manager for the year in question. This resolution was proposed and passed by Ordinary shareholders in response to the regulatory rules that were to come into force later in 2014, but which were amended in December 2023 by the Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) in their joint policy statement on remuneration and enhancing proportionality for small firms.

As a consequence, the Remuneration Committee amended the Company's Remuneration Policy to remove regulatory references to percentage thresholds for variable versus fixed remuneration. In light of this regulatory change and consequential change in policy, the Board recommends approval by Ordinary shareholders of this resolution in order to provide the Company the flexibility to pay a discretionary bonus to one or more executive directors or senior managers without restriction within the revised regulatory rules, as explained in the Remuneration Report on page 60.

Auditor

A resolution for the re-appointment of Forvis Mazars LLP as auditor will be proposed at the forthcoming AGM in accordance with section 489 of the Companies Act 2006.

Disclosure of Information to the Auditor

Each of the persons who are Directors at the date of approval of this Annual Report confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Statement of Directors' Responsibilities in Respect of the Strategic Report and the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Financial Statements in accordance with applicable law and regulations. Company Law requires the Directors to prepare Group and Parent Company Financial Statements for each financial year. As required by the AIM Rules for Companies and in accordance with the Rules of the AQSE Growth Market, they are required to prepare the Group Financial Statements in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and have elected to prepare the Parent Company Financial Statements on the same basis.

Financial Statements

Under Company Law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the Group profit or loss for that period. In preparing each of the Group and Parent Company Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006;
- assess the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they intend either to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that its Financial Statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and Parent Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of Financial Statements may differ from legislation in other jurisdictions.

The Directors confirm that the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Group and Parent Company's position, performance, business model and strategy.

By order of the Board

N D Jennings

Secretary

26 March 2025

Corporate Governance

Introduction and Overview

The Company has a strong and effective corporate governance framework. The Board endorses the principles of openness, integrity and accountability which underlie good governance and applies the principles of the UK Corporate Governance Code, published by the Financial Reporting Council in July 2018 (“the FRC Code”), and complies with its provisions in so far as they are considered appropriate for the Company, given its size and circumstances, and the role and overall shareholding of its majority shareholder. The Group operates to the high standards of corporate accountability and regulatory compliance. The Company has been approved by the Prudential Regulation Authority (PRA) as a parent financial holding company of its banking subsidiary, Arbuthnot Latham & Co., Limited. Arbuthnot Latham is authorised by the PRA and regulated by the Financial Conduct Authority (FCA) and by the PRA. Two of its subsidiaries, Asset Alliance Leasing Limited and Forest Asset Finance Limited, are authorised and regulated by the FCA.

The Board decided in 2018 to report against the FRC Code. This decision was made in light of the requirement in the AIM Rules for Companies that AIM listed companies state which corporate governance code they have decided to apply, how the company complies with that code, and where it departs from its chosen code an explanation of the reasons for doing so. The Rules of the AQSE Growth Market also require the Company to adopt, as far as possible, the principles and standards set down in a recognised UK corporate governance code. This information is published on the Company’s website and the Company reviews it each year as part of its annual reporting cycle. This section of the Annual Report summarises how the Company applies the FRC Code and in broad terms how it has complied with its provisions throughout the year, giving explanations where it has chosen not to do so.

In January 2024 the FRC made limited revisions to its Code, publishing a UK Corporate Governance Code 2024 (“the 2024 Code”). The 2024 Code is not applicable to the Company until its year beginning 1 January 2025 and for one provision until its year beginning 1 January 2026. The Company has reviewed its procedures to enable the Board to report under the 2024 Code, as required, in due course.

Leadership and Purpose

The Company is led by the Board which comprises 11 members: Sir Henry Angest, the Chairman and Chief Executive; two other executive directors, Andrew Salmon and James Cobb; seven independent non-executive directors, Jayne Almond, Sir Nigel Boardman, Angela Knight, Ian Dewar, Richard Gabbertas, Lord Sassoon and Sir Alan Yarrow; and one other non-executive Director, Frederick Angest. This means that more than half of the Board, excluding the Chairman, comprises independent non-executive directors.

The Board sets the long-term focus and customer-oriented culture of the Group. The responsibilities of Sir Henry Angest as Chairman include leading the Board, ensuring its effectiveness in all aspects of its role, ensuring effective communication with shareholders, setting the Board’s agenda and ensuring that all Directors are encouraged to participate fully in the activities and decision-making process of the Board.

The Board has for many years led a company which focuses on sustainable growth over the longer-term with a culture to match. Investment in resources has been strong and has continued where and as appropriate, with the focus on the benefit this will bring to bear for stakeholders over time. The aim continues to be for a culture of openness among the workforce which combines with the prudent and effective technological and individual controls in place across the business to ensure strong risk management in the Company’s continued long-term success.

The Group’s cultural values are reflected in a brand values document linking the Arbuthnot Principles to the Group’s culture as a way of communicating culture across the business. These cultural Principles are encapsulated in five Group values which are fully embedded into day-to-day activities. These are integrity, respect, empowerment, energy and drive, and collaboration. A formal approach to Environmental, Social and Governance (ESG) is in place to develop over time under five ‘pillars of sustainability’ – governance, employees, community, environment and clients.

The Board

The Board held seven scheduled meetings during the year, six of which were held jointly with the Board of Arbuthnot Latham with the other one being held to approve the Interim Report. The Directors also held a separate strategy meeting, together with the AL Directors, in September. Substantive agenda items have briefing papers, which are circulated in a timely manner before each meeting. The Board ensures that it is supplied with all the information that it requires and requests in a form and of a quality to fulfil its duties.

In addition to overseeing the management of the Group, the Board has determined certain items which are reserved for decision by itself, as set out in the Schedule of Matters Reserved to the Board which is reviewed annually and is published on the Company's website at <https://www.arbuthnotlatham.co.uk/group/about/corporate-governance>. These matters include approval of the Group's long-term objectives and commercial strategy, ensuring a sound system of internal control, risk management strategy, approval of major investments, acquisitions and disposals, any changes to the capital structure and the overall review of corporate governance.

The Company Secretary is responsible for ensuring that the Board processes and procedures are appropriately followed and support effective decision making. All directors have access to the Company Secretary's advice and services. There is an agreed procedure for directors to obtain independent professional advice in the course of their duties, if necessary, at the Company's expense.

New directors receive induction training upon joining the Board, with individual listed company training provided by the Company's AIM Nominated Adviser and AQSE Corporate Adviser. Regulatory and compliance training is provided by the AL Chief Compliance Officer or by an external firm of lawyers, accountants and other subject matter experts. Risk management training is provided, including that in relation to the ICAAP and ILAAP, by the AL Chief Risk Officer with an overview of credit and its associated risks and mitigation by the AL Chief Credit Officer.

Board Evaluation

The annual Board Effectiveness Review was conducted internally. The 2024 evaluation took the form of a confidential online questionnaire which assessed the performance of the Board and its Committees. The questions were set to explore the themes developed over recent years including Board effectiveness, Board composition, Board dynamics, alignment of the Board and executive team, interaction with major shareholders, induction, performance and training, Board Committees and the Secretariat. They also covered clarity of the business, strategy and risk and accountability. The results were discussed by the Board in November 2024 and proposed actions arising will be considered in due course. The responses were positive, confirming that the Board was of the view that it receives the correct level of insight into and oversight of the Company, both directly to it and in terms of management information and oral updates provided during meetings. Directors also agreed that the Arbuthnot culture set out in the Arbuthnot Principles and Values manifests itself at Board level and in the external view of the Group as a whole.

Overview of Compliance with the FRC Code, together with Exceptions

The Board focuses not only on the provisions of the Code but on its principles, ensuring as follows:

- The Company's purpose, values and strategy as a prudently managed organisation align with its culture, with a focus on fairness and long-term shareholder returns.
- The Board has an appropriate combination of executive and non-executive directors, who have both requisite knowledge and understanding of the business and the time to commit to their specific roles.
- The Board comprises directors with the necessary combination of skills to ensure the effective discharge of its obligations, with an annual evaluation of the capability and effectiveness of each director as well as the Board as a composite whole; appropriate succession plans are also in place and reviewed annually, or more frequently if appropriate.
- The Board and Audit Committee monitor the procedures in place to ensure the independence and effectiveness of both external and internal auditors, and the risk governance framework of the Company, with all material matters highlighted to the relevant forum (Board/Committee).
- Remuneration policies and practices are designed to support strategy and promote long-term sustainable success, with a Remuneration Committee in place to oversee director and senior management pay.

Corporate Governance *continued*

In respect of the Code's specific provisions, an annual review is carried out, comparing the Company's governance arrangements and practices against them. Any divergences are noted, with relevant rationale considered carefully to determine whether it is appropriate. Consideration is also given to guidance issued. In line with the FRC's Guidance on Board Effectiveness, the Board additionally takes into account its suggestions of good practice when applying the Code focusing on the five key principles specified in the Code.

Where the Company's governance does not align completely with the Code, it is generally as a result of the role of its overall majority shareholder, itself adding a level of protection to long-term shareholder interests, which has had a positive impact on the Company.

All divergences from the Code, with an explanation of the reasons for doing so are set out below:

Provision 5 – The Board has regard to the interests of all its key stakeholders in its decision making. Executive Directors and senior management are fully engaged with the workforce, all of whom interact on a daily basis. Mr. Gabbertas is the Company's Whistleblowing Champion and is available at all times in this role. It has not been deemed necessary to appoint an employee representative to the Board since the Company has fewer than 20 employees, each of whom has direct access to the Board including its Non-Executive Directors. Given its size, as stated in the s.172 Statement on page 28, one of the non-executive directors of Arbuthnot Latham, Jayne Almond, has been designated by its board as the director to engage with the Arbuthnot Latham Group's workforce.

Provision 9 – The Chairman was not independent on appointment, though he was appointed prior to the introduction of the provision. Sir Henry Angest carries out the role of Chairman and Chief Executive, given his long-term interest as majority shareholder, itself aligning with the interests of other shareholders. The Company follows the US model that is successful in ensuring commercial success with strong corporate governance and stakeholder awareness, having a shared Chairman and CEO, with a separate, empowered, Chief Operating Officer. In his role as CEO, Sir Henry Angest is responsible for the effective operation and delivery of the business and ensures that he is surrounded by an exceptional management team which ensures the strong leadership required. In particular, ABG has a strong Group Chief Operating Officer and Group Finance Director ensuring challenge and independence from a business perspective, against the stakeholder focus of the Chairman carrying out his Chairman's role.

Provision 10 – The Board considers Mr. Dewar to be independent, notwithstanding the fact that he has served on the Board for more than nine years since August 2024, as his views and any challenge to executive management remain firmly independent. Mr. Dewar will be stepping down from the Board at the conclusion of the AGM on 21 May 2025, along with Sir Alan Yarrow who has been on the Board since June 2016.

Provision 12 – The Board has not appointed a Senior Independent Director, as the main shareholder is the Chairman and other large independent shareholders communicate frequently with the Chairman, the Group Chief Operating Officer and the Group Finance Director and with the Company's stockbroker, Shore Capital.

Provision 14 – Attendance at meetings is not reported. In the event that a Director is unable to attend a meeting, that Director receives relevant papers in the normal manner and relays any comments in advance of the meeting to the Chairman. The same process applies in respect of the Board Committees.

Provision 18 – Directors retire by rotation every three years in accordance with the Company's Articles of Association and company law. The Directors seeking re-election at the 2025 AGM are Sir Henry Angest and Andrew Salmon who have served on the Board for 39 and 21 years respectively. The contributions of Sir Henry Angest, who beneficially owns more than 50% of the issued share capital, and of Andrew Salmon, an executive director, have been invaluable in the successful development of the Company. Richard Gabbertas, appointed to the Board by the Directors on 2 July 2024, will be seeking election by Ordinary shareholders. Accordingly, the Board fully supports the resolutions for the respective reappointment and appointment of these Directors.

Provision 19 – Sir Henry Angest's role as Chairman is critical to and reflective of the overall group structure. It is through the responsibilities that derive from this role that he is able to consider and protect not only the interests of other shareholders, but also his own interests as a majority shareholder as their interests are aligned. It is for this reason that he surrounds himself with notably strong directors who individually, and as a group, ensure the protection of not only his investments, but also those of other shareholders. As such, he remains as Chairman notwithstanding the length of his tenure.

Provision 23 – The Nomination Committee takes into account the provisions of the Board Diversity Policy and in terms of succession planning the Equity, Diversity and Inclusion Policy which promotes equality of opportunity for all staff. Further information on diversity and inclusion is given in the Sustainability Report on pages 31 and 32, though the gender balance of senior management and their direct reports has not been given.

Provision 32 – Sir Henry Angest is Chairman of the Remuneration Committee, as is appropriate in the context of his majority shareholding.

Internal Control and Financial Reporting

The Board of directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against the risk of material misstatement or loss.

The Directors and senior management of the Group review and approve the Group's Risk Management Policy and Risk Appetite framework. The Risk Management Policy describes and articulates the risk management and risk governance framework, methodologies, processes and infrastructure required to ensure due attention to all material risks for Arbuthnot Latham, including compliance with relevant regulatory requirements.

The Risk Appetite framework sets out the Board's risk attitude for the principal risks through a series of qualitative statements and quantitative risk tolerance metrics. These guide decision-making at all levels of the organisation and form the basis of risk reporting. The key business risks and emerging risks are continuously identified, evaluated and managed by means of limits and controls at an operational level by Arbuthnot Latham management, and are governed through AL committees.

There are well-established budgeting procedures in place and reports are presented regularly to the Board detailing the results, in relation to Arbuthnot Latham, of each principal business unit, variances against budget and prior year, and other performance data. The Board receives regular reports on risk matters that need to be brought to its attention, enabling it to assess the Group's principal and emerging risks. Material items are presented to the Board in the Risk Report, which includes a risk dashboard, from the AL Chief Risk Officer, who attends the Board meetings held concurrently with those of Arbuthnot Latham. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. The risk dashboard covers key management actions which have included the climate change agenda and its potential longer-term impact

on property and other asset classes and on management's approach to sustainability.

In November 2024, the Board received a separate report from the AL CRO enabling it to monitor the company's risk management and internal control systems and to carry out its annual review of the effectiveness of the Group's risk management and internal control systems. The report explained the Risk Management Policy, together with principal risks, risk appetite, policies, three lines of defence, systems, processes, procedures and controls and the risk board dashboard. Following its review, the Board confirms the effectiveness of the Company's risk management and internal control systems.

Shareholder Communications

The majority shareholder is Sir Henry Angest, Chairman and Chief Executive. The Company maintains communications with its major external shareholders via one-to-one meetings, as appropriate, by the Chairman and Chief Executive, the Group Chief Operating Officer or the Group Finance Director on governance and other matters. When practicable it also makes use of the AGM to communicate with shareholders in person. The Company aims to present a balanced and understandable assessment in all its reports to shareholders, its regulators, other stakeholders and the wider public. Key announcements and other information can be found at www.arbuthnotgroup.com.

Board Committees

The Board has Audit, Nomination, Remuneration, Donations and Policy Committees, each with formally delegated duties and responsibilities and with written terms of reference, which require consideration of the committee's effectiveness. The Board keeps the governance arrangements under review. Further information in relation to these committees is set out below and the terms of reference of the Audit, Nomination and Remuneration Committees are published on the Company's website. The Board maintains direct responsibility for issues of Risk without the need for its own Risk Committee, since responsibility for large lending proposals is a direct responsibility of its subsidiary, Arbuthnot Latham. Additionally the Chairman of the AL Board Risk Committee, Mr. Gabbertas, reports to the ABG Board at its regular meetings, held jointly with the board of Arbuthnot Latham, on the activities of that Committee which is responsible for monitoring the status of the Arbuthnot Latham group against its principal risks. Furthermore, each of the Directors either attends or, in the case of each of the independent Non-Executive Directors appointed since 2019, is a member of the newly constituted AL Board Risk Committee, in their role as a Non-Executive Director of AL, which meets prior to five of the Company's joint Board meetings.

Corporate Governance *continued*

Audit Committee

Membership and meetings

Membership of the Audit Committee comprises Lord Sassoon (as Chairman since 1 June 2024), Jayne Almond, Sir Nigel Boardman, Ian Dewar (Chairman until 1 June 2024), Angela Knight, Richard Gabbertas since 2 July 2024 and Sir Alan Yarrow. All of the Committee's members are independent non-executive Directors. Messrs Gabbertas, Dewar and Lord Sassoon have recent and relevant financial experience and the Committee as a whole has competence relevant to the financial sector in which the Company operates. The Company Secretary acts as its Secretary.

The Audit Committee oversees, on behalf of the Board, financial reporting, the appropriateness and effectiveness of systems and controls, the work of Internal Audit and the arrangements for and effectiveness of the external audit. The ultimate responsibility for reviewing and approving the Annual Report and Accounts and the Interim Report lies with the Board. The Committee also reviews procedures for detecting fraud and preventing bribery, reviews whistleblowing arrangements for employees to raise concerns in confidence, and reviews, as necessary, arrangements for outsourcing significant operations.

External Audit

The external auditors, Forvis Mazars LLP, have held office since their appointment in 2019 following a competitive tender. The Committee assesses the independence and objectivity, qualifications and effectiveness of the external auditors on an annual basis as well as making a recommendation to the Board on their reappointment. The Committee received a report showing the level of non-audit services provided by the external auditors during the year and members were satisfied that the extent and nature of these did not compromise auditor independence. The Committee has concluded that Forvis Mazars are independent and that their audit is effective.

Activity in 2024

The Audit Committee held four meetings during the year, each of which was held jointly with the Audit Committee of Arbuthnot Latham.

Internal Audit

On behalf of the Board, the Audit Committee monitors the effectiveness of systems and controls. To this end, Internal Audit provides the Committee and the Board with detailed independent and objective assurance on the effectiveness of governance, risk management and internal controls. It additionally provides assurance to the Board that the culture throughout the business is aligned with the Group's values, incorporating within each internal audit an assessment of culture in the area under review.

The Audit Committee approves the Internal Audit risk-based programme of work and monitors progress against the annual plan. The Committee reviews Internal Audit resources and the arrangements that: ensure Internal Audit faces no restrictions or limitations to conducting its work; that it continues to have unrestricted access to all personnel and information; and that Internal Audit remains objective and independent from business management.

The Head of Internal Audit, who was appointed in 2023, reports directly to the Chairman of the Audit Committee, Lord Sassoon. He provides reports on the outcomes of Internal Audit work directly to the Committee which monitors progress against actions identified in these reports.

The Committee received a self-assessment report on Internal Audit from the Head of Internal Audit in November 2024 and is satisfied with Internal Audit arrangements during the year.

Integrity of Financial Statements and oversight of external audit

The Committee:

- Received and agreed the Audit Plan prepared by the external auditors;
- Considered and formed a conclusion on the critical judgements underpinning the Financial Statements, as presented in papers prepared by management. In respect of all of these critical judgements, the Committee concluded that the treatment in the Financial Statements was appropriate.
- Received reports from the external auditors on the matters arising from their work, the key issues and conclusions they had reached; and
- Reviewed closely the detailed work carried out by management in respect of Going Concern and Viability.

The reports from the external auditors include details of internal control matters that they have identified as part of the annual statutory financial statements audit. Certain aspects of the system of internal control are also subject to regulatory supervision, the results of which are monitored closely by the Committee and the Board. In addition, the Committee receives by exception reports on the ICAAP and ILAAP which are key control documents that receive detailed consideration by the board of Arbuthnot Latham.

The Committee approved the terms of engagement and made a recommendation to the Board on the remuneration to be paid to the external auditors in respect of their audit services.

Significant areas of judgement and estimation

The Audit Committee considered the following significant issues and accounting judgements and estimates in relation to the Financial Statements:

Impairment of financial assets

The Committee reviewed presentations from management detailing the provisioning methodology across the Group as part of the full year results process. The Committee considered and challenged the provisioning methodology applied by management, including timing of cash flows, valuation and recoverability of supporting collateral on impaired assets. The Committee concluded that the impairment provisions, including management's judgements and estimates, were appropriate.

The charge for impaired financial assets totalled £6.3m for the year ended 31 December 2024. The disclosures relating to impairment provisions are set out in Note 4.1(a) to the financial statements.

Property Portfolio

The Group owns two commercial office properties and two repossessed properties. Of these properties, three are held as inventory and one as an investment property. The properties held as inventory are measured at the lower of cost and net realisable value on the basis of internal discounted cash flow models and external valuation reports. The investment property is measured at fair value on the basis of an external valuation report. The Committee discussed the bases of valuation with management and with the auditors who had engaged an internal expert to review management's valuations.

As at 31 December 2024, the Group's total property portfolio totalled £22.6m. The disclosures relating to the carrying value of the investment property and the properties held as inventory and for sale are set out in Notes 4.1(c), 4.1(d), 20, 25 and 31 to the financial statements.

Residual Value Risk

The Committee discussed the annual review of the residual values across the portfolio of leased assets of Asset Alliance Group, taking comfort from an increase during the year in management oversight of its Residual Value Committee, chaired by the AAG Group Risk Director, which is now attended by the Group's Chief Risk Officer.

Going Concern and Viability Statement

The financial statements are prepared on the basis that the Group and Company are each a going concern for a period of at least twelve months from when the financial statements are authorised for issue. The Audit Committee reviewed management's assessment, which incorporated analysis of the ICAAP and ILAAP approved by the Board of Arbuthnot Latham and of relevant metrics, focusing on liquidity, capital, and the stress scenarios. It is satisfied that the going concern basis and assessment of the Group's longer-term viability is appropriate.

Other Committee activities

The Audit Committee reviewed and discussed a summary of the minutes of meetings of the Financial Regulatory Reporting Committee whose main responsibility is to ensure that the Group meets the PRA's regulatory reporting expectations. The Committee performs this role since it is concerned with financial reporting as well as with external reporting. During the year, it also carried out an assessment of External Auditor Performance and a review of all work being performed by potential audit firms in accordance with the FRC Publication: Audit Committees and the External Audit: Minimum Standard which has been incorporated into the Committee terms of reference.

In November 2024, the Committee reviewed its performance and agreed that it continued to operate effectively. In March 2025, the Committee met separately with each of the Head of Internal Audit and the Senior Statutory Auditor without any other executives present. There were no concerns raised by them in regard to discharging their responsibilities.

On behalf of the Board, the Audit Committee reviewed the financial statements as a whole in order to assess whether they were fair, balanced and understandable. The Committee discussed and challenged the balance and fairness of the overall report with the executive directors and also considered the views of the external auditor. The Committee was satisfied that the Annual Report could be regarded as fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. It proposed that the Board approve the Annual Report in that respect.

Corporate Governance *continued*

Nomination Committee

Membership and meetings

The Nomination Committee is chaired by Sir Henry Angest and its other members are Sir Nigel Boardman and Sir Alan Yarrow. A majority of the Committee's members are therefore independent non-executive Directors. The Company Secretary acts as its Secretary. The Committee meets once a year and otherwise as required.

The Nomination Committee assists the Board in discharging its responsibilities relating to the composition of the Board. The Nomination Committee is responsible for and evaluates on a regular basis the balance of skills, experience, independence and knowledge on the Board, its size, structure and composition, retirements and appointments of additional and replacement directors and will make appropriate recommendations to the Board on such matters. The Nomination Committee also considers performance, training requirements and succession planning, taking into account the skills and expertise that will be needed on and beneficial to the Board in the future.

Activity in 2024

The Nomination Committee met three times during the year including to assess and recommend the appointment of Richard Gabbertas, a director of Arbuthnot Latham since November 2020, as a new independent Non-Executive Director of the Company as part of continued succession planning and to continue the recent practice of having most board members serve on both boards, given that the Company has one operating business. Mr. Gabbertas is a highly experienced accountant and auditor, having been a partner of KPMG for 23 years, with a client base consisting of a number of financial services and banking firms, prior to his retirement in 2018.

It was not considered appropriate to widen the search to include other banking and financial services experts for this role, given the status and profile of this individual, his strong banking and regulatory experience and his knowledge of the Group as a director of Arbuthnot Latham including as Chairman of its Audit Committee until 31 May 2024, after which he took on the role of Chairman of its newly constituted Board Risk Committee. It was also regarded that Mr. Gabbertas's career and reputation demonstrably reflect a good cultural fit with the Group and its Principles, Values and ESG Pillars. For all of these reasons, he was approached directly, and so neither advertising nor an external consultancy was used for this appointment.

The Committee also met to assess and confirm the collective and individual suitability of the existing Board members. Other than Mr. Dewar and Sir Alan Yarrow, who will be standing down at the conclusion of the AGM in May 2025, each of these directors is also a director of Arbuthnot Latham, given that as stated above the Company has one operating business.

In terms of individual performance, the Chairman confirmed that his assessment of all Directors was that they were performing well, with the Executive Directors additionally being formally reviewed in the context of the Senior Managers' Regime applicable to Arbuthnot Latham which confirmed continued strong performance. The Committee agreed with this assessment individually in relation to all members of the Board. Collectively, it was agreed that the Board had operated effectively with a wide range of experience and knowledge. As noted in the responses to the Board Effectiveness Questionnaire, Non-Executives have provided appropriate challenge and guidance.

In terms of the performance of the Company's Board generally, the Committee noted that it takes into account the provisions of the Board Diversity Policy and the Board Suitability Policy. It reviewed the summary of training carried out by each Director during 2024 and noted that Directors had been able to carry out sufficient training both in person and online.

In November 2024, the Nomination Committee confirmed that the Board's current composition provides the Company with a balanced, knowledgeable, diverse and informed group of directors, bringing strategic acumen, foresight and challenge to the executive, commensurate with the size of the business. The Committee reviewed succession planning and agreed that a sensible and strong plan remained in place. It also agreed that it continued to operate effectively and, as such, no further changes to its membership, composition or activities were proposed to the Board.

In March 2025, the Committee met to recommend to the Board changes in membership of certain Board Committees and the appointment and re-appointment of Directors due to stand for respective election and re-election at the forthcoming AGM.

Remuneration Committee

Membership and meetings

Membership is detailed in the Remuneration Report on page 60. The Committee meets once a year and otherwise as required. The Remuneration Report on pages 60 to 62 gives information on the Committee's responsibilities, together with details of each Director's remuneration.

Donations Committee

Membership and meetings

The Donations Committee is chaired by Sir Henry Angest and its other members are Andrew Salmon and Sir Alan Yarrow. The Company Secretary acts as its Secretary. The Committee considers any political donation or expenditure as defined within sections 366 and 367 of the Companies Act 2006. It meets as necessary.

Activity in 2024

The Donations Committee met once during the year. It agreed that the Committee was constituted and continued to operate efficiently with its overall performance and the performance of its individual members effective throughout the year. As such, no changes to its membership or activities were proposed to the Board.

Policy Committee

Membership and meetings

The Policy Committee, which is a joint Committee with Arbuthnot Latham, is chaired by Andrew Salmon. Its other members are James Cobb, Sir Nigel Boardman (since 1 June 2024), the AL Chief Risk Officer, another AL Executive director and the AL Chief Compliance Officer. A member of the AL Operational Risk team acts as its Secretary. Amongst its responsibilities, the Committee reviews the content of policy documentation (other than credit policy documentation which is reviewed by the AL Credit Committee) to ensure that it meets legal and regulatory requirements and approves it on behalf of the Board.

Activity in 2024

The Policy Committee met six times during the year to review and approve Company policies.

By order of the Board

N D Jennings

Secretary

26 March 2025

Remuneration Report

Remuneration Committee

Membership of the Remuneration Committee is limited to independent non-executive directors together with Sir Henry Angest as Chairman. The other members of the Committee are Sir Nigel Boardman and Sir Alan Yarrow. As such, a majority of the Committee's members are independent non-executive Directors. The Company Secretary acts as its Secretary. The Committee normally meets twice a year and otherwise, as required.

The Remuneration Committee has responsibility for approving the overall remuneration policy for directors for review by the Board. The Committee is also responsible for remuneration more generally including, inter alia, in relation to the Company's policy on executive remuneration determining, the individual remuneration and benefits package of each of the Executive Directors and the fees for Non-Executive Directors. Members of the Committee do not vote on their own remuneration.

The Committee also deals with remuneration-related issues, taking into account the requirements established by the PRA and the FCA.

Remuneration Policy

The Remuneration Committee determines the remuneration of individual directors having regard to the size and nature of the business; the importance of attracting, retaining and motivating management of the appropriate calibre without paying more than is necessary for this purpose; remuneration data for comparable positions, in particular at challenger banks; the need to align the interests of executives with those of shareholders; and an appropriate balance between current remuneration and longer-term performance-related rewards. The remuneration package can comprise a combination of basic annual salary and benefits (including pension), a discretionary annual bonus award related to the Committee's assessment of the contribution made by the executive during the year and longer-term incentives, including executive share options. Pension benefits take the form of contributions paid by the Company to individuals in the form of cash allowances, and, where applicable, to individual money purchase schemes. The Committee reviews salary levels each year based on the performance of the Group during the preceding financial period. This review does not necessarily lead to increases in salary levels. For the purposes of the requirements established by the PRA and the FCA, the Company and its subsidiaries are all considered to be Tier 3 institutions.

Activity in 2024

The Remuneration Committee met three times during the year. It undertook its regular activities including reviewing the operation of the Remuneration Policy, having regard to the performance of the Company during the year. It reviewed the level of fees for non-executive Directors which reflect the appropriate level of fee to continue to secure the services of a high level non-executive director, increasing the fee for the additional fee payable for chairing the Audit Committee. It also reviewed and approved the Executive Directors' remuneration.

In May 2024, the Committee approved changes to the Remuneration Policy, following publication by the FCA and PRA in December 2023 of a policy statement on remuneration and enhancing proportionality for small firms. The regulators made changes to proportionality thresholds, exempting firms that meet the updated thresholds from requirements relating to malus, clawback and buyout (i.e. firms buying out outstanding deferred bonus awards for staff that have been cancelled by their previous employer). Furthermore, the Policy was amended to remove reference to percentage thresholds for variable remuneration (versus fixed) in response to their removal from regulation. The Company continues to meet the criteria relating to firms in Proportionality Level 3 of the remuneration rules.

The Company retained the existing internal requirement that all bonuses in excess of 33% of total remuneration and/or any annual remuneration package in excess of £500,000 in relation to the Company must be specifically approved in advance by the Ultimate Majority Shareholder who has an express right of veto in relation to all such remuneration packages. Current regulatory remuneration requirements also establish that the Company must report to the PRA any material changes to its remuneration structure. This includes disclosing changes to: the ratio of the maximum payout of bonus and executive incentive schemes when compared to fixed remuneration; and the performance measures and the risk adjustment used to determine whether and how much these bonus schemes and executive incentive schemes will pay out.

In November 2024, the Committee agreed that it continued to operate effectively.

Since the year end, the Committee has met again to review Directors' remuneration. It approved the award of bonuses to Messrs Salmon and Cobb for exceptional performance in the year at a reduced level from the prior year as a result of a smaller bonus pool reflecting outcomes for 2024 with 2023 having been a bumper year of profits. It also determined not to increase the salaries of the executive Directors. This decision was made after due consideration of comparable market rates and in view of an average salary rise in low single digits for employees, reduced from the previously planned amount as a result of the impending rise in employer national insurance in order to share part of the cost of the increase with employees. As in previous years, Sir Henry Angest waived his right to be considered for receipt of a bonus. After conducting a benchmarking exercise from an independent body, it decided not to increase the fees for acting as a non-executive director.

Directors' Service Contracts

Sir Henry Angest, Mr. Salmon and Mr. Cobb each have service contracts terminable at any time on 12 months' notice in writing by either party.

Long Term Incentive Schemes

Grants were made to Messrs Salmon and Cobb on 23 July 2021 under the Phantom Option Scheme to subscribe for 200,000 and 100,000 ordinary 1p shares respectively in ABG at 990p. 50% of each director's individual holding of phantom options is exercisable at any time after 23 July 2024 and the other 50% is exercisable at any time after 23 July 2026 when a cash payment would be made equal to any increase in market value. All share options awarded on 23 July 2021, regardless of first exercise date, may not be exercised later than 23 July 2028, being the day before the seventh anniversary of the date of grant. The fair value of the options as at 31 December 2024 was £0.2m (2023: £0.4m). As at 31 December 2024 the initial 50% of each director's holding had reached the strike date of 24 July 2024 but have not been exercised.

Details of outstanding options are set out overleaf.

Remuneration

Report *continued*

Phantom Options

	At 1 January 2024	At 31 December 2024	Exercise Price £	Date from which exercisable	Expiry
AA Salmon	100,000	100,000	£9.90	23-Jul-24	23-Jul-28
	100,000	100,000	£9.90	23-Jul-26	23-Jul-28
	200,000	200,000			
JR Cobb	50,000	50,000	£9.90	23-Jul-24	23-Jul-28
	50,000	50,000	£9.90	23-Jul-26	23-Jul-28
	100,000	100,000			
	300,000	300,000			

Directors' Emoluments

	2024 £000	2023 £000
Fees (including benefits in kind)	600	416
Salary payments (including benefits in kind)	6,309	6,094
Pension contributions	74	73
	6,983	6,583

	Salary £000	Bonus £000	Benefits £000	Pension £000	Fees £000	Total 2024 £000	Total 2023 £000
Sir Henry Angest	1,275	-	52	-	-	1,327	1,261
JR Cobb	975	950	20	35	-	1,980	1,905
AA Salmon	1,475	1,400	25	35	-	2,935	2,909
JD Almond	-	-	-	-	70	70	23
FAH Angest*	81	20	1	4	46	152	126
The Hon Sir Nigel Boardman	-	-	-	-	171	171	158
IA Dewar	-	-	-	-	76	76	83
RK Gabbertas	35	-	-	-	10	45	-
AA Knight	-	-	-	-	75	75	25
Lord Sassoon	-	-	-	-	82	82	23
Sir Alan Yarrow	-	-	-	-	70	70	70
	3,841	2,370	98	74	600	6,983	6,583

* Mr. F. Angest received a bonus as an employee of the Company and not in his role as a non-executive director.

Details of any shares or options held by directors are presented above.

The emoluments of the Chairman were £1,327,000 (2023: £1,261,000). The emoluments of the highest paid director were £2,935,000 (2023: £2,909,000) including pension contributions of £35,000 (2023: £35,000). The emoluments reported above for Mr. Gabbertas and in the prior year for Ms Almond, Ms Knight and Lord Sassoon are pro-rated from the date they became Directors of the Company.

Retirement benefits are accruing under money purchase schemes for three directors who served during 2024 (2023: three directors).

Sir Henry Angest
Chairman of the Remuneration
Committee

26 March 2025

Independent Auditor's Report to the members of Arbuthnot Banking Group PLC

Opinion

We have audited the consolidated financial statements of Arbuthnot Banking Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2024 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows, and notes to the financial statements, including material accounting policy information.

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group and of the Parent Company's affairs as at 31 December 2024 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard as applied to listed entities and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our audit procedures to evaluate the directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included but were not limited to:

- Undertaking an initial assessment at the planning stage of the audit to identify events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern;
- Obtaining an understanding of the relevant controls relating to the directors' going concern assessment;
- Making enquiries of the directors to understand the period of assessment considered by them, the assumptions they considered and the implication of those when assessing the Group's and the Parent Company's future financial performance;
- Evaluating management's going concern assessment of the Group and the Parent Company and challenging the appropriateness of the key assumptions used in and mathematical accuracy of management's forecasts, including assessing the historical accuracy of management's forecasting and budgeting;
- Assessing the sufficiency of the Group and Parent Company's capital and liquidity taking into consideration the most recent Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Assessment Process ('ILAAP') performed by Arbuthnot Latham & Co., Ltd, a wholly owned subsidiary within the Group which is a bank regulated by the Prudential Regulation Authority ('PRA'), and evaluating the results of management's scenarios and reverse stress testing which includes sensitivity analysis, and including consideration of principal and emerging risks on liquidity and regulatory capital;
- Assessing the accuracy of management's forecast through a review of post year-end performance;
- Evaluating the Group's Resolution and Recovery plans which includes possible cost saving measures that could be taken in the event circumstances prevent forecast results from being achieved;
- Reading regulatory correspondence, minutes of meetings of the Audit Committee and the Board of Directors;
- Considering whether there are events subsequent to the balance sheet date which could have an impact on the Group and the Parent Company's going concern conclusions;

Independent Auditor's Report to the members of Arbuthnot Banking Group PLC *continued*

- Considering the consistency of management's forecasts with other areas of the consolidated financial statements and our audit; and
- Evaluating the appropriateness of the disclosures in the consolidated financial statements related to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

In relation to Arbuthnot Banking Group PLC's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the director's considered it appropriate to adopt the going concern basis of accounting.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We summarise below the key audit matters in forming our opinion above, together with an overview of the principal audit procedures performed to address each matter and our key observations arising from those procedures.

These matters, together with our findings, were communicated to those charged with governance through our Audit Completion Report.

Key Audit Matter

Valuation of allowance for impairment of loans and advances

As at the reporting date, the Group had £2,106m (2023: £2,071m) gross exposure to loans held at amortised cost with an allowance for Expected Credit Loss ('ECL') of £11.6m (2023: £6.8m). Refer to notes 4, 23 and 24.

The determination of Expected Credit Loss ('ECL') under IFRS 9 is an inherently judgmental area due to the use of subjective assumptions and a high degree of estimation. ECL relating to the Group's loan portfolio requires the Directors to make judgements over the ability of the Groups' customers to make future loan repayments.

As set out in note 3.4, ECL is measured using a three-stage model. ECL is determined based on Probability of Default ('PD') and the present value of future cash flows arising primarily from the sale of or repossession of security which determines the Loss Given Default ('LGD') and the Exposure at Default ('EAD'). For loans with no significant deterioration in credit risk since origination (Stage 1), ECL is determined using collective portfolio assumptions. For loans that have experienced a significant deterioration in credit risk since origination (Stage 2) or have defaulted (Stage 3), key assumptions are determined on a case-by-case basis.

The model used by the Group to determine the ECL provision requires judgement to the input parameters and assumptions; in particular, around macro-economic assumptions.

The most significant areas where we identified greater levels of management judgement and estimate are:

- Staging of loans and advances to customers and the identification of significant increase in credit risk ("SICR");
- Stage 3 impairment assessments;
- Adjustments to LGD, including collateral haircuts; and
- Use of macro-economic variables reflecting a range of future scenarios.

Further detail on the key judgements and estimates involved are set out within the critical accounting estimates and judgements in applying accounting policies note 4 and in notes 23 and 24 to the consolidated financial statements.

How our scope addressed this matter

Our audit procedures included but were not limited to:

Staging of loans

We have:

- Assessed the methodology of identifying significant increase in credit risk to ensure compliance with IFRS 9;
- Tested the design and implementation and tested the operating effectiveness of the key controls in relation to credit monitoring, including missed payments monitoring, covenants monitoring and annual reviews;
- Tested management's controls to allocate loans to the respective staging categories;
- Tested the appropriateness of staging movements throughout the year;
- Back tested the staging criteria to assess previous effectiveness of the criteria; and
- Assessed loans that have cured during the year, including ensuring the curing is in line with management's SICR policy and IFRS 9.

Stage 3 impairment assessments

We have:

- Performed credit file reviews to verify data used in the determination of LGD assumptions;
- Re-calculated the ECL provision for a sample of higher risk loans, including consideration of multiple economic scenarios;
- Developed a point estimate based on independent assumptions for certain material stage 3 exposures; and
- Involved our in-house valuation specialist to independently assess the underlying collateral used in the ECL calculations for a sample risk assessed collateral. For a number of cases sampled we relied on management's external valuation experts with indexing applied and, in these cases, we assessed the capabilities, professional competence, and objectivity of the experts.

Key LGD assumptions

We have:

- Tested and challenged the key assumptions applied by management when calculating LGD;
- For a sample of higher risk exposures, engaged our real estate valuation experts to undertake an independent assessment of the value of the collateral used in the LGD assumptions; and
- Back tested key assumptions to assess appropriateness.

Use of macro-economic variables

We have:

- Involved our in-house credit risk specialists and economist experts in the assessment of model approach and assumptions, including assessing the impact on commercial and residential property prices, the completeness and appropriateness of key economic variables and the appropriateness of the economic scenarios and the probability weightings applied by management.

Stand back assessment

We have:

- Performed a stand back analysis to assess the overall adequacy of the ECL coverage. In performing this procedure, we considered the credit quality of the portfolio and performed benchmarking across similar banks considering both staging percentages and provision coverage ratios

Disclosures

We have assessed the adequacy and appropriateness of the disclosures in the financial statements in relation to ECL.

Our observations

We found management's approach taken in respect to ECL is in accordance with the requirements of IFRS 9 and determined that the allowance for impairment of loans and advances is not materially misstated at 31 December 2024.

Independent Auditor's Report to the members of Arbuthnot Banking Group PLC *continued*

Our application of materiality and an overview of the scope of our audit

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality

Overall materiality £1.8m (2023: £2.4m)

How we determined it 5% of profit before tax (2023: 5% of profit before tax)

Rationale for benchmark applied We consider profit before tax to be the appropriate benchmark as the Group's profits have established a track record and profit is increasingly a key focus for the users of the financial statements in assessing the performance of the Group.

Performance materiality Performance materiality is set to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

We set performance materiality at £1.2m (2023: £1.6m), which represents 70% of overall materiality (2023: 70%).

In determining the performance materiality, we considered a number of factors, including the level and nature of uncorrected and corrected misstatements in the prior year and the robustness of the control environment, and concluded that an amount toward the upper end of our normal range was appropriate.

Reporting threshold

We agreed with the directors that we would report to them misstatements identified during our audit above £53k (2023: £71k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Parent company materiality

Overall materiality £1.6m (2023: £0.8m)

How we determined it 1% of net assets - capped at component aggregate materiality levels (2023: 0.5% of net assets)

Rationale for benchmark applied

Given that the Parent Company's primary purpose is to be an investment holding entity, we consider net assets to be the most appropriate benchmark to apply in our determination of materiality. The Parent Company does not have significant revenue generating activities and therefore a profit-based measure was not considered to be appropriate.

Performance materiality

Performance materiality is set to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole.

We set performance materiality at £0.6m (2023: £0.6m), which represents 70% of overall materiality (2023: 70%).

In determining the performance materiality, we considered a number of factors, including the level and nature of uncorrected and corrected misstatements in the prior year and the robustness of the control environment, and concluded that an amount toward the upper end of our normal range was appropriate.

Reporting threshold

We agreed with the directors that we would report to them misstatements identified during our audit above £50k (2023: £24k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

As part of designing our audit, we assessed the risk of material misstatement in the consolidated financial statements, whether due to fraud or error, and then designed and performed audit procedures responsive to those risks. In particular, we looked at where the directors made subjective judgements, such as assumptions on significant accounting estimates.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of our risk assessment, our understanding of the Group and the Parent Company, their environment, controls and critical business processes, to consider qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our Group audit scope included an audit of the Group and the Parent Company financial statements. Based on our risk assessment, six components of the Group, including the Parent Company, were subject to full scope audit. We used a Forvis Mazars LLP component audit team as component auditor for one component (2023: one component). All other components were audited by the Group audit team.

Our component performance materiality ranged from £0.01m to £1.2m (2023: £0.05m to £1.5m). Full scope audits carried out on six components (2023: six components), including the Parent Company, account for 100% of interest income (2023: 99.5%), 100% of profit before tax (2023: 97.3%), 100% of net assets (2023: 99.1%) and 100% of total assets (2023: 99.8%).

At the Parent Company level, the Group audit team also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information.

Working with our component audit team

We determined the level of involvement we needed as the Group team in the work of the component audit team to be able to conclude whether sufficient and appropriate audit evidence was obtained to provide a basis for our opinion on the consolidated financial statements as a whole. We maintained oversight of the component audit team, directing and supervising their activities related to our audit of the Group. The Group team maintained frequent communications to monitor progress. The Senior Statutory Auditor and senior members of the Group team attended component meetings, which were held via video conference. We issued instructions to our component audit team and interacted with them throughout the audit process. In the absence of component visits, we reviewed electronic work papers remotely which were prepared by the component audit team and held meetings with component management.

Other information

The other information comprises the information included in the annual report other than the consolidated financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the course of audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the consolidated financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or

Independent Auditor's Report to the members of Arbuthnot Banking Group PLC *continued*

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer term viability and that part of the Corporate Governance Statement relating to the Group and the Parent Company's voluntary compliance with the provisions of the UK Corporate Governance Code.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified, set out on page 48;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why they period is appropriate, set out on page 47;
- Directors' statement on fair, balanced and understandable, set out on page 51;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks, set out on page 55;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems, set out on page 55; and;
- The section describing the work of the audit committee, set out on pages 56 and 57.

Responsibilities of Directors

As explained more fully in the 'Statement of Directors' Responsibilities in Respect of the Strategic Report and the Directors' Report and the Financial Statements' set out on page 50, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the Group and the Parent Company and their industry, we considered that non-compliance with the following laws and regulations might have a material effect on the financial statements: regulations and supervisory requirements of the PRA and the Financial Conduct Authority ('FCA'), Alternative Investment Market ('AIM') rules, Aquis Stock Exchange ('AQSE') rules, Streamlined Energy and Carbon Reporting ('SECR') requirements, Anti Money Laundering regulations ('AML'), General Data Protection Regulation ('GDPR') and the UK Corporate Governance Code.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Gaining an understanding of the legal and regulatory framework applicable to the Group and the Parent Company, the industry in which they operate, and the structure of the Group, and considering the risk of acts by the Group and the Parent Company which were contrary to the applicable laws and regulations, including fraud;
- Inquiring of the directors, management and, where appropriate, those charged with governance, as to whether the Group and the Parent Company is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence with relevant licensing or regulatory authorities including the PRA and FCA;

- Review of minutes of meetings of the Board of Directors and the Audit Committee held during the year and up until the date of approval of the financial statements;
- Discussing amongst the engagement team the laws and regulations listed above, and remaining alert to any indications of non-compliance; and
- Focusing on areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussions with those charged with governance and senior management, review of regulatory and legal correspondence, and review of minutes of meetings of the Board of Directors and the Audit Committee during the year and up until the date of the approval of the financial statements.

We also considered those laws and regulations that have a direct effect on the preparation of the financial statements, such as UK tax legislation, pension legislation and the Companies Act 2006.

In addition, we evaluated the directors' and management's incentives and opportunities for fraudulent manipulation of the financial statements, including the risk of management override of controls, and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and significant one-off or unusual transactions.

Our procedures in relation to fraud included but were not limited to:

- Making enquiries of the Directors and management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing on a sample basis; and
- Being sceptical to the potential of management bias through judgements and assumptions in significant accounting estimates.

The primary responsibility for the prevention and detection of irregularities, including fraud, rests with both those charged with governance and management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

The risks of material misstatement that had the greatest effect on our audit are discussed in the "Key Audit Matters" section of this report.

A further description of our responsibilities is available on the FRC's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the Board of Directors on 6 December 2019 to audit the financial statements for the year ended 31 December 2019 and subsequent financial periods. The period of total uninterrupted engagement is six years, covering the years ended 31 December 2019 to 31 December 2024.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with our additional report to the Audit Committee.

Use of the audit report

This report is made solely to the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body for our audit work, for this report, or for the opinions we have formed.

Tim Hudson

(Senior Statutory Auditor)
for and on behalf of Mazars LLP,

Chartered Accountants and Statutory Auditor
30 Old Bailey
London
EC4M 7AU

26 March 2025

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2024 £000	Year ended 31 December 2023 £000
Income from banking activities			
Interest income	8	263,435	231,836
Interest expense		(137,568)	(95,217)
Net interest income		125,867	136,619
Fee and commission income			
Fee and commission income	9	29,142	23,170
Fee and commission expense		(1,029)	(768)
Net fee and commission income		28,113	22,402
Operating income from banking activities		153,980	159,021
Income from leasing activities			
Revenue	10	110,832	100,952
Cost of goods sold	10	(85,301)	(81,074)
Gross profit from leasing activities	10	25,531	19,878
Total group operating income		179,511	178,899
Net impairment loss on financial assets	11	(6,275)	(3,191)
Other income	12	1,660	2,522
Operating expenses	13	(139,806)	(131,113)
Profit before tax		35,090	47,117
Income tax expense	14	(10,236)	(11,738)
Profit after tax		24,854	35,379
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Changes in fair value of equity investments at fair value through other comprehensive income		778	412
Tax on other comprehensive income		(182)	(91)
Other comprehensive income for the period, net of tax		596	321
Total comprehensive income for the period		25,450	35,700
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in pence per share):			
Basic earnings per share	16	152.3	222.8
Diluted earnings per share	16	152.3	222.8

The notes on pages 78 to 158 are an integral part of these consolidated financial statements

Consolidated Statement of Financial Position

	Note	At 31 December 2024 £000	At 31 December 2023 £000
ASSETS			
Cash and balances at central banks	17	911,887	826,559
Loans and advances to banks	18	66,971	79,381
Debt securities at amortised cost	19	1,199,847	942,437
Assets classified as held for sale	20	–	3,281
Derivative financial instruments	21	2,970	4,214
Loans and advances to customers	23	2,094,212	2,064,217
Other assets	25	51,701	57,150
Financial investments	26	4,947	3,942
Intangible assets	28	30,565	29,587
Property, plant and equipment	29	313,366	274,306
Right-of-use assets	30	47,511	52,816
Investment property	31	5,250	5,950
Total assets		4,729,227	4,343,840
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	38	167	167
Share premium	38	11,606	11,606
Retained earnings	39	254,575	240,606
Other reserves	39	608	61
Total equity		266,956	252,440
LIABILITIES			
Deposits from banks	32	192,911	193,410
Derivative financial instruments	21	–	1,032
Deposits from customers	33	4,132,493	3,759,567
Current tax liability		3,001	294
Other liabilities	34	35,384	40,700
Deferred tax liability	27	5,671	4,910
Lease liabilities	35	54,829	53,761
Debt securities in issue	36	37,982	37,726
Total liabilities		4,462,271	4,091,400
Total equity and liabilities		4,729,227	4,343,840

The financial statements on pages 70 to 158 were approved and authorised for issue by the Board of directors on 26 March 2025 and were signed on its behalf by:

A.A. Salmon
Director

J.R. Cobb
Director

Registered Number: 1954085

Company Statement of Financial Position

	Note	At 31 December 2024 £000	At 31 December 2023 £000
ASSETS			
Loans and advances to banks	18	920	623
Debt securities at amortised cost	19	38,103	38,129
Deferred tax asset	27	515	520
Property, plant and equipment	29	221	130
Other assets	25	3,355	1,449
Interests in subsidiaries	44	164,354	164,354
Total assets		207,468	205,205
EQUITY AND LIABILITIES			
Equity			
Share capital	38	167	167
Share premium account	38	11,606	11,606
Other reserves	39	(1,280)	(1,280)
Retained earnings*	39	149,238	148,809
Total equity		159,731	159,302
LIABILITIES			
Current tax liability		4,288	2,641
Other liabilities	34	5,467	5,536
Debt securities in issue	36	37,982	37,726
Total liabilities		47,737	45,903
Total equity and liabilities		207,468	205,205

* The Company has elected to take the exemption under section 408 of the Companies Act 2006 not to present the Parent Company profit and loss account. The Parent Company recorded a profit after tax for the year of £11,363k (2023: £3,551k).

The financial statements on pages 70 to 158 were approved and authorised for issue by the Board of directors on 26 March 2025 and were signed on its behalf by:

A.A. Salmon

Director

J.R. Cobb

Director

Registered Number: 1954085

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Group						Total £000
	Share capital £000	Share premium £000	Capital redemption reserve £000	Fair value reserve £000	Treasury shares £000	Retained earnings £000	
Balance at 31 December 2023	167	11,606	19	1,341	(1,299)	240,606	252,440
Total comprehensive income for the period							
Profit for 2024	–	–	–	–	–	24,854	24,854
Other comprehensive income, net of tax							
Changes in fair value of equity investments at fair value through other comprehensive income (FVOCI)	–	–	–	778	–	–	778
Sale of financial assets carried at FVOCI	–	–	–	(49)	–	49	–
Tax on other comprehensive income	–	–	–	(182)	–	–	(182)
Total other comprehensive income	–	–	–	547	–	49	596
Total comprehensive income for the period	–	–	–	547	–	24,903	25,450
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Final dividend relating to 2023	–	–	–	–	–	(4,406)	(4,406)
Special dividend relating to 2024	–	–	–	–	–	(3,264)	(3,264)
Interim dividend relating to 2024	–	–	–	–	–	(3,264)	(3,264)
Total contributions by and distributions to owners	–	–	–	–	–	(10,934)	(10,934)
Balance at 31 December 2024	167	11,606	19	1,888	(1,299)	254,575	266,956

Consolidated Statement of Changes in Equity *continued*

	Attributable to equity holders of the Group						Total £000
	Share capital £000	Share Premium £000	Capital redemption reserve £000	Fair value reserve £000	Treasury shares £000	Retained earnings £000	
Balance at 31 December 2022	154	–	19	1,067	(1,299)	212,037	211,978
Total comprehensive income for the period							
Profit for 2023	–	–	–	–	–	35,379	35,379
Other comprehensive income, net of tax							
Changes in fair value of equity investments at fair value through other comprehensive income (FVOCI)	–	–	–	412	–	–	412
Sale of financial assets carried at FVOCI	–	–	–	(47)	–	47	–
Tax on other comprehensive income	–	–	–	(91)	–	–	(91)
Total other comprehensive income	–	–	–	274	–	47	321
Total comprehensive income for the period	–	–	–	274	–	35,426	35,700
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issues of new ordinary shares	13	11,606	–	–	–	–	11,619
Final dividend relating to 2022	–	–	–	–	–	(3,756)	(3,756)
Interim dividend relating to 2023	–	–	–	–	–	(3,101)	(3,101)
Total contributions by and distributions to owners	13	11,606	–	–	–	(6,857)	4,762
Balance at 31 December 2023	167	11,606	19	1,341	(1,299)	240,606	252,440

Company Statement of Changes in Equity

	Attributable to equity holders of the Company						Total £000
	Share capital £000	Share premium £000	Capital redemption reserve £000	Fair value reserve £000	Treasury shares £000	Retained earnings £000	
Balance at 1 January 2023	154	–	19	–	(1,299)	152,115	150,989
Total comprehensive income for the period							
Profit for 2023	–	–	–	–	–	3,551	3,551
Other comprehensive income, net of income tax							
Total comprehensive income for the period	–	–	–	–	–	3,551	3,551
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of new ordinary shares	13	11,606	–	–	–	–	11,619
Final dividend relating to 2022	–	–	–	–	–	(3,756)	(3,756)
Interim dividend relating to 2023	–	–	–	–	–	(3,101)	(3,101)
Total contributions by and distributions to owners	13	11,606	–	–	–	(6,857)	4,762
Balance at 31 December 2023	167	11,606	19	–	(1,299)	148,809	159,302
Total comprehensive income for the period							
Profit for 2024	–	–	–	–	–	11,363	11,363
Other comprehensive income, net of income tax							
Total comprehensive income for the period	–	–	–	–	–	11,363	11,363
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Final dividend relating to 2023	–	–	–	–	–	(4,406)	(4,406)
Special dividend relating to 2024	–	–	–	–	–	(3,264)	(3,264)
Interim dividend relating to 2024	–	–	–	–	–	(3,264)	(3,264)
Total contributions by and distributions to owners	–	–	–	–	–	(10,934)	(10,934)
Balance at 31 December 2024	167	11,606	19	–	(1,299)	149,238	159,731

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2024 £000	Year ended 31 December* 2023 £000
Cash flows from operating activities			
Profit before tax		35,090	47,117
Adjustments for:			
- Depreciation and amortisation	29,28,30	11,834	9,819
- Impairment loss on loans and advances	24	4,782	208
- Net interest expense		598	564
- Elimination of exchange differences on debt securities		(3,157)	8,712
- Other non-cash or non-operating items included in profit before tax		(79)	172
- Tax paid		(6,976)	(5,965)
Cash flows from operating profits before changes in operating assets and liabilities		42,092	60,627
Changes in operating assets and liabilities:			
- net decrease in derivative financial instruments		212	3,005
- net increase in loans and advances to customers		(34,777)	(28,347)
- net increase in assets held for leasing		(18,362)	(95,853)
- net decrease/(increase) in other assets		9,430	(3,601)
- net increase in amounts due to customers		372,926	667,018
- net (decrease)/increase in other liabilities		(2,362)	13,303
Net cash inflow from operating activities		369,159	616,152
Cash flows from investing activities			
Acquisition of financial investments		(215)	(174)
Disposal of financial investments		84	63
Purchase of intangible assets	28	(4,739)	(1,523)
Purchase of property, plant and equipment	29	(23,204)	(4,846)
Proceeds from sale of property, plant and equipment	29	53	5
Purchase of debt securities		(1,621,196)	(1,582,889)
Proceeds from redemption of debt securities		1,366,350	1,071,232
Net cash outflow from investing activities		(282,867)	(518,132)
Cash flows from financing activities			
Issue of new ordinary shares		–	11,619
Decrease in borrowings		(238)	(43,049)
Repayment of principal portions of lease liabilities		(2,202)	(2,309)
Dividends paid		(10,934)	(6,857)
Net cash outflow from financing activities		(13,374)	(40,596)
Net increase in cash and cash equivalents		72,918	57,424
Cash and cash equivalents at 1 January		905,940	848,516
Cash and cash equivalents at 31 December	42	978,858	905,940

* 2023 comparative figures have been adjusted by £1.3m to reflect the repayment of principal portions of lease liabilities within financing cashflows and the interest portion within operating cashflows to align presentation of interest within the statement of cashflows. 2023 comparative tax paid figures have been adjusted by £5.8m to reflect amounts paid instead of tax expense. This has resulted in adjustments to changes in other assets and other liabilities of £2.4m and £4.7m respectively.

Interest received was £266.2m (2023: £228.0m) and interest paid was £144.8m (2023: £73.8m).

Company Statement of Cash Flows

	Note	Year ended 31 December 2024 £000	Year ended 31 December* 2023 £000
Cash flows from operating activities			
Profit before tax		16,260	6,856
Adjustments for:			
- Depreciation and amortisation	28, 29	27	1
- Net interest income		(1)	(523)
- Elimination of exchange differences on debt securities		–	(170)
- Other non-cash or non-operating items included in profit before tax		(25)	84
- Tax paid		(2,826)	(1,803)
Cash flows from operating profits before changes in operating assets and liabilities		13,435	4,445
Changes in operating assets and liabilities:			
- net increase in group company balances		(1,889)	(93)
- net increase in other assets		(12)	(1,372)
- net (decrease)/increase in other liabilities		(493)	2,398
Net cash inflow from operating activities		11,041	5,378
Cash flows from investing activities			
Issue of subordinated debt to Arbuthnot Latham		(545)	(12,951)
Capital contribution to Arbuthnot Latham		–	(5,000)
Disposal of property, plant and equipment		39	–
Purchase of property, plant and equipment	29	(118)	–
Net cash outflow from investing activities		(624)	(17,951)
Cash flows from financing activities			
Issue of new shares		–	11,619
Issue subordinated debt		814	–
Dividends paid		(10,934)	(6,857)
Net cash (outflow)/inflow from financing activities		(10,120)	4,762
Net increase/(decrease) in cash and cash equivalents		297	(7,811)
Cash and cash equivalents at 1 January		623	8,434
Cash and cash equivalents at 31 December	42	920	623

* 2023 comparative tax paid figures have been adjusted by £1.5m to reflect amounts paid instead of tax expense. This has also resulted in respective adjustment to changes in other liabilities of £1.5m.

Interest received was £4.2m (2023: £3.6m) and interest paid was £4.2m (2023: £4.2m).

Notes to the Consolidated Financial Statements

1. Reporting entity

Arbuthnot Banking Group PLC is a company domiciled in the United Kingdom. The registered address of Arbuthnot Banking Group PLC is 20 Finsbury Circus, London, EC2M 7EA. The consolidated financial statements of Arbuthnot Banking Group PLC as at and for the year ended 31 December 2024 comprise Arbuthnot Banking Group PLC and its subsidiaries (together referred to as the “Group” and individually as “subsidiaries”). The Company is the holding company of a group primarily involved in banking and financial services.

2. Basis of preparation

(a) Statement of compliance

The Group’s consolidated financial statements and the Company’s financial statements have been prepared in accordance with UK-adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

The consolidated financial statements were authorised for issue by the Board of Directors on 26 March 2025.

(b) Basis of measurement

The consolidated and company financial statements have been prepared under the historical cost convention, as modified by investment property and derivatives, financial assets and financial liabilities at fair value through profit or loss or other comprehensive income.

(c) Functional and presentational currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Pounds Sterling, which is the Company’s functional and the Group’s presentational currency.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(e) Going concern

After making appropriate enquiries which assessed strategy, profitability, funding, risk management (see Note 6), capital resources (see Note 7) and the potential impact of climate-related risks, the directors are satisfied that the Company and the Group have adequate resources to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue. The Audit Committee reviewed management’s assessment, which incorporated analysis of the ICAAP and ILAAP approved by the Board of AL and of relevant metrics, focusing on liquidity, capital, and the stress scenarios. It is satisfied that the going concern basis and assessment of the Group’s longer-term viability is appropriate. The financial statements are therefore prepared on the going concern basis.

(f) Accounting developments

The accounting policies adopted are consistent with those of the previous financial year.

3. Material accounting policies

The accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1. Consolidation

(a) Subsidiaries

Subsidiaries are all investees (including special purpose entities) controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's shares of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Statement of Comprehensive Income as a gain on bargain purchase. Contingent consideration related to an acquisition is initially recognised at the date of acquisition as part of the consideration transferred, measured at its acquisition date fair value and recognised as a liability. The fair value of a contingent consideration liability recognised on acquisition is remeasured at key reporting dates until it is settled, changes in fair value are recognised in the profit or loss.

The Company's investments in subsidiaries are recorded at cost less, where appropriate, provisions for impairment in value.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Special purpose entities

Special purpose entities ("SPEs") are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets or the execution of a specific borrowing or lending transaction. SPEs are consolidated when the investor controls the investee. The investor would only control the investee if it had all of the following:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the investor's returns.

The assessment of whether the Group has control over an SPE is carried out at inception and the initial assessment is only reconsidered at a later date if there were any changes to the structure or terms of the SPE, or there were additional transactions between the Group and the SPE.

3.2. Foreign currency translation

Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Foreign exchange differences arising from translation of equity instruments, where an election has been made to present subsequent fair value changes in Other Comprehensive Income ("OCI"), will also be recognised in OCI.

3.3. Financial assets and financial liabilities

IFRS 9 requires financial assets and liabilities to be measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through the profit and loss ("FVPL"). Liabilities are measured at amortised cost or FVPL. The Group classifies financial assets and financial liabilities in the following categories: financial assets and financial liabilities at FVPL; FVOCI, financial assets and liabilities at amortised cost and other financial liabilities. Management determines the classification of its financial instruments at initial recognition.

A financial asset or financial liability is measured initially at fair value plus, transaction costs that are directly attributable to its acquisition or issue with the exception of financial assets at FVPL where these costs are debited to the income statement.

(a) Financial assets measured at amortised cost

Financial assets that are held to collect contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A basic lending arrangement results in contractual cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets measured at amortised cost are predominantly loans and advances and debt securities.

Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable and the business model assessment and SPPI criteria are met. Loans are recognised when cash is advanced to the borrowers inclusive of transaction costs. Loans and advances, are carried at amortised cost using the effective interest rate method.

Notes to the Consolidated Financial Statements *continued*

3. Material accounting policies (continued)

Debt securities at amortised cost

Debt securities at amortised cost are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has determined meets the SPPI criteria. Certain debt securities are held by the Group Central Treasury in a separate portfolio for long-term yield. These securities may be sold, but such sales are not expected to be more than infrequent. The Group considers that these securities are held within a business model whose objective is to hold assets to collect the contractual cash flows. Debt security investments are carried at amortised cost using the effective interest rate method, less any impairment loss.

(b) Financial assets and financial liabilities at FVPL

Financial assets and liabilities are classified at FVPL where they do not meet the criteria to be measured at amortised cost or FVOCI or where financial assets are designated at FVPL to reduce an accounting mismatch. They are measured at fair value in the statement of financial position, with fair value gains/losses recognised in the income statement.

Financial assets that are held for trading or managed within a business model that is evaluated on a fair value basis are measured at FVPL, because the business objective is neither hold-to-collect contractual cash flows nor hold-to-collect-and-sell contractual cash flows.

This category comprises derivative financial instruments and financial investments. Derivative financial instruments utilised by the Group include structured notes and derivatives used for hedging purposes.

Financial assets and liabilities at FVPL are initially recognised on the date from which the Group becomes a party to the contractual provisions of the instrument, including any acquisition costs. Subsequent measurement of financial assets and financial liabilities held in this category are carried at FVPL until the investment is sold.

(c) Financial assets at FVOCI

These include investments in special purpose vehicles and equity investments. They may be sold in response to liquidity requirements, interest rate, exchange rate or equity price movements. Financial investments are initially recognised at cost, which is considered as the fair value of the investment including any acquisition costs. The securities are subsequently measured at fair value in the statement of financial position.

Fair value changes in the securities are recognised directly in equity (OCI).

There is a rebuttable presumption that all equity investments are FVPL, however on initial recognition the Group may make an irrevocable election to present the fair value movement of equity investments that are not held for trading within OCI. The election can be made on an instrument by instrument basis.

For equity instruments, there are no reclassifications of gains and losses to the profit or loss statement on derecognition and no impairment recognised in the profit or loss. Equity fair value movements are not reclassified from OCI under any circumstances.

(d) Financial guarantees and loan commitments

Financial guarantees represent undertakings that the Group will meet a customer's obligation to third parties if the customer fails to do so. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The Group is exposed to loss in an amount equal to the total guarantees or unused commitments, however, the likely amount of loss is expected to be significantly less; most commitments to extend credit are contingent upon customers maintaining specific credit standards, where the amount of loss exceeds the total unused commitments an ECL is recognised. Liabilities under financial guarantee contracts are initially recorded at their fair value, and the initial fair value is amortised over the life of the financial guarantee. Subsequently, the financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation, and the ECL of the obligations.

(e) Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities with fixed or determinable payments. These liabilities are recognised when cash is received from the depositors and carried at amortised cost using the effective interest rate method. The fair value of these liabilities repayable on demand is assumed to be the amount payable on demand at the Statement of Financial Position date.

Basis of measurement for financial assets and liabilities

Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal payments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or when the Group has transferred substantially all risks and rewards of ownership. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the Statement of Financial Position. In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset. There have not been any instances where assets have only been partially derecognised.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, expire, are modified or exchanged.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as the Group's trading activity.

Modification of financial assets

If the terms of financial assets are modified, then the Group evaluates whether the cash flow of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted as follows:

- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of gain or loss on derecognition.

3.4 Impairment for financial assets at amortised cost and lease receivables

IFRS 9 impairment model adopts a three stage expected credit loss approach ("ECL") based on the extent of credit deterioration since origination.

The three stages under IFRS 9 are as follows:

- Stage 1 – if, at the reporting date, the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.
- Stage 2 – a lifetime loss allowance is held for financial assets where a significant increase in credit risk has been identified since initial recognition for financial assets that are not credit impaired. The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period for the life of the loan.
- Stage 3 – a lifetime ECL allowance is required for financial assets that are credit impaired at the reporting date.

Measurement of ECL

The assessment of credit risk and the estimation of ECL are unbiased and probability weighted. ECL is measured on either a 12 month (Stage 1) or lifetime (Stage 2) basis depending on whether a significant increase in credit risk has occurred since initial recognition or where an account meets the Group's definition of default (Stage 3).

The ECL calculation is a product of an individual loan's probability of default ('PD'), exposure at default ('EAD') and loss given default ('LGD') discounted at the effective interest rate ('EIR').

Notes to the Consolidated Financial Statements *continued*

3. Material accounting policies (continued)

Significant increase in credit risk ("SICR") (movement to Stage 2)

The Group's transfer criteria determines what constitutes a significant increase in credit risk, which results in a financial asset being moved from Stage 1 to Stage 2. The Group has determined that a significant increase in credit risk arises when an individual borrower is more than 30 days past due or in other circumstances such as forbearance measures.

The Group monitors the ongoing appropriateness of the transfer criteria, where any proposed amendments will be reviewed and approved by the Group's Credit Committees at least annually and more frequently if required.

A borrower will move back into Stage 1 conditional upon a period of good account conduct and the improvement of the Client's situation to the extent that the probability of default has receded sufficiently and a full repayment of the loan, without recourse to the collateral, is likely.

Definition of default (movement to Stage 3)

The Group uses a number of qualitative and quantitative criteria to determine whether an account meets the definition of default and as a result moves into Stage 3. The criteria are as follows:

- The rebuttable assumption that more than 90 days past due is an indicator of default. The Group therefore deems more than 90 days past due as an indicator of default except for cases where the customer is already within forbearance. This will ensure that the policy is aligned with the Basel/Regulatory definition of default.
- The Group has also deemed it appropriate to classify accounts into Stage 3 where there has been a breach in agreed forbearance arrangements, recovery action is in hand or bankruptcy proceedings or a similar insolvency process of a client, or director of a company have been initiated.

A borrower will move out of Stage 3 when their credit risk improves such that they are no longer past due and remain up to date for a minimum period of six months and the improvement in the borrower's situation to the extent that credit risk has receded sufficiently and a full repayment of the loan, without recourse to the collateral, is likely.

Forward looking macroeconomic scenarios

IFRS 9 requires the entity to consider the risk of default and impairment loss taking into account expectations of economic changes that are reasonable.

The Group uses bespoke macroeconomic models to determine the most significant factors which may influence the likelihood of an exposure defaulting in the future. At present, the most significant macroeconomic factors relate to property prices, UK real GDP growth and unemployment rate. The Group currently consider five probability weighted scenarios: baseline; extreme downside; downside 2; downside 1 and upside. The Group has derived an approach for factoring probability weighted macroeconomic forecasts into ECL calculations, adjusting PD and LGD estimates.

Expected life

IFRS 9 requires lifetime expected credit losses to be measured over the expected life. Currently the Group considers the loans' contractual term as the maximum period to consider credit losses. This approach will continue to be monitored and enhanced if and when deemed appropriate.

Government guarantees

During March and April 2020, the UK government launched a series of temporary schemes designed to support businesses and deal with the impact of Covid-19. The BBLs, CBILs, CLBILs and RLS lending products were originated by the Group but are covered by government guarantees. These are to be set against the outstanding balance of a defaulted facility after the proceeds of the business assets have been applied. The government guarantee is 80% for CBILs, CLBILs and RLS and 100% for BBLs. Arbutnot Latham recognises lower LGDs for these lending products as a result, with 0% applied to the government guaranteed part of the exposure.

3.5 Derivatives held for risk management purposes and hedge accounting

The Group has elected, as an accounting policy choice permitted under IFRS 9 'Financial Instruments', to continue to apply the hedge accounting rules set out in IAS 39 'Financial Instruments – Recognition and measurement'. However, additional hedge accounting disclosures introduced by IFRS 9's consequential amendments to IFRS 7 are provided.

Derivatives held for risk management purposes include all derivative assets and liabilities that are not classified as trading assets or liabilities. All derivatives are measured at fair value in the Statement of Financial Position.

The Group designates certain derivatives held for risk management as hedging instruments in qualifying hedging relationships.

Policy applicable generally to hedging relationships

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value of the respective hedged item(s) during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80–125%.

Fair value hedges

When a derivative is designated as the hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss. The change in fair value of the hedged item attributable to the hedged risk is recognised in profit or loss. If the hedged item would otherwise be measured at cost or amortised cost, then its carrying amount is adjusted accordingly.

If the hedging derivative expires or is sold, terminated or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively. However, if the derivative is novated to a central counterparty by both parties as a consequence of laws or regulations without changes in its terms except for those that are necessary for the novation, then the derivative is not considered expired or terminated.

Any adjustment up to the point of discontinuation to a hedged item for which the effective interest method is used is amortised to profit or loss as an adjustment to the recalculated effective interest rate of the item over its remaining life.

On hedge discontinuation, any hedging adjustment made previously to a hedged financial instrument for which the effective interest method is used is amortised to profit or loss by adjusting the effective interest rate of the hedged item from the date on which amortisation begins. If the hedged item is derecognised, then the adjustment is recognised immediately in profit or loss when the item is derecognised.

3.6. Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Impairment for goodwill is discussed in more detail under Note 28.

3.7. Fiduciary activities

The Group commonly acts as trustee and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the Group.

3.8. Adoption of new and revised reporting standards

There are no standards, interpretations or amendments to existing standards that have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2024 or later periods, that will have any material impact on the Group's financial statements.

3.9. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group has not early adopted the new and amended standards in preparing these consolidated financial statements.

Other standards

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates titled Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025).
- IFRS 18 Presentation and Disclosures in Financial Statements (effective for annual periods beginning on or after 1 January 2027, but has not yet been endorsed for use in the UK).
- IFRS 19 Subsidiaries without Public Accountability: Disclosures (effective for annual periods beginning on or after 1 January 2027, but has not yet been endorsed for use in the UK).

The Group is currently assessing the impact of these amendments.

Notes to the Consolidated Financial Statements *continued*

4. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements is included in the following notes:

- Notes 3.4 and 6(a): establishing the criteria for determining whether credit risk on a financial asset has increased significantly since initial recognition.
- Notes 3.4 and 6(a): establishing the criteria to determine whether an account meets the definition of default and as a result moves into Stage 3.
- Notes 3.3 and 6(f): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of financial assets are SPPI on the principal amount outstanding.

4.2 Estimation uncertainty

(a) Expected credit losses (“ECL”) on financial assets

The Group reviews its loan portfolios and debt security investments to assess impairment at least on a quarterly basis. The basis for evaluating impairment losses is described in Note 11. The measurement of ECL required by the implementation of IFRS 9, necessitates a number of significant judgements. Specifically, judgements and estimation uncertainties relate to assessment of whether credit risk on the financial asset has increased significantly since initial recognition, incorporation of forward-looking information (“FLI”) in the measurement of ECLs and key assumptions used in estimating recoverable cash flows. These estimates are driven by a number of factors that are subject to change which may result in different levels of ECL allowances.

The Group incorporates FLI into the assessment of whether there has been a significant increase in credit risk. Forecasts for key macroeconomic variables that most closely correlate with the Bank’s portfolio are used to produce five economic scenarios, comprising of a base case, which is the central scenario, developed internally based on consensus forecast, and four less likely scenarios, one upside and three downside scenarios (downside 1, downside 2 and extreme downside), and the impacts of these scenarios are then probability weighted. The estimation and application of this FLI will require significant judgement supported by the use of external information.

12-month ECLs on loans and advances (loans within Stage 1) are calculated using a statistical model on a collective basis, grouped together by product and geographical location. The key assumptions are the probability of default, the economic scenarios and loss given default having consideration to collateral. Lifetime ECLs on loans and advances (loans within Stage 2 and 3) are calculated based on an individual valuation of the underlying asset and other expected cash flows.

For financial assets in Stage 2 and 3, ECL is calculated on an individual basis and all relevant factors that have a bearing on the expected future cash flows are taken into account. These factors can be subjective and can include the individual circumstances of the borrower, the realisable value of collateral, the Group’s position relative to other claimants, and the likely cost to sell and duration of the time to collect. The level of ECL is the difference between the value of the recoverable amount (which is equal to the expected future cash flows discounted at the loan’s original effective interest rate), and its carrying amount.

Five economic scenarios were modelled. A probability was assigned to each scenario to arrive at an overall weighted impact on ECL. Management judgment is required in the application of the probability weighting for each scenario.

The Group considered the impact of various assumptions on the calculation of ECL (changes in GDP, unemployment rates, inflation, exchange rates, equity prices, wages and collateral values/property prices) and concluded that collateral values/property prices, UK GDP and UK unemployment rate are key drivers of credit risk and credit losses for each portfolio of financial instruments.

Using an analysis of historical data, management has estimated relationships between macro-economic variables and credit risk and credit losses. The Group estimates each key driver for credit risk over the active forecast period of between two and five years. This is followed by a period of mean reversion of five years.

The five macroeconomic scenarios modelled on future property prices and macroeconomic variables were as follows:

- Baseline
- Upside
- Downside 1
- Downside 2
- Extreme downside

The table below reflect the expected probability weightings applied for each macroeconomic scenario:

Group	Probability weighting	
	2024	2023
Economic Scenarios		
Baseline	46.0%	46.0%
Upside	21.0%	16.0%
Downside 1	15.0%	18.0%
Downside 2	9.0%	12.0%
Extreme downside	9.0%	8.0%

The tables below show the five-year forecasted average growth for property prices, the UK unemployment rate and UK real GDP:

Group	31 December 2024				
	Base	Upside	Downside 1	Downside 2	Extreme downside
Five-year summary					
UK House price index - average growth	3.0%	4.2%	0.8%	(1.4%)	(3.6%)
UK Commercial real estate price - average growth	1.4%	3.4%	(0.4%)	(2.3%)	(4.2%)
UK Unemployment rate - average	4.4%	3.9%	5.3%	6.2%	7.1%
UK GDP - average growth	1.4%	2.0%	0.9%	0.5%	0.1%

Group	31 December 2023				
	Base	Upside	Downside 1	Downside 2	Extreme downside
Five-year summary					
UK House price index - average growth	1.5%	5.8%	(0.4%)	(2.3%)	(4.2%)
UK Commercial real estate price - average growth	1.5%	3.6%	(0.7%)	(2.8%)	(4.9%)
UK Unemployment rate - average	4.9%	3.9%	5.7%	6.5%	7.3%
UK GDP - average growth	1.3%	2.1%	0.9%	0.4%	0.0%

Notes to the Consolidated Financial Statements *continued*

4. Critical accounting estimates and judgements in applying accounting policies (continued)

The tables below list the macroeconomic assumptions at 31 December 2024 used in the base, upside and downside scenarios over the five-year forecast period. The assumptions represent the absolute percentage unemployment rates and year-on-year percentage change for GDP and property prices.

UK House price index - four quarter growth

Year	Baseline	Upside	Downside 1	Downside 2	Extreme downside
2025	2.1%	4.0%	–	(2.0%)	(4.1%)
2026	2.2%	4.2%	(3.2%)	(8.7%)	(14.1%)
2027	3.4%	4.4%	(1.9%)	(7.3%)	(12.6%)
2028	3.6%	4.2%	4.4%	5.3%	6.1%
2029	3.9%	4.4%	4.8%	5.7%	6.5%
5 year average	3.0%	4.2%	0.8%	(1.4%)	(3.6%)

UK Commercial real estate price - four quarter growth

Year	Baseline	Upside	Downside 1	Downside 2	Extreme downside
2025	1.5%	7.1%	(5.2%)	(11.8%)	(18.4%)
2026	1.0%	3.5%	(6.1%)	(13.2%)	(20.3%)
2027	2.1%	3.3%	3.6%	5.2%	6.7%
2028	1.3%	1.5%	2.8%	4.3%	5.8%
2029	1.4%	1.6%	2.7%	4.1%	5.5%
5 year average	1.4%	3.4%	(0.4%)	(2.3%)	(4.2%)

UK Unemployment rate - annual average

Year	Baseline	Upside	Downside 1	Downside 2	Extreme downside
2025	4.5%	3.9%	4.7%	4.8%	5.0%
2026	4.3%	3.9%	5.4%	6.4%	7.5%
2027	4.4%	3.9%	5.7%	7.1%	8.4%
2028	4.5%	3.8%	5.6%	6.7%	7.8%
2029	4.4%	3.9%	5.3%	6.2%	7.1%
5 year average	4.4%	3.9%	5.3%	6.2%	7.1%

UK GDP - annual growth

Year	Baseline	Upside	Downside 1	Downside 2	Extreme downside
2025	1.3%	2.4%	(0.7%)	(2.8%)	(4.8%)
2026	1.4%	2.3%	1.2%	1.1%	0.9%
2027	1.4%	1.9%	1.4%	1.4%	1.4%
2028	1.4%	1.8%	1.4%	1.4%	1.4%
2029	1.5%	1.8%	1.4%	1.4%	1.4%
5 year average	1.4%	2.0%	0.9%	0.5%	0.1%

The graphs below plot the historical data for HPI, Commercial real estate price, unemployment rate and GDP growth rate in the UK as well as the forecasted data under each of the five scenarios.



The table below compares the 31 December 2024 ECL provision using the 31 December 2024 economic scenarios and the 31 December 2024 ECL provision using the 31 December 2023 economic scenarios.

Group	Economic scenarios as at	
	2024 £000	2023 £000
ECL Provision		
Stage 1	664	715
Stage 2	1,622	1,649
Stage 3	9,301	9,592
At 31 December 2024	11,587	11,956

Notes to the Consolidated Financial Statements *continued*

4. Critical accounting estimates and judgements in applying accounting policies (continued)

Additionally, management have assessed the impact of assigning a 100% probability to each of the economic scenarios, which would have the following impact on the Profit or Loss of the Group:

Group	2024 £m	2023 £m
Impact of 100% scenario probability		
Baseline	0.5	0.8
Upside	1.8	1.6
Downside 1	(1.9)	(1.7)
Downside 2	(5.2)	(8.1)
Extreme downside	(21.4)	(24.0)

(b) Effective Interest Rate

Loans and advances to customers are initially recognised at fair value. The fair value of a loan on initial recognition is generally its transaction price. Subsequently, they are measured under the effective interest rate method. Management review the expected cash flows against actual cash flows to ensure future assumptions on customer behaviour and future cash flows remain valid. If the estimates of future cash flows are revised, the gross carrying value of the financial asset is recalculated as the present value of the estimated future contractual cash flows discounted at the original effective interest rate. The adjustment to the carrying value of the loan book is recognised in the Statement of Comprehensive Income.

The accuracy of the effective interest rate is affected by unexpected market movements resulting in altered customer behaviour, inaccuracies in the models used compared to actual outcomes and incorrect assumptions.

In 2024 the Group recognised £325k (2023: £28k) additional interest income to reflect a revision in the timing of expected cash flows on the originated book, reflecting a shortening of the expected life of originated loan book.

If customer loans repaid 6 months earlier than anticipated on the originated loan book, interest income would increase by £0.5m (2023: £0.5m), due to acceleration of fee income.

In 2024 the Group recognised £45k additional (2023: additional £13k) interest income to reflect actual cash flows received on the acquired mortgage book being less than forecast cash flows.

The key judgements in relation to calculating the net present value of the acquired mortgage book relate to the timing of future cash flows on principal repayments. Management have considered an early and delayed 6-month sensitivity on the timing of repayment and a 10% increase and decrease of principal repayments to be reasonably possible.

If the acquired loan book was modelled to accelerate cash flows by 6 months, it would increase interest income in 2024 by £0.18m (2023: £0.03m) while a 10% increase in principal repayments will increase interest income in 2024 by £0.4m (2023: £0.1m) through a cash flow reset adjustment.

(c) Investment property

The valuation that the Group places on its investment property is subject to a degree of uncertainty and is calculated on the basis of assumptions in relation to prevailing market rents and effective yields. These assumptions may not prove to be accurate, particularly in periods of market volatility.

The uncertainty due to higher interest rates has resulted in less market evidence being available for Management in making its judgement on the key assumptions of property yield and market rent. The Group currently owns one (2023: one) investment property, as outlined in Note 31.

Management valued the investment property utilising externally sourced market information and property specific knowledge.

Crescent Office Park in Bath with value of £5.3m (2023: £6.0m)

In December 2017, the office building was acquired with the intention to be included within a new property fund initiative that the Group had planned to start-up. The property had tenants in situ with the Fund recognising rental income.

The property was initially recognised as held for sale under IFRS 5. In 2018 the launch of the property fund was placed on hold and as a result it was reclassified as an investment property as the property no longer met the IFRS 5 criteria. The property remained occupied as at 31 December 2024 with the Group receiving rental income.

In accordance with IAS 40, the property is measured at fair value, with its carrying value at year end of £5.25m equal to its fair value.

The valuation of the property has the following key inputs:

- yield: 8.0%
- total rental income per annum: £0.48m

The external valuation that the Group places on its investment property is subject to a degree of uncertainty and is calculated on the basis of assumptions in relation to prevailing market conditions and subject to comparable properties for sale. This valuation is therefore susceptible to uncertainty particularly where there is a limited level of activity in the property market.

Management have assessed that should the fair value of the investment property reduce by 5% this would impact profit or loss by a reduction of £0.3m and a reduction of 10% would impact profit or loss by a reduction of £0.5m.

(d) Inventory

The Group owns one commercial property (2023: one property) and two repossessed properties (2023: one property), classified as inventory and presented as part of other assets in the Statement of Financial Position. The properties are assessed at the reporting date for impairment.

The internal valuations that the Group places on its properties are subject to a degree of uncertainty and are calculated on the basis of assumptions in relation to prevailing market rents and effective yields. These assumptions may not prove to be accurate, particularly in periods of market volatility.

Similarly to investment property, the uncertainty due higher interest rates resulted in less market evidence being available for Management in making its judgement on the key assumptions of property yield and market rent.

The external valuations that the Group places on its properties are subject to a degree of uncertainty and are calculated on the basis of assumptions in relation to prevailing market conditions and subject to comparable properties for sale. These valuations are therefore susceptible to uncertainty particularly where there is a limited level of activity in the property market.

Management have assessed that should the net realisable value less cost to sell of each of the combined property inventory reduce by 5% this would impact profit or loss by a reduction of £0.9m and a reduction of 10% would impact profit or loss by a reduction of £1.7m (or 10% of cost).

(e) Residual value

At the end of lease terms, assets may be sold to third parties or leased for further terms. Rentals are calculated to recover the cost of assets less their residual value ("RV"), and earn finance income. RV's represent the estimated value of the leased asset at the end of lease period. Residual values are calculated after analysing the market place and the company's own historical experience in the market. Expected residual values of leased assets are prospectively adjusted for through the depreciation adjustments which are charged to the income statement each year. The key estimates and judgements that arise in relation to RV's are timing of lease terminations and expected residual value of returned vehicles.

The profitability of the Group's operating lease contracts is highly dependent on the RV of the vehicle at the end of the agreement. On inception of the lease, the Group uses its knowledge and experience of the market and industry to estimate the final RV of the vehicle. The Group is exposed to the risk that the RV of the vehicle may be less than anticipated at the outset of the contract impacting profitability. The Group manages the risk through effective and robust procedures by continually monitoring historic, current and forecast RV performance.

Management have assessed that a residual value decrease of 5% as at 31 December 2024 would impact profit or loss by a reduction of £2.4m (2023: £2.1m) and a residual value decrease of 10% would impact profit or loss by reduction of £4.9m (2023: £4.2m). Expected residual values underlying the calculation of depreciation of leased assets are kept under review to take account of any change in circumstances. Refer to Note 29 for further detail.

Notes to the Consolidated Financial Statements *continued*

5. Maturity analysis of assets and liabilities

The table below shows the maturity analysis by expected maturity date of assets and liabilities of the Group as at 31 December 2024:

At 31 December 2024	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash and balances at central banks	911,887	–	911,887
Loans and advances to banks	66,971	–	66,971
Debt securities at amortised cost	1,037,497	162,350	1,199,847
Derivative financial instruments	–	2,970	2,970
Loans and advances to customers	537,467	1,556,745	2,094,212
Other assets	26,380	25,321	51,701
Financial investments	–	4,947	4,947
Intangible assets	2,590	27,975	30,565
Property, plant and equipment	156,997	156,369	313,366
Right-of-use assets	4,385	43,126	47,511
Investment property	–	5,250	5,250
	2,744,174	1,985,053	4,729,227
LIABILITIES			
Deposits from banks	180,511	12,400	192,911
Deposits from customers	4,087,650	44,843	4,132,493
Current tax liability	3,001	–	3,001
Other liabilities	35,384	–	35,384
Deferred tax liability	–	5,671	5,671
Lease liabilities	1,086	53,743	54,829
Debt securities in issue	–	37,982	37,982
	4,307,632	154,639	4,462,271

The table below shows the maturity analysis by expected maturity date of assets and liabilities of the Group as at 31 December 2023:

At 31 December 2023	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Cash and balances at central banks	826,559	–	826,559
Loans and advances to banks	79,381	–	79,381
Debt securities at amortised cost	859,430	83,007	942,437
Assets classified as held for sale	3,281	–	3,281
Derivative financial instruments	4	4,210	4,214
Loans and advances to customers	563,244	1,500,973	2,064,217
Other assets	32,619	24,531	57,150
Financial investments	–	3,942	3,942
Intangible assets	6,116	23,471	29,587
Property, plant and equipment	107,600	166,706	274,306
Right-of-use assets	5,987	46,829	52,816
Investment property	–	5,950	5,950
	2,484,221	1,859,619	4,343,840
LIABILITIES			
Deposits from banks	3,410	190,000	193,410
Derivative financial instruments	66	966	1,032
Deposits from customers	3,687,489	72,078	3,759,567
Current tax liability	294	–	294
Other liabilities	40,700	–	40,700
Deferred tax liability	–	4,910	4,910
Lease liabilities	2,559	51,202	53,761
Debt securities in issue	–	37,726	37,726
	3,734,518	356,882	4,091,400

Notes to the Consolidated Financial Statements *continued*

5. Maturity analysis of assets and liabilities (continued)

The table below shows the maturity analysis by expected maturity date of assets and liabilities of the Company as at 31 December 2024:

At 31 December 2024	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Loans and advances to banks	7	–	7
Loans and advances to banks - due from subsidiary undertakings	913	–	913
Debt securities at amortised cost	–	38,103	38,103
Deferred tax asset	–	515	515
Property, plant and equipment	–	221	221
Other assets	3,355	–	3,355
Interests in subsidiaries	–	164,354	164,354
	4,275	203,193	207,468
LIABILITIES			
Current tax liability	4,288	–	4,288
Other liabilities	5,467	–	5,467
Debt securities in issue	–	37,982	37,982
	9,755	37,982	47,737

The table below shows the maturity analysis by expected maturity date of assets and liabilities of the Company as at 31 December 2023:

At 31 December 2023	Due within one year £000	Due after more than one year £000	Total £000
ASSETS			
Loans and advances to banks	7	–	7
Loans and advances to banks - due from subsidiary undertakings	616	–	616
Debt securities at amortised cost	–	38,129	38,129
Deferred tax asset	–	520	520
Property, plant and equipment	–	130	130
Other assets	1,449	–	1,449
Interests in subsidiaries	–	164,354	164,354
	2,072	203,133	205,205
LIABILITIES			
Current tax liability	2,641	–	2,641
Other liabilities	5,536	–	5,536
Debt securities in issue	–	37,726	37,726
	8,177	37,726	45,903

6. Financial risk management

Strategy

By their nature, the Group's activities are principally related to the use of financial instruments. The Directors and senior management of the Group have formally adopted a Group Risk and Controls Policy which sets out the Board's attitude to risk and internal controls. Key risks identified by the Directors are formally reviewed and assessed at least once a year by the Board, in addition to which key business risks are identified, evaluated and managed by operating management on an ongoing basis by means of procedures such as physical controls, credit and other authorisation limits and segregation of duties. The Board also receives regular reports on any risk matters that need to be brought to its attention. Significant risks identified in connection with the development of new activities are subject to consideration by the Board. There are budgeting procedures in place and reports are presented regularly to the Board detailing the results of each principal business unit, variances against budget and prior year, and other performance data.

The principal non-operational risks inherent in the Group's business are credit, macroeconomic, market, liquidity and capital.

(a) Credit risk

The Company and Group take on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in the Company and Group's portfolio, could result in losses that are different from those provided for at the balance sheet date. Credit risk is managed through the Credit Committee of the banking subsidiary.

The Committee regularly reviews the credit risk profile of the Group, with a clear focus on performance against risk appetite statements and risk metrics. The Committee considered credit conditions during the year, and in particular the impact of the high interest rates on performance against both credit risk appetite and a range of key credit risk metrics.

The Company and Group structure the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to products, and one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. The limits are approved periodically by the Board of Directors and actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral, and corporate and personal guarantees.

The economic environment remains uncertain and future impairment charges may be subject to further volatility (including from changes to macroeconomic variable forecasts).

Higher interest rates have created a challenge for ECL modelling, given the severity of economic shock and associated uncertainty for the future economic path coupled with the scale of government and central bank intervention that have altered the relationships between economic drivers and default.

The Group has attempted to leverage stress test modelling insights to inform ECL model refinements to enable reasonable estimates. Management review of modelling approaches and outcomes continues to inform any necessary adjustments to the ECL estimates through the form of in-model adjustments, based on expert judgement including the use of available information. Management considerations included the potential severity and duration of the economic shock, including the mitigating effects of government support actions, as well the potential trajectory of the subsequent recovery.

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of collateral to secure advances, which is common practice. The principal collateral types for loans and advances include, but are not limited to:

- Charges over residential and commercial properties;
- Charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Charges over other chattels; and
- Personal guarantees

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

Upon initial recognition of loans and advances, the fair value of collateral is based on valuation techniques commonly used for the corresponding assets. In order to minimise any potential credit loss the Group will seek additional collateral from the counterparty as soon as impairment indicators are noticed for the relevant individual loans and advances. Repossessed collateral, not readily convertible into cash, is made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness, or held as inventory where the Group intends to develop and sell in the future. Where excess funds are available after the debt has been repaid, they are available either for other secured lenders with lower priority or are returned to the customer.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The key inputs into the measurement of the ECL are:

- assessment of significant increase in credit risk
- future economic scenarios (see Note 4.2 (a))
- probability of default
- loss given default
- exposure at default

The IFRS 9 impairment model adopts a three stage approach based on the extent of credit deterioration since origination, see Note 11.

The Group's maximum exposure to credit risk before collateral held or other credit enhancements is as follows:

Group Credit risk exposures (all Stage 1, unless otherwise stated)	2024					
	Banking £000	RAF £000	ACABL £000	AAG £000	All Other Divisions £000	Total £000
On-balance sheet:						
Cash and balances at central banks	–	–	–	–	911,699	911,699
Loans and advances to banks	–	–	–	–	66,971	66,971
Debt securities at amortised cost	–	–	–	–	1,199,847	1,199,847
Derivative financial instruments	–	–	–	–	2,970	2,970
Loans and advances to customers (Gross of ECL)	1,549,071	249,789	228,507	77,305	1,129	2,105,801
Stage 1	1,420,547	242,482	189,097	77,065	(14)	1,929,177
Stage 2	60,379	4,407	38,249	240	–	103,275
Stage 3	68,145	2,900	1,161	–	1,143	73,349
Other assets	–	–	–	–	7,758	7,758
Financial investments	–	–	–	–	4,947	4,947
Off-balance sheet:						
Guarantees	2,500	–	–	–	–	2,500
Loan commitments and other credit related liabilities	101,412	–	324,119	–	–	425,531
At 31 December	1,652,983	249,789	552,626	77,305	2,195,321	4,728,024

Group Credit risk exposures (all Stage 1, unless otherwise stated)	2023					Total £000
	Banking* £000	RAF £000	ACABL £000	AAG £000	All Other Divisions** £000	
On-balance sheet:						
Cash and balances at central banks	–	–	–	–	826,397	826,397
Loans and advances to banks	–	–	–	–	79,381	79,381
Debt securities at amortised cost	–	–	–	–	942,437	942,437
Assets classified as held for sale	–	–	–	–	3,281	3,281
Derivative financial instruments	–	–	–	–	4,214	4,214
Loans and advances to customers (Gross of ECL)	1,567,732	200,606	240,178	59,396	3,113	2,071,025
Stage 1	1,428,237	194,571	223,912	59,109	3,113	1,908,942
Stage 2	69,765	2,267	10,432	287	–	82,751
Stage 3	69,730	3,768	5,834	–	–	79,332
Other assets	–	–	–	–	22,361	22,361
Financial investments	–	–	–	–	3,942	3,942
Off-balance sheet:						
Guarantees	2,051	–	–	–	–	2,051
Loan commitments and other credit related liabilities	156,027	–	294,399	–	113	450,539
At 31 December	1,725,810	200,606	534,577	59,396	1,885,239	4,405,628

* Banking numbers have been re-presented to include the Mortgage Portfolio throughout this note disclosure

** All other divisions have been re-presented to include Arbuthnot Specialist Finance Limited (ASFL) throughout this note disclosure

The Company's maximum exposure to credit risk (all stage 1) before collateral held or other credit enhancements is as follows:

	2024 £000	2023 £000
Credit risk exposures relating to on-balance sheet assets are as follows:		
Loans and advances to banks	920	623
Debt securities at amortised cost	38,103	38,129
Other assets	3,280	–
At 31 December	42,303	38,752

The above tables represent the maximum credit risk exposure (before impairment) to the Group and Company at 31 December 2024 and 2023 without taking account of any collateral held or other credit enhancements attached. For financial assets, the balances are based on carrying amounts as reported in the Statement of Financial Position. For guarantees and loan commitments, the amounts in the table represent the amounts for which the Group is contractually committed.

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

The table below represents an analysis of the loan to values of the exposures secured by property for the Group:

Group	2024	
	Total	
	Loan Balance £000	Collateral £000
Less than 60%	1,113,713	2,455,910
Stage 1	1,058,577	2,334,164
Stage 2	31,121	72,836
Stage 3	24,015	48,910
60%-80%	348,701	569,311
Stage 1	304,176	497,360
Stage 2	26,322	41,414
Stage 3	18,203	30,537
80%-100%	22,304	31,581
Stage 1	12,594	18,683
Stage 2	659	1,008
Stage 3	9,051	11,890
Greater than 100%	17,130	17,574
Stage 1	6,577	7,789
Stage 2	1,986	482
Stage 3	8,567	9,303
Total	1,501,848	3,074,376

The table below represents an analysis of the loan to values of the exposures secured by property for the Group:

Group	2023	
	Total	
	Loan Balance £000	Collateral £000
Less than 60%	1,112,384	2,576,595
Stage 1	1,025,632	2,383,443
Stage 2	56,296	121,383
Stage 3	30,456	71,769
60%-80%	360,561	571,874
Stage 1	329,135	523,720
Stage 2	10,227	16,185
Stage 3	21,199	31,969
80%-100%	31,702	38,313
Stage 1	29,368	35,211
Stage 2	350	496
Stage 3	1,984	2,606
Greater than 100%*	26,772	16,197
Stage 1	7,122	6,478
Stage 2	2,532	951
Stage 3	17,118	8,768
Total	1,531,419	3,202,979

* In addition to property, other security is taken, including charges over Arbuthnot Latham Investment Management portfolios, other chattels and personal guarantees. Additionally under the government scheme for BBLs, collateral is not required as the loans are 100% backed by the government. Loans with a loan to value of greater than 100% have additional collateral of £1.0m in the form of cash deposits and security over Arbuthnot Latham Investment Management Portfolios and personal guarantees of £7.0m. Non-property collateral reduces loan to value below 100% for all such exposures.

The table below represents an analysis of loan commitments compared to the values of property collateral for the Group (all Stage 1):

Group	2024	
	Loan commitments £000	Collateral £000
	Less than 60%	44,584
60%-80%	981	1,550
80%-100%	2,296	2,717
Total	47,861	97,392

Group	2023	
	Loan commitments £000	Collateral £000
	Less than 60%	34,105
60%-80%	22,261	31,524
Greater than 100%	9,042	2,992
Total	65,408	212,671

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

Renegotiated loans and forbearance

The contractual terms of a loan may be modified due to factors that are not related to the current or potential credit deterioration of the customer (changing market conditions, customer retention, etc.). In such cases, the modified loan may be derecognised and the renegotiated loan recognised as a new loan at fair value.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time).

The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt, or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms can include changing the timing of interest payments, extending the date of repayment of the loan, transferring a loan to interest only payments and a payment holiday. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance.

For financial assets modified as part of the Group's forbearance policy, the estimate of PD (probability of default) reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators. Whilst the customer is under forbearance, the customer will be classified as Stage 2 and the Group recognise a lifetime ECL. The customer will transfer to Stage 1 and revert to a 12 month ECL when they exit forbearance. This is conditional upon both a minimum six months' good account conduct and the improvement to the client's situation to the extent the probability of default has receded sufficiently and full repayment of the loan, without recourse to the collateral, is likely.

Forbearance is a qualitative indicator of a SICR (see Notes 3.3 and 3.4)

As at 31 December 2024, loans for which forbearance measures were in place totalled 1.86% (2023: 3.45%) of total value of loans to customers for the Group. These are set out in the following table:

Group	2024							
	Stage 1		Stage 2		Stage 3		Total	
	Number	Loan Balance £000	Number	Loan Balance £000	Number	Loan Balance £000	Number	Loan Balance £000
Time for asset sale	–	–	–	–	1	35	1	35
Term extension	–	–	7	1,911	1	118	8	2,029
Time for refinance with third party	–	–	1	2,440	–	–	1	2,440
Payment holiday	–	–	7	8,560	5	4,964	12	13,524
Covenant waived	–	–	1	752	–	–	1	752
Modification in terms and conditions	–	–	39	10,617	40	8,637	79	19,254
Restructure	–	–	5	392	1	285	6	677
Total forbearance	–	–	60	24,672	48	14,039	108	38,711

Group	2023							
	Stage 1		Stage 2		Stage 3		Total	
	Number	Loan Balance £000	Number	Loan Balance £000	Number	Loan Balance £000	Number	Loan Balance £000
Time for asset sale	–	–	–	–	2	4,157	2	4,157
Term extension	–	–	11	3,701	2	796	13	4,497
Time for refinance with third party	–	–	–	–	1	2,360	1	2,360
Payment holiday	–	–	13	23,771	3	5,490	16	29,261
Covenant waived	–	–	1	8,205	–	–	1	8,205
Switch to interest only	–	–	2	1,882	–	–	2	1,882
Modification in terms and conditions	–	–	39	10,212	41	8,868	80	19,080
Restructure	–	–	2	1,236	3	457	5	1,693
Total forbearance	–	–	68	49,007	52	22,128	120	71,135

Concentration risk

The table below show the concentration in the loan book based on the most significant type of collateral held for each loan.

	Loans and advances to customers		Loan Commitments	
	2024 £000	2023 £000	2024 £000	2023 £000
Concentration by product				
Asset based lending*	228,196	239,777	324,119	294,399
Asset finance	325,191	257,547	–	113
Cash collateralised	7,034	11,464	1,946	8,500
Commercial lending	72,504	125,193	6,380	7,660
Investment portfolio secured	23,088	16,697	2,219	1,458
Residential mortgages	1,311,158	1,302,177	40,590	103,643
Mixed collateral*	108,232	92,004	1,416	8,710
Unsecured**	18,809	19,358	48,861	26,056
At 31 December	2,094,212	2,064,217	425,531	450,539
Concentration by location				
East Anglia	34,335	24,837	1,642	1,938
London	731,280	754,291	27,693	55,175
Midlands	117,749	102,907	3,322	12,433
North East	111,818	66,039	404	8,535
North West	80,403	84,675	4,673	11,342
Northern Ireland	2,956	3,293	–	–
Scotland	24,405	13,555	500	50
South East	257,244	255,597	6,611	18,757
South West	127,112	181,286	2,615	9,646
Wales	10,452	14,621	–	2,007
Non-property collateral	596,458	563,116	378,071	330,656
At 31 December	2,094,212	2,064,217	425,531	450,539

* Mixed collateral is where there is no single, overall majority collateral type

** Included within unsecured are £4.5m (2023: £7.8m) of loans which are backed by the government guarantee scheme for BBLs.

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

(b) Operational risk

Operational risk is the risk that the Group may be exposed to financial losses from conducting its business. The Group's exposure to operational risk include its Information Technology ("IT") and Operating platforms. There are additional internal controls in these processes that are designed to protect the Group from these risks. The Group's overall approach to managing internal control and financial reporting is described in the Corporate Governance section of the Annual Report.

In line with guidance issued by the Regulator, the Bank has continued to focus on ensuring that the design of systems and operational plans are robust to maintain operational resilience in the face of unexpected incidents.

Cyber risk

Cyber risk is an increasing risk for the Group within its operational processes. It is the risk that the Group is subject to some form of disruption arising from an interruption to its IT and data infrastructure. The Group regularly tests the infrastructure to ensure that it remains robust to a range of threats and has continuity of business plans in place including a disaster recovery plan.

Residual value risk

Residual value risk equals the difference in the residual value of a leased asset set at lease inception and the lower salvage value realised upon its disposal or re-lease at the end of the lease term. The Group is exposed to residual value risk in its AAG business. Normal residual value risk is managed through the process set out below, and it should be noted that the transition to greener technology may further impact residual values in two ways. Firstly, residual values could decrease due to assets becoming obsolete; climate related regulations might change, which could result in legal restrictions on the use of assets or technological advances could lead to preferred environmental technologies. Secondly, the lack of historical information on green vehicles could lead to inaccurate measurement of residual values at inception of leases.

The AAG business manage Residual Value setting through its Residual Value Committee that comprises representatives from its Asset Management, Procurement, Sales and Leasing divisions and is chaired by the Residual Value Manager. Assets are valued using either an approved Residual Value matrix or individually, dependent upon the nature of the asset and current market conditions. The strategy for Residual Value setting and oversight of the Residual Value Committee is conducted by the AAG Residual Risk Committee, which in turn reports into the Asset Alliance Group Holdings Limited board. The Residual Risk Committee, chaired by the AAG Group Risk Director, includes AAG CEO, AL Group Risk Director, AAG Managing Director, AAG Finance Director and heads of Asset Management, Sales and Leasing divisions in AAG.

Conduct risk

As a financial services provider the Group faces conduct risk, including selling products to customers which do not meet their needs, failing to deal with clients' complaints effectively, not meeting clients' expectations, and exhibiting behaviours which do not meet market or regulatory standards.

The Group adopts a low risk appetite for any unfair customer outcomes. It maintains clear compliance guidelines and provides ongoing training to all employees. Periodic spot checks, compliance monitoring and internal audits are performed to ensure these guidelines are followed. The Group also has insurance policies in place to provide some cover for any claims that may arise.

Financial Crime

The Group is exposed to risk due to financial crime including money laundering, sanctions evasion, bribery and corruption, market abuse, tax evasion and fraud. The Group operates policies and controls which are designed to ensure that financial crime risks are identified, appropriately mitigated and managed.

Regulatory and capital risk

Regulatory and capital risk includes the risk that the Group will have insufficient capital resources to support the business and/or does not comply with regulatory requirements. The Group adopts a conservative approach to managing its capital. The Board of Arbuthnot Latham approves an ICAAP annually, which includes the performance of stringent stress tests to ensure that capital resources are adequate over a three year horizon. Capital and liquidity ratios are regularly monitored against the Board's approved risk appetite as part of the risk management framework.

Regulatory change also exists as a risk to the Group's business. Notwithstanding the assessments carried out by the Group to manage regulatory risk, it is not possible to predict how regulatory and legislative changes may alter and impact the business. Significant and unforeseen regulatory changes may reduce the Group's competitive situation and lower its profitability.

(c) Macroeconomic and competitive environment

The Group is exposed to risks that may arise from the macroeconomic and competitive environment.

In recent years there have been a number of global and domestic events which have had significant implications on the Group's operating environment, namely: Russia's war in the Ukraine, the Israel-Hamas war in Gaza and Coronavirus. The culmination of these events has led to significant turmoil in both global and domestic markets. Geo-political volatility and uncertainty remains high with the potential to adversely affect the UK economy, as well as the Group's customers and assets.

(d) Market risk

Price risk

The Group is exposed to price risk from equity investments and derivatives held by the Group. The Group is not exposed to commodity price risk.

Based upon the financial investment exposure in Note 26, a stress test scenario of a 10% (2023: 10%) decline in market prices, would result in a £Nil (2023: £Nil) decrease in the Group's income and a decrease of £0.5m (2023: £0.4m) in the Group's equity. The Group considers a 10% stress test scenario appropriate after taking the current values and historic data into account.

Currency risk

The Company and Group take on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. This is managed through the Group entering into forward foreign exchange contracts. The Board sets limits on the level of exposure for both overnight and intra-day positions, which are monitored daily. The table below summarises the Group's exposure to foreign currency exchange rate risk at 31 December 2024. Included in the table below are the Group's assets and liabilities at carrying amounts, categorised by currency.

At 31 December 2024	GBP (£) £000	USD (\$) £000	Euro (€) £000	Other £000	Total £000
ASSETS					
Cash and balances at central banks	911,754	76	–	57	911,887
Loans and advances to banks	10,882	26,209	23,004	6,876	66,971
Debt securities at amortised cost	888,567	237,474	73,805	1	1,199,847
Derivative financial instruments	2,970	–	–	–	2,970
Loans and advances to customers	2,090,263	(1,558)	4,632	874	2,094,211
Other assets	7,758	–	2,960	–	10,718
Financial investments	–	4,787	160	–	4,947
	3,912,194	266,988	104,561	7,808	4,291,551
LIABILITIES					
Deposits from banks	192,911	–	–	–	192,911
Deposits from customers	3,767,984	264,095	92,735	7,680	4,132,494
Other liabilities	6,229	–	–	–	6,229
Debt securities in issue	26,209	–	11,773	–	37,982
	3,993,333	264,095	104,508	7,680	4,369,616
Net on-balance sheet position	(81,139)	2,893	53	128	(78,065)
Credit commitments	425,531	–	–	–	425,531

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

The table below summarises the Group's exposure to foreign currency exchange risk at 31 December 2023:

At 31 December 2023	GBP (£) £000	USD (\$) £000	Euro (€) £000	Other £000	Total £000
ASSETS					
Cash and balances at central banks	826,132	133	–	294	826,559
Loans and advances to banks	13,622	27,832	30,845	7,082	79,381
Debt securities at amortised cost	697,902	161,991	82,543	1	942,437
Assets classified as held for sale	–	–	3,281	–	3,281
Derivative financial instruments	4,213	1	–	–	4,214
Loans and advances to customers	2,060,235	(139)	3,210	911	2,064,217
Other assets	19,129	–	3,232	–	22,361
Financial investments	–	3,942	–	–	3,942
	3,621,233	193,760	123,111	8,288	3,946,392
LIABILITIES					
Deposits from banks	193,410	–	–	–	193,410
Derivative financial instruments	1,020	1	–	11	1,032
Deposits from customers	3,453,720	190,052	108,053	7,742	3,759,567
Other liabilities	18,303	–	239	–	18,542
Debt securities in issue	24,720	–	13,006	–	37,726
	3,691,173	190,053	121,298	7,753	4,010,277
Net on-balance sheet position	(69,940)	3,707	1,813	535	(63,885)
Credit commitments	450,539	–	–	–	450,539

Derivative financial instruments (see Note 21) are in place to mitigate foreign currency risk on net exposures for each currency. A 10% strengthening of the pound against the US dollar would lead to a £289k increase (2023: £11k increase) in Group profits and equity, while a 10% weakening of the pound against the US dollar would lead to the same decrease (2023: decrease) in Group profits and equity. Additionally, the Group holds a property classified as inventory of £3.0m (2023: £3.3m, classified as asset held for sale). The property is located in the EU and relates to a Euro denominated loan where the property was repossessed and is being held for sale. Including this Euro asset, the net Euro exposure is positive £0.1m (2023: positive £2.9m).

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2024:

At 31 December 2024	GBP (£) £000	Euro (€) £000	Total £000
ASSETS			
Loans and advances to banks	920	–	920
Debt securities at amortised cost	25,575	12,528	38,103
Other assets	3,280	–	3,280
	29,775	12,528	42,303
LIABILITIES			
Other liabilities	1,812	–	1,812
Debt securities in issue	25,575	12,407	37,982
	27,387	12,407	39,794
Net on-balance sheet position	2,388	121	2,509

The table below summarises the Company's exposure to foreign currency exchange rate risk at 31 December 2023:

At 31 December 2023	GBP (£) £000	Euro (€) £000	Total £000
ASSETS			
Loans and advances to banks	623	–	623
Debt securities at amortised cost	24,989	13,140	38,129
Other assets	1,391	–	1,391
	27,003	13,140	40,143
LIABILITIES			
Other liabilities	1,796	–	1,796
Debt securities in issue	24,720	13,006	37,726
	26,517	13,006	39,522
Net on-balance sheet position	487	134	621

A 10% strengthening of the pound against the Euro would lead to £11k increase (2023: £12k increase) in the Company profits and equity, conversely a 10% weakening of the pound against the Euro would lead to a £13k decrease (2023: £15k decrease) in the Company profits and equity.

Interest rate risk

Interest rate risk is the potential adverse impact on the Company and Group's future cash flows from changes in interest rates, and arises from the differing interest rate risk characteristics of the Company and Group's assets and liabilities. In particular, fixed rate savings and borrowing products expose the Group to the risk that a change in interest rates could cause either a reduction in interest income or an increase in interest expense relative to variable rate interest flows. The Group seeks to "match" interest rate risk on both assets and liabilities. However, this is not a perfect match and interest rate risk is present in: Money market transactions of a fixed rate nature, fixed rate loans, fixed rate savings accounts and floating rate products dependent on when they re-price at a future date.

Interest rate risk is measured throughout the maturity bandings of the book on a parallel shift scenario for a 200 basis points movement. The current position of the balance sheet is such that it results in a favourable impact on the economic value of equity of £1.8m (2023: favourable impact of £2.8m) for a positive 200bps shift and an adverse impact of £2.0m (2023: adverse impact of £3.3m) for a negative 200bps movement.

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

The following tables summarise the re-pricing periods for the assets and liabilities in the Company and Group, including derivative financial instruments which are principally used to reduce exposure to interest rate risk. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-price and the maturity date.

Group As at 31 December 2024	Within 3 months £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
ASSETS							
Cash and balances at central banks	911,887	–	–	–	–	–	911,887
Loans and advances to banks	66,971	–	–	–	–	–	66,971
Debt securities at amortised cost	567,847	295,895	173,755	162,350	–	–	1,199,847
Derivative financial instruments	2,970	–	–	–	–	–	2,970
Loans and advances to customers	1,495,051	23,589	67,855	489,688	6,238	11,791	2,094,212
Other assets*	–	–	–	–	–	448,393	448,393
Financial investments	–	–	–	–	–	4,947	4,947
	3,044,726	319,484	241,610	652,038	6,238	465,131	4,729,227
LIABILITIES AND EQUITY							
Deposits from banks	192,911	–	–	–	–	–	192,911
Deposits from customers	3,384,011	285,670	417,969	38,793	6,050	–	4,132,493
Other liabilities**	56,130	–	–	–	–	42,755	98,885
Debt securities in issue	(121)	–	–	–	38,103	–	37,982
Equity	(6,817)	–	–	226,488	3,850	43,435	266,956
	3,626,114	285,670	417,969	265,281	48,003	86,190	4,729,227
Impact of derivative instruments	33,750	–	–	(33,750)	–	–	–
Interest rate sensitivity gap	(547,638)	33,814	(176,359)	353,007	(41,765)	378,941	
Cumulative gap	(547,638)	(513,824)	(690,183)	(337,176)	(378,941)	–	

* Other assets include all remaining assets in the Statement of Financial Position, which are not shown separately above.

** Other liabilities include all remaining liabilities in the Statement of Financial Position, which are not shown separately above.

Group As at 31 December 2023	Within 3 months £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
ASSETS							
Cash and balances at central banks	826,559	–	–	–	–	–	826,559
Loans and advances to banks	79,381	–	–	–	–	–	79,381
Debt securities at amortised cost	352,617	220,504	286,309	83,007	–	–	942,437
Derivative financial instruments	4,214	–	–	–	–	–	4,214
Loans and advances to customers	1,717,677	19,485	50,758	256,348	7,120	12,829	2,064,217
Other assets*	–	–	–	–	–	423,090	423,090
Financial investments	–	–	–	–	–	3,942	3,942
	2,980,448	239,989	337,067	339,355	7,120	439,861	4,343,840
LIABILITIES AND EQUITY							
Deposits from banks	193,410	–	–	–	–	–	193,410
Derivative financial instruments	1,032	–	–	–	–	–	1,032
Deposits from customers	2,789,024	420,826	477,639	66,328	5,750	–	3,759,567
Other liabilities**	–	–	–	–	–	99,665	99,665
Debt securities in issue	37,726	–	–	–	–	–	37,726
Equity	50,236	8,609	12,275	121,802	15,051	44,467	252,440
	3,071,428	429,435	489,914	188,130	20,801	144,132	4,343,840
Impact of derivative instruments	61,220	–	–	(61,220)	–	–	–
Interest rate sensitivity gap	(29,760)	(189,446)	(152,847)	90,005	(13,681)	295,729	–
Cumulative gap	(29,760)	(219,206)	(372,053)	(282,048)	(295,729)	–	–

* Other assets include all remaining assets in the Statement of Financial Position, which are not shown separately above.

** Other liabilities include all remaining liabilities in the Statement of Financial Position, which are not shown separately above.

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

Company As at 31 December 2024	Within 3 months £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
ASSETS							
Loans and advances to banks	7	–	–	–	–	–	7
Loans and advances to banks - due from subsidiary	877	–	–	–	–	36	913
Debt securities at amortised cost	38,103	–	–	–	–	–	38,103
Other assets*	–	–	–	–	–	168,445	168,445
	38,987	–	–	–	–	168,481	207,468
LIABILITIES AND EQUITY							
Other liabilities**	–	–	–	–	–	9,754	9,754
Debt securities in issue	37,982	–	–	–	–	–	37,982
Equity	–	–	–	–	–	159,732	159,732
	37,982	–	–	–	–	169,486	207,468
Interest rate sensitivity gap	1,005	–	–	–	–	(1,005)	
Cumulative gap	1,005	1,005	1,005	1,005	1,005	–	

* Other assets include all remaining assets in the Statement of Financial Position, which are not shown separately above.

** Other liabilities include all remaining liabilities in the Statement of Financial Position, which are not shown separately above.

Company As at 31 December 2023	Within 3 months £000	More than 3 months but less than 6 months £000	More than 6 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000	Non interest bearing £000	Total £000
ASSETS							
Loans and advances to banks	7	–	–	–	–	–	7
Loans and advances to banks - due from subsidiary	580	–	–	–	–	36	616
Debt securities at amortised cost	38,129	–	–	–	–	–	38,129
Other assets*	–	–	–	–	–	166,453	166,453
	38,716	–	–	–	–	166,489	205,205
LIABILITIES AND EQUITY							
Other liabilities**	–	–	–	–	–	8,176	8,176
Debt securities in issue	37,726	–	–	–	–	–	37,726
Equity	–	–	–	–	–	159,303	159,303
	37,726	–	–	–	–	167,479	205,205
Interest rate sensitivity gap	990	–	–	–	–	(990)	
Cumulative gap	990	990	990	990	990	–	

* Other assets include all remaining assets in the Statement of Financial Position, which are not shown separately above.

** Other liabilities include all remaining liabilities in the Statement of Financial Position, which are not shown separately above.

(e) Liquidity risk

Liquidity risk is the risk that the Group, although solvent, either does not have sufficient financial resources to enable it to meet its obligations as they fall due, or can only secure such resources at excessive cost.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The liquidity requirements of the Group are met through withdrawing funds from its Bank of England Reserve Account to cover any short-term fluctuations and longer term funding to address any structural liquidity requirements.

The Group has formal governance structures in place to manage and mitigate liquidity risk on a day to day basis. The Board of AL sets and approves the liquidity risk management strategy. The Assets and Liabilities Committee ("ALCO"), comprising senior executives of the Group, monitors liquidity risk. Key liquidity risk management information is reported by the finance teams and monitored by the Chief Executive Officer, Finance Director and Deputy CEO on a daily basis. The ALCO meets monthly to review liquidity risk against set thresholds and risk indicators including early warning indicators, liquidity risk tolerance levels and Internal Liquidity Adequacy Assessment Process ("ILAAP") metrics.

The PRA requires the Board to ensure that the Group has adequate levels of liquidity resources and a prudent funding profile, and that it comprehensively manages and controls liquidity and funding risks. The Group maintains deposits placed at the Bank of England and highly liquid unencumbered assets that can be called upon to create sufficient liquidity to meet liabilities on demand, particularly in a period of liquidity stress.

Arbuthnot Latham & Co., Limited ("AL") has a Board approved ILAAP, and maintains liquidity buffers in excess of the minimum requirements. The ILAAP is embedded in the risk management framework of the Group and is subject to ongoing updates and revisions when necessary. At a minimum, the ILAAP is updated annually. The Liquidity Coverage Ratio ("LCR") regime has applied to the Group from 1 October 2015, requiring management of net 30 day cash outflows as a proportion of high quality liquid assets. The LCR has exceeded the regulatory minimum of 100% throughout the year. There has been an increase in deposits of 20%, which has accordingly improved the Bank's liquidity.

The Group is exposed to daily calls on its available cash resources from current accounts, maturing deposits and loan draw-downs. The Group maintains significant cash resources to meet all of these needs as they fall due. The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks to be completely matched, as transacted business is often of uncertain term and of different types.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates.

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

The tables below show the undiscounted contractual cash flows of the Group's financial liabilities and assets as at 31 December 2024:

At 31 December 2024	Carrying amount £000	Gross inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Financial liability by type						
Non-derivative liabilities						
Deposits from banks	192,911	(195,453)	–	(182,357)	(13,096)	–
Deposits from customers	4,132,493	(4,190,738)	(3,529,962)	(614,451)	(40,017)	(6,308)
Other liabilities	6,229	(6,229)	(4,689)	–	–	(1,540)
Debt securities in issue	37,982	(76,656)	(985)	(2,956)	(15,805)	(56,910)
Issued financial guarantee contracts	–	(2,500)	(2,500)	–	–	–
Unrecognised loan commitments	–	(425,531)	(425,531)	–	–	–
	4,369,615	(4,897,107)	(3,963,667)	(799,764)	(68,918)	(64,758)
Financial asset by type						
Non-derivative assets						
Cash and balances at central banks	911,887	911,887	911,887	–	–	–
Loans and advances to banks	66,971	66,971	66,971	–	–	–
Debt securities at amortised cost	1,199,847	1,211,748	572,701	474,364	164,684	–
Loans and advances to customers	2,094,212	2,472,304	387,219	314,263	1,658,699	112,123
Other assets	7,758	7,758	7,758	–	–	–
Financial investments	4,947	4,947	4,947	–	–	–
	4,285,622	4,675,615	1,951,483	788,627	1,823,383	112,123
Derivative assets						
Risk management:						
– Inflows	2,970	2,970	–	–	2,970	–
	2,970	2,970	–	–	2,970	–

The tables below show the undiscounted contractual cash flows of the Group's financial liabilities and assets as at 31 December 2023:

At 31 December 2023	Carrying amount £000	Gross inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Financial liability by type						
Non-derivative liabilities						
Deposits from banks	193,410	(212,267)	(5,904)	(7,481)	(198,882)	–
Deposits from customers	3,759,567	(3,831,717)	(2,877,406)	(879,887)	(68,351)	(6,073)
Other liabilities	18,542	(20,085)	(18,542)	–	–	(1,543)
Debt securities in issue	37,726	(50,223)	(1,077)	(26,238)	(3,575)	(19,333)
Issued financial guarantee contracts	–	(2,051)	(2,051)	–	–	–
Unrecognised loan commitments	–	(450,539)	(450,539)	–	–	–
	4,009,245	(4,566,882)	(3,355,519)	(913,606)	(270,808)	(26,949)
Derivative liabilities						
Risk management:						
– Outflows	1,032	(1,032)	(66)	–	(966)	–
	1,032	(1,032)	(66)	–	(966)	–
Financial asset by type						
Non-derivative assets						
Cash and balances at central banks	826,559	826,559	826,559	–	–	–
Loans and advances to banks	79,381	79,381	79,381	–	–	–
Debt securities at amortised cost	942,437	954,382	356,957	513,922	83,503	–
Assets classified as held for sale	3,281	3,281	–	3,281	–	–
Loans and advances to customers	2,064,217	2,497,314	477,308	281,451	1,595,366	143,189
Other assets	22,361	22,361	22,361	–	–	–
Financial investments	3,942	3,942	3,942	–	–	–
	3,942,178	4,387,220	1,766,508	798,654	1,678,869	143,189
Derivative assets						
Risk management:						
– Inflows	4,214	4,214	4	–	4,210	–
	4,214	4,214	4	–	4,210	–

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

The table below sets out the components of the Group's liquidity reserves:

	31 December 2024		31 December 2023	
	Amount £000	Fair value £000	Amount £000	Fair value £000
Liquidity reserves				
Cash and balances at central banks	911,887	911,887	826,559	826,559
Loans and advances to banks	66,971	66,971	79,381	79,381
Debt securities at amortised cost	1,199,847	1,199,963	942,437	943,231
	2,178,705	2,178,821	1,848,377	1,849,171

Assets pledged as collateral or encumbered

The total financial assets recognised in the statement of financial position that had been pledged as collateral for liabilities at 31 December 2024 were £237m (2023: £253m). Assets are encumbered due to the Term Funding Scheme (Note 32).

Financial assets can be pledged as collateral as part of repurchases transactions under terms that are usual and customary for such activities.

The table below analyses the contractual cash flows of the Company's financial liabilities and assets as at 31 December 2024:

	Carrying amount £000	Gross inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
At 31 December 2024						
Financial liability by type						
Non-derivative liabilities						
Other liabilities	1,812	(1,812)	(272)	–	–	(1,540)
Debt securities in issue	37,982	(76,656)	(985)	(2,956)	(15,805)	(56,910)
	39,794	(78,468)	(1,257)	(2,956)	(15,805)	(58,450)
At 31 December 2024						
Financial asset by type						
Non-derivative assets						
Loans and advances to banks	920	920	920	–	–	–
Debt securities at amortised cost	38,103	76,778	988	2,965	15,851	56,975
Other assets	3,280	3,280	3,280	–	–	–
	42,303	80,978	5,188	2,965	15,851	56,975

The table below analyses the contractual cash flows of the Company's financial liabilities and assets as at 31 December 2023:

At 31 December 2023	Carrying amount £000	Gross inflow/ (outflow) £000	Not more than 3 months £000	More than 3 months but less than 1 year £000	More than 1 year but less than 5 years £000	More than 5 years £000
Financial liability by type						
Non-derivative liabilities						
Other liabilities	1,796	(1,796)	(256)	–	–	(1,540)
Debt securities in issue	37,726	(50,223)	(1,077)	(26,238)	(3,575)	(19,333)
	39,522	(52,019)	(1,333)	(26,238)	(3,575)	(20,873)
Financial asset by type						
Non-derivative assets						
Loans and advances to banks	623	623	623	–	–	–
Debt securities at amortised cost	38,129	50,356	1,080	26,247	3,632	19,397
	38,752	50,979	1,703	26,247	3,632	19,397

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature are important factors in assessing the liquidity of the Group and its exposure to changes in interest rates and exchange rates.

Fiduciary activities

The Group provides investment management and advisory services to third parties, which involve the Group making allocation and purchase and sale decisions in relation to a wide range of financial instruments. Those assets that are held in a fiduciary capacity are not included in these financial statements, because the assets do not meet the recognition criteria. These services give rise to the risk that the Group may be accused of maladministration or underperformance. At the balance sheet date, the Group had investment management accounts amounting to approximately £2.2bn (2023: £1.7bn). Additionally, the Group provides investment advisory services.

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

(f) Financial assets and liabilities

The tables below set out the Group's financial assets and financial liabilities into their respective classifications:

At 31 December 2024	FVPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Fair value £000
ASSETS					
Cash and balances at central banks	–	–	911,887	911,887	911,887
Loans and advances to banks	–	–	66,971	66,971	66,971
Debt securities at amortised cost	–	–	1,199,847	1,199,847	1,199,963
Derivative financial instruments	2,970	–	–	2,970	2,970
Loans and advances to customers	–	–	2,094,212	2,094,212	2,088,933
Other assets	–	–	7,758	7,758	7,758
Financial investments	–	4,947	–	4,947	4,947
	2,970	4,947	4,280,675	4,288,592	4,283,429
LIABILITIES					
Deposits from banks	–	–	192,911	192,911	192,911
Deposits from customers	–	–	4,132,493	4,132,493	4,132,493
Other liabilities	–	–	6,229	6,229	6,229
Debt securities in issue	–	–	37,982	37,982	37,982
	–	–	4,369,615	4,369,615	4,369,615
At 31 December 2023					
	FVPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Fair value £000
ASSETS					
Cash and balances at central banks	–	–	826,559	826,559	826,559
Loans and advances to banks	–	–	79,381	79,381	79,381
Debt securities at amortised cost	–	–	942,437	942,437	943,231
Derivative financial instruments	4,214	–	–	4,214	4,214
Loans and advances to customers	–	–	2,064,217	2,064,217	2,058,780
Other assets	–	–	22,361	22,361	22,361
Financial investments	–	3,942	–	3,942	3,942
	4,214	3,942	3,934,955	3,943,111	3,938,468
LIABILITIES					
Deposits from banks	–	–	193,410	193,410	193,410
Derivative financial instruments	1,032	–	–	1,032	1,032
Deposits from customers	–	–	3,759,567	3,759,567	3,759,567
Other liabilities	–	–	18,542	18,542	18,542
Debt securities in issue	–	–	37,726	37,726	37,726
	1,032	–	4,009,245	4,010,277	4,010,277

The tables below set out the Company's financial assets and financial liabilities into their respective classifications:

	FVPL £000	FVOCI £000	Amortised cost £000	Total carrying amount £000	Fair value £000
At 31 December 2024					
ASSETS					
Loans and advances to banks	–	–	920	920	920
Debt securities at amortised cost	–	–	38,103	38,103	38,103
Other assets	–	–	1	1	1
	–	–	39,024	39,024	39,024
LIABILITIES					
Other liabilities	–	–	1,812	1,812	1,812
Debt securities in issue	–	–	37,982	37,982	37,982
	–	–	39,794	39,794	39,794
At 31 December 2023					
ASSETS					
Loans and advances to banks	–	–	623	623	623
Debt securities at amortised cost	–	–	38,129	38,129	38,129
Other assets	–	–	1,391	1,391	1,391
	–	–	40,143	40,143	40,143
LIABILITIES					
Other liabilities	–	–	1,796	1,796	1,796
Debt securities in issue	–	–	37,726	37,726	37,726
	–	–	39,522	39,522	39,522

Valuation of financial instruments

The Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions. If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same for which market observable prices exist, net present value and discounted cash flow analysis. The objective of valuation techniques is to determine the fair value of the financial instrument at the reporting date as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants.

The Group measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

The consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads assists in the judgement as to whether a market is active. If, in the opinion of management, a significant proportion of the instrument's carrying amount is driven by unobservable inputs, the instrument in its entirety is classified as valued using significant unobservable inputs. 'Unobservable' in this context means that there is little or no current market data available from which to determine the level at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value (consensus pricing data may, for example, be used).

The tables below analyse assets and liabilities measured at fair value by the level in the fair value hierarchy into which the measurement is categorised:

At 31 December 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
ASSETS				
Derivative financial instruments	–	2,970	–	2,970
Financial investments	–	–	4,947	4,947
	–	2,970	4,947	7,917
At 31 December 2023				
	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
ASSETS				
Derivative financial instruments	–	4,214	–	4,214
Financial investments	–	–	3,942	3,942
	–	4,214	3,942	8,156
LIABILITIES				
Derivative financial instruments	–	1,032	–	1,032
	–	1,032	–	1,032

There were no transfers between level 1 and level 2 during the year.

For assets which are accounted at fair value under Level 3 the valuations are primarily based on Fund Manager valuations and are based on reasonable estimates. Applying reasonable alternative valuations would not lead to a significantly different fair value. The following table reconciles the movement in level 3 financial instruments measured at fair value during the year:

Group Movement in level 3	2024 £000	2023 £000
At 1 January	3,942	3,404
Purchases	294	177
Disposals	(84)	(51)
Movements recognised in Other Comprehensive Income	795	412
At 31 December	4,947	3,942

The valuation technique used for the fair value calculation, the unobservable inputs and sensitivities are discussed below.

Visa Inc. investment

Arbuthnot Latham currently holds preference shares in Visa Inc., valued at £3.2m (2023: £2.4m) as at 31 December 2024, out of which £0.3m (2023: £0.6m) is restricted Series B preferred stock. These shares have been valued at their future conversion value into Visa Inc. common stock.

There is a haircut of 31% on the restricted shares comprising 25% due to a contingent liability disclosed in Visa Europe's accounts in relation to litigation and 6% based on a liquidity discount.

The haircut is classified as a significant unobservable input. Management have assessed that should the haircut increase by 5 percentage points this would impact equity by £19k (2023: £46k) and an increase of 10 percentage points would impact equity by £38k (2023: £92k).

Hetz Ventures, L.P.

Arbuthnot Latham currently holds an equity investment in Hetz Ventures, L.P. which was launched in January 2018. The primary objective was to generate attractive risk-adjusted returns for its Partners, principally through long-term capital appreciation, by making, holding and disposing of equity and equity-related investments in early stage revenue generating Israeli technology companies, primarily in cyber, fin-tech and the disruptive software sectors. The company has committed to a capital contribution of USD2.5m of the total closing fund capital of USD132.5m. At 31 December 2024 Arbuthnot Latham & Co., Ltd had made capital contributions into the Fund of USD2.2m (2023: USD2.0m).

The investment is classified as FVOCI and is valued at fair value by Hetz Ventures, L.P. at £1.7m (2023: £1.5m). As at year end the fair value is deemed to be the Group's share of the fund based on what a third party would pay for the underlying investments.

The fair values provided by the Hetz Ventures funds are classified as significant unobservable inputs. Management have assessed that should the fund valuation decrease by 5% this would impact equity by a reduction of £83k and a reduction of 10% would impact equity by a reduction of £167k.

The tables below show the fair value of financial instruments carried at amortised cost by the level in the fair value hierarchy:

Group At 31 December 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
ASSETS				
Cash and balances at central banks	–	911,887	–	911,887
Loans and advances to banks	–	66,971	–	66,971
Debt securities at amortised cost	–	1,199,963	–	1,199,963
Loans and advances to customers	–	–	2,088,933	2,088,933
Other assets	–	–	7,758	7,758
	–	2,178,821	2,096,691	4,275,512
LIABILITIES				
Deposits from banks	–	192,911	–	192,911
Deposits from customers	–	4,132,493	–	4,132,493
Other liabilities	–	–	6,229	6,229
Debt securities in issue	–	–	37,982	37,982
	–	4,325,404	44,211	4,369,615

Notes to the Consolidated Financial Statements *continued*

6. Financial risk management (continued)

Group At 31 December 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
ASSETS				
Cash and balances at central banks	–	826,559	–	826,559
Loans and advances to banks	–	79,381	–	79,381
Debt securities at amortised cost	–	943,231	–	943,231
Loans and advances to customers	–	–	2,058,780	2,058,780
Other assets	–	–	22,361	22,361
	–	1,849,171	2,081,141	3,930,312
LIABILITIES				
Deposits from banks	–	193,410	–	193,410
Deposits from customers	–	3,759,567	–	3,759,567
Other liabilities	–	–	18,542	18,542
Debt securities in issue	–	–	37,726	37,726
	–	3,952,977	56,268	4,009,245

Company At 31 December 2024	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
ASSETS				
Loans and advances to banks	–	7	913	920
Debt securities at amortised cost	–	38,103	–	38,103
	–	38,110	913	39,023
LIABILITIES				
Other liabilities	–	–	1,812	1,812
Debt securities in issue	–	–	37,982	37,982
	–	–	39,794	39,794

Company At 31 December 2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
ASSETS				
Loans and advances to banks	–	7	616	623
Debt securities at amortised cost	–	38,129	–	38,129
	–	38,136	616	38,752
LIABILITIES				
Other liabilities	–	–	1,796	1,796
Debt securities in issue	–	–	37,726	37,726
	–	–	39,522	39,522

All above assets and liabilities are carried at amortised cost. Therefore for these assets, the fair value hierarchy noted above relates to the disclosure in this note only.

Cash and balances at central banks

The fair value of cash and balances at central banks was calculated based upon the present value of the expected future principal and interest cash flows. The rate used to discount the cash flows was the market rate of interest at the balance sheet date.

At the end of each year, the fair value of cash and balances at central banks was calculated to be equivalent to their carrying value.

Loans and advances to banks

The fair value of loans and advances to banks was calculated based upon the present value of the expected future principal and interest cash flows. The rate used to discount the cash flows was the market rate of interest at the balance sheet date.

Loans and advances to customers

The fair value of loans and advances to customers was calculated based upon the present value of the expected future principal and interest cash flows. The rate used to discount the cash flows was the market rate of interest at the balance sheet date, and the same assumptions regarding the risk of default were applied as those used to derive the carrying value.

The Group provides loans and advances to commercial, corporate and personal customers at both fixed and variable rates. To determine the fair value of loans and advances to customers, loans are segregated into portfolios of similar characteristics. A number of techniques are used to estimate the fair value of fixed rate lending; these take account of expected credit losses based on historic trends and expected future cash flows.

For the acquired loan book, the discount on acquisition is used to determine the fair value in addition to the expected credit losses and expected future cash flows.

Debt securities at amortised cost

The fair value of debt securities is based on the quoted mid-market share price.

Derivatives

Where derivatives are traded on an exchange, the fair value is based on prices from the exchange.

Deposits from banks

The fair value of amounts due to banks was calculated based upon the present value of the expected future principal and interest cash flows. The rate used to discount the cash flows was the market rate of interest at the balance sheet date.

At the end of each year, the fair value of amounts due to banks was calculated to be equivalent to their carrying value due to the short maturity term of the amounts due.

Deposits from customers

The fair value of deposits from customers was calculated based upon the present value of the expected future principal and interest cash flows. The rate used to discount the cash flows was the market rate of interest at the balance sheet date for the notice deposits and deposit bonds. The fair value of instant access deposits is equal to book value as they are repayable on demand.

Financial liabilities

The fair value of other financial liabilities was calculated based upon the present value of the expected future principal cash flows.

At the end of each year, the fair value of other financial liabilities was calculated to be equivalent to their carrying value due to their short maturity. The other financial liabilities include all other liabilities other than non-interest accruals.

Debt Securities in Issue

The fair value of debt securities in issue was calculated based upon the present value of the expected future principal cash flows.

7. Capital management (unaudited)

The Group's capital management policy is focused on optimising shareholder value over the long term. There is a clear focus on delivering organic growth and ensuring capital resources are sufficient to support planned levels of growth. The Board regularly reviews the capital position.

The Group and the individual banking operation, are authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. One of the requirements for the Group and the individual banking operation is that capital resources must be in excess of capital requirements at all times.

In accordance with the parameters set out in the PRA Rulebook, the Internal Capital Adequacy Assessment Process ("ICAAP") is embedded in the risk management framework of the Group. The ICAAP identifies and assesses the risks to the Group, considers how these risks can be mitigated and demonstrates that the Group has sufficient resources, after mitigating actions, to withstand all reasonable scenarios.

Notes to the Consolidated Financial Statements *continued*

7. Capital management (unaudited) (continued)

The Board determines the level of capital the Group needs to hold. The Group holds Pillar 1 capital for credit, market and operational risk as a starting point, and then considers whether each of the calculations delivers a sufficient amount of capital to cover risks to which the Group is, or could be, exposed. Where the Board considers that the Pillar 1 calculations do not adequately cover the risks, an additional Pillar 2A capital requirement is applied. The PRA will set a Pillar 2A capital requirement in light of the calculations included within the ICAAP. The Group's Total Capital Requirement, as issued by the PRA, is the sum of the Pillar 1 and the Pillar 2A capital requirements. The current Total Capital Requirement of the Group is 8.32%.

The Group's regulatory capital is divided into two tiers:

- Common equity Tier 1 which comprises shareholder funds less regulatory deductions for intangible assets, including goodwill, and deferred tax assets that do not arise from temporary differences.
- Tier 2 comprises qualifying subordinated loans.

The following table shows the regulatory capital resources as managed by the Group:

	2024 £000	2023 £000
CET1 Capital		
Share capital	167	167
Share premium	11,606	11,606
Capital redemption reserve	19	19
Treasury shares	(1,299)	(1,299)
Retained earnings*	254,575	240,606
IFRS 9 - Transitional add back	71	265
Fair value reserve	1,888	1,341
Deduction for goodwill	(5,202)	(5,202)
Deduction for other intangibles	(25,363)	(24,385)
Deduction for deferred tax asset that do not arise from temporary differences	(1,977)	(818)
Deduction for Prudent valuation	(8)	(9)
CET1 capital resources	234,477	222,291
Tier 2 Capital		
Debt securities in issue	37,982	37,726
Total Tier 2 capital resources	37,982	37,726
Own Funds (sum of Tier 1 and Tier 2)	272,459	260,017
CET1 Capital Ratio (CET1 Capital/Total Risk Exposure)*	13.2%	13.0%
Total Capital Ratio (Own Funds/Total Risk Exposure)*	15.3%	15.2%

* Includes current year audited profit.

Capital 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 of the externally imposed capital requirements to which they are subject.

Pillar 3 complements the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). Its aim is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on a firm's capital resources, risk exposures and risk assessment processes. Our Pillar 3 disclosures for the year ended 31 December 2024 are published as a separate document on the Group's website under Investor Relations. These disclosures are prepared in accordance with the PRA rules for Small Domestic Deposit Takers.

8. Net interest income

Interest income and expense are recognised in the Statement of Comprehensive Income for all instruments measured at amortised cost using the effective interest rate (“EIR”) method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

The ‘gross carrying amount of a financial asset’ is the amortised cost of a financial asset before adjusting for any expected credit loss allowance. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument but does not consider expected credit losses.

The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

For financial assets that have become credit impaired following initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit impaired, then the calculation of interest income reverts to the gross basis.

The Group monitors the actual cash flows for each acquired book and where they diverge significantly from expectation, the future cash flows are reset. Expectation may diverge due to factors such as one-off payments or expected credit losses. In assessing whether to adjust future cash flows on an acquired portfolio, the Group considers the cash variance on an absolute and percentage basis. The Group also considers the total variance across all acquired portfolios. Where cash flows for an acquired portfolio are reset, they are discounted at the EIR to derive a new carrying value, with changes taken to the Statement of Comprehensive Income as interest income. The EIR rate is adjusted for events where there is a change to the reference interest rate (e.g. Bank of England base rate) affecting portfolios with a variable interest rate which will impact future cash flows. The revised EIR is the rate which exactly discounts the revised cash flows to the net carrying value of the loan portfolio.

Net interest income is analysed as follows.

	2024 £000	2023 £000
Cash and balances at central banks	33,099	34,275
Loans and advances to banks	4,907	4,990
Debt securities at amortised cost	57,025	29,929
Loans and advances to customers	168,404	162,642
Total interest income	263,435	231,836
Deposits from banks	(9,566)	(9,032)
Deposits from customers	(120,692)	(80,413)
Debt securities in issue	(4,179)	(4,506)
Interest on lease liabilities	(3,131)	(1,266)
Total interest expense	(137,568)	(95,217)
Net interest income	125,867	136,619

Notes to the Consolidated Financial Statements *continued*

9. Fee and commission income

Fee and commission income which is integral to the EIR of a financial asset are included in the effective interest rate (see Note 8).

All other fee and commission income is recognised as the related services are performed, under IFRS 15, revenues from Contracts with Customers. Fee and commission income is reported in the below segments.

Types of fee	Description
Banking commissions	- Banking Tariffs are charged monthly for services provided.
Investment management fees	- Annual asset management fees relate to a single performance obligation that is continuously provided over an extended period of time.
Wealth planning fees	- Provision of bespoke, independent Wealth Planning solutions to Arbuthnot Latham's clients. Fees are recognised as the service is performed.
Foreign exchange fees	- Provides foreign currencies for our clients to purchase/sell.

The principles in applying IFRS 15 to fee and commission use the following 5 step model:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract; and
- recognise revenue when or as the Group satisfies its performance obligations.

Asset and other management, advisory and service fees are recognised, under IFRS 15, as the related services are performed. The same principle is applied for wealth planning services that are continuously provided over an extended period of time.

The Group includes the transaction price of variable consideration only when it is highly probable that a significant reversal in the amount recognised will not occur or when the variable element becomes certain.

Fee and commission income is disaggregated below and includes a total for fees in scope of IFRS 15:

Group At 31 December 2024	Banking £000	Wealth Management £000	RAF £000	ACABL £000	All other divisions £000	Total £000
Banking commissions	2,988	–	169	9,922	1	13,080
Foreign exchange fees	1,509	–	–	–	1,013	2,522
Investment management fees	–	13,183	–	–	–	13,183
Wealth planning fees	–	357	–	–	–	357
Total fee and commission income	4,497	13,540	169	9,922	1,014	29,141

Group At 31 December 2023	Banking £000	Wealth Management £000	RAF £000	ACABL £000	All other divisions* £000	Total £000
Banking and services fees	1,621	–	45	6,911	1,035	9,612
Foreign exchange fees	1,307	–	–	–	886	2,193
Investment management fees	–	10,909	–	–	–	10,909
Wealth planning fees	–	456	–	–	–	456
Total fee and commission income	2,928	11,365	45	6,911	1,921	23,170

* All other divisions have been re-presented to include Arbuthnot Specialist Finance Limited (ASFL) throughout this note disclosure

10. Gross profit from leasing activities

Accounting for operating lease and related income:

The statement of comprehensive income is credited with:

- Income from operating leases recognised on a straight-line basis over the period of the lease.
- The sales proceeds from the sale of vehicles at the end of operating lease agreements, when a vehicle is transferred to a buyer, and the buyer obtains control of the vehicle.
- Income from service and maintenance contracts recognised on a straight-line method.

Revenue from service and maintenance contracts is recognised in accordance with the principles of IFRS 15, Revenue from contracts with customers. Payments from customers for service and maintenance contracts are deferred on the balance sheet until the point they are recognised and when the performance obligations are met. For these contracts the obligation or part of the obligation is satisfied at the point the costs for service and maintenance are incurred.

Revenue is the aggregate of operating lease income and service and maintenance contracts. Revenue also includes the sales proceeds from the sale of vehicles at the end of operating lease agreements and other returned vehicles. Amounts recognised within gross profit from leasing activities in the statement of comprehensive income are set out below:

Group	2024 £000	2023 £000
Income from lease or rental of commercial vehicles	72,981	57,529
Sale of commercial vehicles	27,003	31,440
Income from service and maintenance contracts	10,183	11,244
Other income	665	739
Revenue	110,832	100,952
Depreciation and rental costs of commercial vehicles held for lease or rent	(51,339)	(40,367)
Carrying amount of vehicles disposed	(24,009)	(29,772)
Service & maintenance cost	(9,744)	(10,935)
Other expenditure	(209)	–
Cost of goods sold	(85,301)	(81,074)
Gross profit from leasing activities	25,531	19,878

Notes to the Consolidated Financial Statements *continued*

11. Net impairment loss on financial assets

(a) Assets carried at amortised cost

The Group recognises loss allowances on an expected credit loss basis for all financial assets measured at amortised cost, including loans and advances, debt securities and loan commitments.

Credit loss allowances are measured as an amount equal to lifetime ECL, except for the following assets, for which they are measured as 12 month ECL:

- Financial assets determined to have a low credit risk at the reporting date. The assets, to which the low credit risk exemption applies, include cash and balances at central banks (Note 17), loans and advances to banks (Note 18) and debt securities at amortised cost (Note 19). These assets are all considered investment grade.
- Financial assets which have not experienced a significant increase in credit risk since their initial recognition.

Impairment model

The IFRS 9 impairment model adopts a three stage approach based on the extent of credit deterioration since origination:

Stage 1: 12-month ECL applies to all financial assets that have not experienced a significant increase in credit risk (“SICR”) since origination and are not credit impaired. The ECL will be computed based on the probability of default events occurring over the next 12 months. Stage 1 includes the current performing loans (up to date and in arrears of less than 10 days) and those within Heightened Business Monitoring (“HBM”). Accounts requiring HBM are classified as a short-term deterioration in financial circumstances and are tightly monitored with additional proactive client engagement, but not deemed SICR.

Stage 2: When a financial asset experiences a SICR subsequent to origination, but is not in default, it is considered to be in Stage 2. This requires the computation of ECL based on the probability of all possible default events occurring over the remaining life of the financial asset. Provisions are higher in this stage (except where the value of charge against the financial asset is sufficient to enable recovery in full) because of an increase in credit risk and the impact of a longer time horizon being considered (compared to 12 months in Stage 1).

Evidence that a financial asset has experienced a SICR includes the following considerations:

- A loan is in arrears between 31 and 90 days;
- Forbearance action has been undertaken;
- Any additional reasons whereby the Probability of Default is considered to have increased significantly since inception of the facility.

Stage 3: Financial assets that are credit impaired are included in this stage. Similar to Stage 2, the allowance for credit losses will continue to capture the lifetime expected credit losses. At each reporting date, the Group will assess whether financial assets carried at amortised cost are in default. A financial asset will be considered to be in default when an event(s) that has a detrimental impact on estimated future cash flows have occurred.

Evidence that a financial asset is within Stage 3 includes the following data:

- A loan is in arrears in excess of 90 days;
- Breach of terms of forbearance;
- Recovery action is in hand; or
- Bankruptcy proceedings or similar insolvency process of a client, or director of a company.

The credit risk of financial assets that become credit impaired are not expected to improve, beyond the extent that they are no longer considered to be credit impaired.

A borrower will move back into Stage 1 conditional upon both a minimum of six months’ good account conduct and the improvement of the Client’s situation to the extent that the credit risk has receded sufficiently and a full repayment of the loan, without recourse to the collateral, is likely.

Presentation of allowance for ECL in the Statement of Financial Position

For financial assets measured at amortised cost, these are presented as the gross carrying amount of the assets minus a deduction for the ECL.

Write-off

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the outstanding amount due.

(b) Renegotiated loans

Renegotiated loans are derecognised if the new terms are significantly different to the original agreement. Loans that have been modified to such an extent the renegotiated loan is a substantially different to the original loan, are no longer considered to be past due and are treated as new loans.

(c) Forbearance

Under certain circumstances, the Group may use forbearance measures to assist borrowers who are experiencing significant financial hardship. Any forbearance support is assessed on a case by case basis in line with best practice and subject to regular monitoring and review. The Group seeks to ensure that any forbearance results in a fair outcome for both the customer and the Group.

(d) Assets classified as financial investments

Equity instruments at fair value through Other Comprehensive Income

Equity investments are not subject to impairment charges recognised in the income statement. Any fair value gains and losses are recognised in OCI which are not subject to reclassification to the income statement on derecognition.

	2024 £000	2023 £000
Net Impairment losses / (reversals) on financial assets	6,275	3,191
Of which:		
Stage 1	(242)	(279)
Stage 2	1,192	299
Stage 3	5,331	3,301
Impairment losses / (reversals) on financial investments	(6)	(130)
	6,275	3,191

During the year, the Group recovered £17k (2023: £24k) of loans which had previously been written off.

12. Other income

Other items reflected in other income include rental income from the investment property of £0.5m (2023: £0.7m).

Accounting for rental income

Rental income is recognised on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease.

Notes to the Consolidated Financial Statements *continued*

13. Operating expenses

Operating expenses comprise:	2024 £000	2023 £000
Staff costs, including Directors:		
Wages, salaries and bonuses	77,941	68,414
Social security costs	8,875	7,960
Pension costs	3,825	3,335
Share based payment transactions (Note 40)	(132)	222
Amortisation of intangibles (Note 28)	3,018	4,924
Depreciation (Note 29, 30)	6,119	4,635
Profit on disposals of property, plant and equipment	(37)	(15)
Financial Services Compensation Scheme Levy	721	240
Charitable donations	162	70
Expenses relating to short-term leases	1,066	635
Write down of repossessed and commercial properties	1,359	2,616
Premises and equipment	14,266	12,645
Consultancy, legal and professional fees	11,051	12,735
Other administrative expenses	11,572	12,697
Total operating expenses from continuing operations	139,806	131,113

* Prior year expenses have been re-presented to better reflect internal cost categories

Details on Directors remuneration are disclosed in the Remuneration Report on page 62.

Remuneration of the auditor and its associates, excluding VAT, was as follows:	2024 £000	2023 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	166	131
Audit of the accounts of subsidiaries	766	591
Audit related assurance services	132	121
Total fees payable	1,063	843

14. Income tax expense

Current income tax which is payable on taxable profits is recognised as an expense in the period in which the profits arise. Income tax recoverable on tax allowable losses is recognised as an asset only to the extent that it is regarded as recoverable by offset against current or future taxable profits.

	2024 £000	2023 £000
United Kingdom corporation tax at 25% (2023: 23.5%)		
Current taxation		
Corporation tax charge - current year	7,490	4,650
Corporation tax charge - adjustments in respect of prior years	1,496	25
	8,986	4,675
Deferred taxation		
Origination and reversal of temporary differences	1,790	7,152
Adjustments in respect of prior years	(540)	(89)
	1,250	7,063
Income tax expense	10,236	11,738
Tax reconciliation		
Profit before tax	35,089	47,117
Tax at 25% (2023: 23.5%)	8,773	11,073
Other permanent differences	236	297
Tax rate change	272	433
Prior period adjustments	955	(65)
Corporation tax charge for the year	10,236	11,738

The effective tax rate for the year is 29.17%

Notes to the Consolidated Financial Statements *continued*

15. Average number of employees

	2024	2023
Banking	286	254
RAF	59	47
ACABL	35	31
AAG	146	138
All Other Divisions	369	311
Group Centre	19	18
	914	799

Accounting for employee benefits

(a) Post-retirement obligations

The Group contributes to a defined contribution scheme and to individual defined contribution schemes for the benefit of certain employees. The schemes are funded through payments to insurance companies or trustee-administered funds at the contribution rates agreed with individual employees.

The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

There are no post-retirement benefits other than pensions.

(b) Share-based compensation – cash settled

The Group adopts a Black-Scholes valuation model in calculating the fair value of the share options as adjusted for an attrition rate for members of the scheme and a probability of pay-out reflecting the risk of not meeting the terms of the scheme over the vesting period. The number of share options that are expected to vest are reviewed at least annually.

The fair value of cash settled share-based payments is recognised as personnel expenses in the profit or loss with a corresponding increase in liabilities over the vesting period. The liability is remeasured at each reporting date and at settlement date based on the fair value of the options granted, with a corresponding adjustment to personnel expenses.

(c) Deferred cash bonus scheme

The Bank has a deferred cash bonus scheme for senior employees. The cost of the award is recognised to the income statement over the period to which the performance relates.

(d) Short-term incentive plan

The Group has a short-term incentive plan payable to employees of one of its subsidiary companies. The award of a profit share is based on a percentage of the net profit of a Group subsidiary.

16. Earnings per ordinary share

Basic

Basic earnings per ordinary share are calculated by dividing the profit after tax attributable to equity holders of the Company by the weighted average number of ordinary shares 16,319,926 (2023: 15,879,200) in issue during the year (this includes Ordinary shares and Ordinary Non-Voting shares).

Diluted

There are no convertible instruments, conditional ordinary shares or options or warrants that would create diluted earnings per share. Therefore the diluted earnings per share is equal to basic earnings per share.

	2024 £000	2023 £000
Profit after tax attributable to equity holders of the Company	24,854	35,379
	2024 P	2023 P
Basic Earnings per share	152.3	222.8

17. Cash and balances at central banks

Group	2024 £000	2023 £000
Cash and balances at central banks	911,887	826,559

ECL has been assessed to be immaterial.

Surplus funds are mainly held in the Bank of England reserve account, with the remainder held in certificates of deposit and fixed and floating rate notes in investment grade banks.

18. Loans and advances to banks

Group	2024 £000	2023 £000
Placements with banks included in cash and cash equivalents (Note 42)	66,971	79,381

The table below presents an analysis of loans and advances to banks by rating agency designation as at 31 December, based on Moody's short and long term ratings:

Group	2024 £000	2023 £000
A1	66,971	79,381
	66,971	79,381

None of the loans and advances to banks are past due (2023: Nil). ECL has been assessed as immaterial.

Company	2024 £000	2023 £000
Placements with banks included in cash and cash equivalents (Note 42)	920	623

Loans and advances to banks include bank balances of £Nil (2023: £Nil) with Arbuthnot Latham & Co., Ltd. ECL has been assessed as insignificant.

Notes to the Consolidated Financial Statements *continued*

19. Debt securities at amortised cost

Debt securities represent certificates of deposit.

The movement in debt securities may be summarised as follows:

Group	2024 £000	2023 £000
At 1 January	942,437	439,753
Exchange difference	2,564	(8,973)
Additions	1,621,196	1,582,889
Redemptions	(1,366,350)	(1,071,232)
At 31 December	1,199,847	942,437

The table below presents an analysis of debt securities by rating agency designation at 31 December, based on Moody's long term ratings:

Group	2024 £000	2023 £000
Aaa	476,103	401,524
Aa1	151,619	76,543
Aa2	126,533	94,759
Aa3	413,252	294,471
A1	32,340	75,140
	1,199,847	942,437

None of the debt securities are past due (2023: Nil). ECL has been assessed as immaterial.

The movement in debt securities for the Company may be summarised as follows:

Company	2024 £000	2023 £000
At 1 January	38,129	24,437
Exchange difference on monetary assets	(593)	–
Additions	28,834	16,801
Redemptions	(28,267)	(3,109)
At 31 December	38,103	38,129

The exposure relates to Arbuthnot Latham & Co., Limited, which is unrated. The £25m subordinated loan notes were issued 3 June 2019 and were denominated in Pound Sterling. These notes were fully repaid on 3 June 2024. A new facility of £26m subordinated loan notes were issued on 3 June 2024 and are denominated in Pound Sterling. The principal amount outstanding at 31 December 2024 was £26m (2023: £25m). The notes carry interest at 7.25% over 3 month average SONIA and are repayable at par in June 2034 unless redeemed or repurchased earlier by the Arbuthnot Latham & Co., Limited. On 24 May 2023 an additional €15m subordinated loan notes were issued and denominated in EURO. The principal amount outstanding at 31 December 2024 was €15m / £13m (2023: €15m / £13m). The notes carry interest at 3% over 3 Month EURIBOR and are repayable at par in August 2035. ECL has been assessed as immaterial.

20. Assets classified as held for sale

Assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

The criteria that the Group uses to determine whether an asset is held for sale under IFRS 5 include, but are not limited to the following:

- Management is committed to a plan to sell
- The asset is available for immediate sale
- An active programme to locate a buyer is initiated
- The sale is highly probable, within 12 months of classification as held for sale
- The asset is being actively marketed for sale at a sales price reasonable in relation to its fair value

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell in accordance with IFRS 5. Where investments that have initially been recognised as non-current assets held for sale, because the Group has been deemed to hold a controlling stake, are subsequently disposed of or diluted such that the Group's holding is no longer deemed a controlling stake, the investment will subsequently be reclassified as fair value through profit or loss or fair value through other comprehensive income investments in accordance with IFRS 9. Subsequent movements will be recognised in accordance with the Group's accounting policy for the newly adopted classification.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

	Group	
	2024 £000	2023 £000
Repossessed property held for sale	–	3,281
	–	3,281

Repossessed property held for sale

As at 31 December 2023 the repossessed property was recognised as held for sale under IFRS 5. Based on current market conditions it is now anticipated that the sale process will extend beyond the 12-month period required for such classification. Therefore, the repossessed property has been reclassified from "held for sale" to inventory.

21. Derivative financial instruments

All derivatives are recognised at their fair value. Fair values are obtained using recent arm's length transactions or calculated using valuation techniques such as discounted cash flow models at the prevailing interest rates, and for structured notes classified as financial instruments fair values are obtained from quoted market prices in active markets. Derivatives are shown in the Statement of Financial Position as assets when their fair value is positive and as liabilities when their fair value is negative.

Group	2024			2023		
	Contract/notional amount £000	Fair value assets £000	Fair value liabilities £000	Contract/notional amount £000	Fair value assets £000	Fair value liabilities £000
Currency swaps	–	–	–	4,670	4	66
Interest rate swaps	33,750	2,970	–	61,220	4,210	966
	33,750	2,970	–	65,890	4,214	1,032

The principal derivatives used by the Group are over the counter exchange rate contracts. Exchange rate related contracts include currency swaps and interest rate swaps.

Notes to the Consolidated Financial Statements *continued*

21. Derivative financial instruments (continued)

A forward foreign exchange contract is an agreement to buy or sell a specified amount of foreign currency on a specified future date at an agreed rate. Currency swaps generally involve the exchange of interest payment obligations denominated in different currencies; exchange of principal can be notional or actual. The currency swaps are settled net and therefore the fair value is small in comparison to the contract/notional amount. Interest rate swaps are used to hedge against the Profit or Loss impact resulting from the movement in interest rates, due to some exposures having fixed rate terms.

The Group primarily uses investment graded banks as counterparties for derivative financial instruments.

The table below presents an analysis of derivative financial instruments contract/notional amounts by rating agency designation of counterparty bank at 31 December, based on Moody's long term ratings:

Group	2024 £000	2023 £000
A1	33,750	65,890
	33,750	65,890

22. Derivatives held for risk management and hedge accounting

See accounting policy in Note 3.

Derivatives held for risk management

The following table describes the fair values of derivatives held for risk management purposes by type of risk exposure.

Group	2024		2023	
	Fair value assets £000	Fair value liabilities £000	Fair value assets £000	Fair value liabilities £000
Interest rate - Designated fair value hedges	2,970	–	4,220	976
Total interest rate derivatives	2,970	–	4,220	976

Details of derivatives designated as hedging instruments in qualifying hedging relationships are provided in the hedge accounting section below. The instruments used principally include interest rate swaps.

For more information about how the Group manages its market risks, see Note 6.

Hedge accounting

Fair value hedges of interest rate risk

The Group uses interest rate swaps to hedge its exposure to changes in the fair values of fixed rate pound sterling loans to customers in respect of the SONIA (The Sterling Overnight Index Average) benchmark interest rate. Pay-fixed/receive-floating interest rate swaps are matched to specific fixed-rate loans and advances with terms that closely align with the critical terms of the hedged item.

The Group's approach to managing market risk, including interest rate risk, is discussed in Note 6. The Group's exposure to interest rate risk is disclosed in Note 6. Interest rate risk to which the Group applies hedge accounting arises from fixed-rate loans and advances, whose fair value fluctuates when benchmark interest rates change. The Group hedges interest rate risk only to the extent of benchmark interest rates because the changes in fair value of a fixed-rate loan are significantly influenced by changes in the benchmark interest rate (SONIA). Hedge accounting is applied where economic hedging relationships meet the hedge accounting criteria.

By using derivative financial instruments to hedge exposures to changes in interest rates, the Group also exposes itself to credit risk of the derivative counterparty, which is not offset by the hedged item. The Group minimises counterparty credit risk in derivative instruments by entering into transactions with high-quality counterparties whose credit rating is not lower than A.

Before fair value hedge accounting is applied by the Group, the Group determines whether an economic relationship between the hedged item and the hedging instrument exists based on an evaluation of the qualitative characteristics of these items and the hedged risk that is supported by quantitative analysis. The Group considers whether the critical terms of the hedged item and hedging instrument closely align when assessing the presence of an economic relationship. The Group evaluates whether the fair value of the hedged item and the hedging instrument respond similarly to similar risks. The Group further supports this qualitative assessment by using regression analysis to assess whether the hedging instrument is expected to be and has been highly effective in offsetting changes in the fair value of the hedged item.

The Group establishes a hedge ratio by aligning the par amount of the fixed-rate loan and the notional amount of the interest rate swap designated as a hedging instrument. Under the Group policy, in order to conclude that a hedging relationship is effective, all of the following criteria should be met.

- The regression co-efficient (R squared), which measures the correlation between the variables in the regression, is at least 0.8.
- The slope of the regression line is within a 0.8–1.25 range.
- The confidence level of the slope is at least 95%.

In these hedging relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- differences in payable/receivable fixed rates of the interest rate swap and the loans.

There were no other sources of ineffectiveness in these hedging relationships.

The effective portion of fair value gains on derivatives held in qualifying fair value hedging relationships and the hedging gain or loss on the hedged items are included in net interest income.

At 31 December 2024 and 31 December 2023, the Group held the following interest rate swaps as hedging instruments in fair value hedges of interest risk.

Group	Maturity 2024			Maturity 2023		
	Less than 1 year	1–5 years	More than 5 years	Less than 1 year	1–5 years	More than 5 years
Risk category: Interest rate risk - Hedge of loans and advances						
Nominal amount (in £000)	–	33,750	–	–	61,220	–
Average fixed interest rate	–	0.09%	–	–	2.51%	–

Notes to the Consolidated Financial Statements *continued*

22. Derivatives held for risk management and hedge accounting (continued)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2024 were as follows:

Group	2024		
	Nominal amount	Carrying amount	
		£000	Assets £000
Interest rate risk			
Interest rate swaps – hedge of loans and advances	33,750	2,970	–

The amounts relating to items designated as hedging instruments and hedge ineffectiveness at 31 December 2023 were as follows:

Group	2023		
	Nominal amount	Carrying amount	
		£000	Assets £000
Interest rate risk			
Interest rate swaps – hedge of loans and advances	61,220	4,220	976

The amounts relating to items designated as hedged items at 31 December 2024 were as follows:

Group	2024	
	Carrying amount	
	Assets £000	Liabilities £000
Loans and advances	31,189	–

The amounts relating to items designated as hedged items at 31 December 2023 were as follows:

Group	2023	
	Carrying amount	
	Assets £000	Liabilities £000
Loans and advances	58,323	–

Group	2024	
Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness £000	Ineffectiveness recognised in profit or loss £000
Derivative financial instruments	(2,740)	62

Group	2023	
Line item in the statement of financial position where the hedging instrument is included	Change in fair value used for calculating hedge ineffectiveness £000	Ineffectiveness recognised in profit or loss £000
Derivative financial instruments	(2,940)	(100)

Group	2024		
Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness £000	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
		Assets £000	Liabilities £000
Loans and advances to customers	3,360	(3,169)	608

Group	2023		
Line item in the statement of financial position in which the hedged item is included	Change in value used for calculating hedge ineffectiveness £000	Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	
		Assets £000	Liabilities £000
Loans and advances to customers	2,840	(3,839)	942

Notes to the Consolidated Financial Statements *continued*

23. Loans and advances to customers

Analyses of loans and advances to customers:

Group	2024			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross loans and advances at 1 January 2024	1,908,942	82,752	79,331	2,071,025
Originations and repayments	110,716	(33,647)	(40,769)	36,300
Write-offs	–	–	(1,524)	(1,524)
Transfer to Stage 1	12,379	(11,717)	(662)	–
Transfer to Stage 2	(83,360)	84,328	(968)	–
Transfer to Stage 3	(19,499)	(18,440)	37,939	–
Gross loans and advances at 31 December 2024	1,929,178	103,276	73,347	2,105,801
Less allowances for ECLs (see Note 24)	(665)	(1,623)	(9,301)	(11,589)
Net loans and advances at 31 December 2024	1,928,513	101,653	64,046	2,094,212

Group	2023			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Gross loans and advances at 1 January 2023	1,917,907	74,514	50,258	2,042,679
Originations and repayments	85,665	(42,029)	(14,067)	29,569
Write-offs	–	–	(1,223)	(1,223)
Transfer to Stage 1	2,420	(2,185)	(235)	–
Transfer to Stage 2	(66,605)	66,895	(290)	–
Transfer to Stage 3	(30,445)	(14,443)	44,888	–
Gross loans and advances at 31 December 2023	1,908,942	82,752	79,331	2,071,025
Less allowances for ECLs (see Note 24)	(900)	(429)	(5,479)	(6,808)
Net loans and advances at 31 December 2023	1,908,042	82,323	73,852	2,064,217

For a maturity profile of loans and advances to customers, refer to Note 6.

Loans and advances to customers by division (net of ECL):

Group	2024					Total £000
	Banking £000	RAF £000	ACABL £000	AAG £000	All Other Divisions £000	
Stage 1	1,420,274	242,417	189,011	76,811	–	1,928,513
Stage 2	59,035	4,355	38,023	240	–	101,653
Stage 3	59,832	2,018	1,161	–	–	64,046
At 31 December 2023	1,539,141	248,790	228,195	77,051	–	2,094,212

Group	2023					Total £000
	Banking* £000	RAF £000	ACABL £000	AAG £000	All Other Divisions** £000	
Stage 1	1,427,753	194,423	223,865	58,923	3,078	1,908,042
Stage 2	69,535	2,146	10,355	287	–	82,323
Stage 3	66,073	2,221	5,558	–	–	73,852
At 31 December 2022	1,563,361	198,790	239,778	59,210	3,078	2,064,217

* Banking numbers have been re-presented to include the Mortgage Portfolio throughout this note disclosure

** All other divisions have been re-presented to include Arbuthnot Specialist Finance Limited (ASFL) throughout this note disclosure

Analyses of past due loans and advances to customers by division:

Group	2024				Total £000
	Banking £000	RAF £000	ACABL £000	All Other Divisions £000	
Up to 30 days	10,966	4,214	–	–	15,180
Stage 1	8,782	1,632	–	–	10,414
Stage 2	1,971	1,989	–	–	3,960
Stage 3	213	593	–	–	806
30 – 60 days	15,867	211	–	–	16,078
Stage 2	5,347	137	–	–	5,484
Stage 3	10,520	74	–	–	10,594
60 – 90 days	12,759	53	–	–	13,180
Stage 2	10,470	–	–	–	10,470
Stage 3	2,289	53	–	–	2,710
Over 90 days	57,450	1,411	–	–	59,005
Stage 2	4,702	–	–	–	4,846
Stage 3	52,748	1,411	–	–	54,159
At 31 December 2024	97,042	5,889	–	–	103,443

Notes to the Consolidated Financial Statements *continued*

23. Loans and advances to customers (continued)

Analyses of past due loans and advances to customers by division:

Group	2023				
	Banking* £000	RAF £000	ACABL £000	All Other Divisions** £000	Total £000
Up to 30 days	81,113	1,969	–	–	83,082
Stage 1	59,963	1,872	–	–	61,835
Stage 2	20,939	53	–	–	20,992
Stage 3	211	44	–	–	255
30 – 60 days	6,502	246	–	–	6,748
Stage 2	6,305	225	–	–	6,530
Stage 3	197	21	–	–	218
60 – 90 days	3,451	180	–	–	3,631
Stage 2	3,080	151	–	–	3,231
Stage 3	371	29	–	–	400
Over 90 days	70,250	3,256	–	–	73,506
Stage 2	3,969	–	–	–	3,969
Stage 3	66,281	3,256	–	–	69,537
At 31 December 2023	161,316	5,651	–	–	166,967

* Banking numbers have been re-presented to include the Mortgage Portfolio throughout this note disclosure

** All other divisions have been re-presented to include Arbuthnot Specialist Finance Limited (ASFL) throughout this note disclosure

Loans and advances to customers include finance lease receivables as follows:

Group	2024 £000	2023 £000
Gross investment in finance lease receivables:		
- No later than 1 year	142,107	99,863
- Later than 1 year and no later than 5 years	229,630	195,538
- Later than 5 years	958	394
	372,695	295,795
Unearned future finance income on finance leases	(46,856)	(37,795)
Net investment in finance leases	325,839	258,000
The net investment in finance leases may be analysed as follows:		
- No later than 1 year	103,719	78,509
- Later than 1 year and no later than 5 years	221,316	179,108
- Later than 5 years	804	383
	325,839	258,000

(b) Loans and advances renegotiated

Restructuring activities include external payment arrangements, modification and deferral of payments. Following restructuring, a previously overdue customer account is reset to a normal status and managed together with other similar accounts. Restructuring policies and practices are based on indicators or criteria which, in the judgement of management, indicate that payment will most likely continue. These policies are kept under continuous review. Renegotiated loans that would otherwise be past due or impaired totalled £Nil (2023: £Nil).

(c) Collateral held

Collateral is measured at fair value less costs to sell. Most of the loans are secured by property. The fair value of the collateral held against loans and advances in Stage 3 is £106m (2023: £125.8m), against loans of £73.3m (2023: £79.3m). The weighted average loan-to-value of loans and advances in Stage 3 is 69.1% (2023: 63.0%).

24. Allowances for impairment of loans and advances

An analysis of movements in the allowance for ECLs (2024):

Group	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
At 1 January 2024	902	427	5,479	6,808
Transfer to Stage 2	(17)	17	–	–
Transfer to Stage 3	(43)	(1)	44	–
Current year charge	(127)	1,207	5,593	6,673
Change in assumptions	(50)	(27)	(291)	(368)
Repayments and write-offs	–	–	(1,524)	(1,524)
At 31 December 2024	665	1,623	9,301	11,589

An analysis of movements in the allowance for ECLs (2023):

Group	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
At 1 January 2023	1,147	130	5,324	6,601
Transfer to Stage 2	(241)	241	–	–
Transfer to Stage 3	(23)	(14)	37	–
Current year charge	(29)	90	3,510	3,571
Change in assumptions	48	1	(162)	(113)
Repayments and write-offs	–	(21)	(3,230)	(3,251)
At 31 December 2023	902	427	5,479	6,808

25. Other assets

Group	2024 £000	2023 £000
Trade receivables	7,758	22,361
Inventory	27,349	24,917
Prepayments and accrued income	16,594	9,872
	51,701	57,150

Trade receivables

Gross balance	7,818	22,511
Allowance for bad debts	(60)	(150)
Net receivables	7,758	22,361

Notes to the Consolidated Financial Statements *continued*

25. Other assets (continued)

Inventory

Inventory is measured at the lower of cost or net realisable value. The cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

As at 31 December 2024 inventory included the following 3 properties:

- Pinnacle Universal is a special purpose vehicle, 100% owned by the Bank, which owns land that is currently in the process of being redeveloped with a view to selling off as individual residential plots. The value of the property at 31 December 2024 is £5.0m (2023: £4.8m).
- In 2019 a property was reclassified from investment property to inventory due to being under development with a view to sell. The property was still owned at 31 December 2024 when it was valued at net realisable value less costs to sell of £9.5m (2023: cost of £9.9m).
- As at 31 December 2023 the Bank held £3.3m of repossessed property as held for sale (note 20). Based on current market conditions it is now anticipated that the sale process will extend beyond the 12-month period required for such classification. Therefore, the repossessed property has been reclassified from “held for sale” to inventory and valued at net realisable value less costs to sell of £3.0m.

Company	2024 £000	2023 £000
Trade receivables	3,280	1,391
Prepayments and accrued income	75	58
	3,355	1,449

26. Financial investments

Group	2024 £000	2023 £000
Designated at fair value through other comprehensive income		
- Unlisted securities	4,947	3,942
Total financial investments	4,947	3,942

Unlisted securities

All unlisted securities have been designated as FVOCI as they are held for strategic reasons. These securities are measured at fair value in the Statement of Financial Position with fair value gains/losses recognised in OCI.

Dividends received during the year amounted to £19k (2023: £12k).

An additional investment in an unlisted investment vehicle was made in 2024. The Group received a distribution of £0.1m (2023: £0.1m) which included a gain of £0.1m (2023: £0.1m) in the year.

During the year the Group recognised shares in S.W.I.E.T SC. The carrying value at year end is £0.2m (2023: £Nil).

27. Deferred taxation

Accounting for deferred tax

Deferred tax is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax is not accounted for if it arises from the initial recognition of goodwill, the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the Statement of Financial Position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, when they intend to settle current tax liabilities and assets on a net basis or the tax assets and liabilities will be realised simultaneously.

Deferred tax assets are recognised where it is probable that future taxable profits will be available against which the temporary differences can be utilised.

The deferred tax liability comprises:

Group	2024 £000	2023 £000
Accelerated capital allowances and other short-term timing differences	(7,306)	(5,639)
Movement in fair value of financial investments FVOCI	(499)	(300)
Unutilised tax losses	1,977	819
IFRS 9 adjustment*	157	210
Deferred tax liability	(5,671)	(4,910)
At 1 January	(4,910)	2,425
Other Comprehensive Income - FVOCI	(199)	(91)
Profit and loss account - accelerated capital allowances and other short-term timing differences	(1,666)	(3,443)
Profit and loss account - tax losses	1,158	(3,748)
IFRS 9 adjustment*	(54)	(53)
Deferred tax liability at 31 December	(5,671)	(4,910)

* This relates to the timing difference on the adoption of IFRS 9 spread over 10 years for tax purposes.

Company	2024 £000	2023 £000
Accelerated capital allowances and other short-term timing differences	2	7
Movement in fair value of financial investments	147	147
Unutilised tax losses	366	366
Deferred tax asset	515	520
At 1 January	520	523
Profit and loss account - accelerated capital allowances and other short-term timing differences	(5)	(3)
Deferred tax asset at 31 December	515	520

Deferred tax assets are recognised for tax losses to the extent that the realisation of the related tax benefit through future taxable profits is probable.

28. Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

The Group reviews the goodwill for impairment at least annually or more frequently when events or changes in economic circumstances indicate that impairment may have taken place and carries goodwill at cost less accumulated impairment losses. Assets are grouped together in the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). For impairment testing purposes goodwill cannot be allocated to a CGU that is greater than a reported operating segment. CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination. The test for impairment involves comparing the carrying value of goodwill with the present value of pre-tax cash flows, discounted at a rate of interest that reflects the inherent risks of the CGU to which the goodwill relates, or the CGU's fair value if this is higher.

Notes to the Consolidated Financial Statements *continued*

28. Intangible assets (continued)

(b) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight line basis over the expected useful lives (three to fifteen years).

Costs associated with maintaining computer software programs are recognised as an expense as incurred.

Costs associated with developing computer software which are assets in the course of construction, which management has assessed to not be available for use, are not amortised.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate: that the product is technically and commercially feasible, its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and that it can reliably measure the costs to complete the development. The capitalised costs of internally developed software include all costs directly attributable to developing the software, and are amortised over its useful life.

(c) Other intangibles

Other intangibles include trademarks, customer relationships, broker relationships, technology and banking licences acquired. These costs are amortised on a straight line basis over the expected useful lives (three to fourteen years).

(d) SaaS (Software as a Service) costs

The Group assesses its SaaS arrangements to determine whether the arrangement conveys a right to use the software asset. Where the arrangement provides the Group with control over the software asset, and the criteria for recognition as an intangible asset are met, the related costs are capitalised. Where the arrangement does not convey control over the software asset, the SaaS costs are expensed as incurred.

Group	Goodwill £000	Computer software £000	Other intangibles £000	Total £000
Cost				
At 1 January 2023	5,202	37,010	6,291	48,503
Additions	–	985	888	1,873
Disposals	–	–	(350)	(350)
At 31 December 2023	5,202	37,995	6,829	50,026
Additions	–	4,739	–	4,739
Transfer	–	742	(742)	–
At 31 December 2024	5,202	43,476	6,087	54,765
Accumulated amortisation				
At 1 January 2023	–	(14,067)	(1,887)	(15,954)
Amortisation charge	–	(3,906)	(579)	(4,485)
At 31 December 2023	–	(17,973)	(2,466)	(20,439)
Amortisation charge	–	(3,024)	(737)	(3,761)
At 31 December 2024	–	(20,997)	(3,203)	(24,200)
Net book amount				
At 31 December 2023	5,202	20,022	4,363	29,587
At 31 December 2024	5,202	22,479	2,884	30,565

Significant management judgements are made in estimations, to evaluate whether an impairment of goodwill is necessary. Impairment testing is performed at CGU level and the following two items, with judgements surrounding them, have a significant impact on the estimations used in determining the necessity of an impairment charge:

- **Future cash flows** - Cash flow forecasts reflect management's view of future business forecasts at the time of the assessment. A detailed three year budget is done every year and management also uses judgement in applying a growth rate. The accuracy of future cash flows is subject to a high degree of uncertainty in volatile market conditions. During such conditions, management would perform impairment testing more frequently than annually to ensure that the assumptions applied are still valid in the current market conditions.
- **Discount rate** - Management also apply judgement in determining the discount rate used to discount future expected cash flows. The discount rate is derived from the cost of capital for each CGU.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. There are currently two CGUs (2023: two) with goodwill attached; the core Arbuthnot Latham CGU (£1.7m) and RAF CGU (£3.5m).

Management considers the value in use for the Arbuthnot Latham CGU to be the discounted cash flows over 3 years with a terminal value (2023: 3 years with a terminal value). The 3 year discounted cash flows with a terminal value are considered to be appropriate as the goodwill relates to an ongoing well established business and not underlying assets with finite lives. The terminal value is calculated by applying a discounted perpetual growth model to the profit expected in 2024 as per the approved 3 year plan. A growth rate of 2.2% (2023: 4.6%) was used for income and 6.3% (2023: 7.4%) for expenditure from 2025 to 2027 (these rates were the best estimate of future forecasted performance), while a 3% (2023: 3%) percent growth rate for income and expenditure was used for cash flows after the approved 3 year plan.

Management considers the value in use for the RAF CGU to be the discounted cash flows over 3 years with a terminal value. The 3 year discounted cash flows with a terminal value are considered to be appropriate as the goodwill relates to an ongoing, well established, business and not underlying assets with finite lives. The terminal value is calculated by applying a discounted perpetual growth model to the profit expected in 2027 as per the approved budget. A growth rate of 3% (2023: 3%) was used (this rate was the best estimate of future forecasted performance).

Cash flows were discounted at a pre-tax rate of 14.9% (2023: 14.7%) to their net present value. The discount rate of 14.9% is considered to be appropriate after evaluating current market assessments of the time value of money and the risks specific to the assets or CGUs.

Currently, the value in use and fair value less costs to sell of both CGUs exceed the carrying values of the associated goodwill and as a result no sensitivity analysis was performed.

Company	Computer software £000
Cost	
At 1 January 2023	7
At 31 December 2023	7
At 31 December 2024	7
Accumulated amortisation	
At 1 January 2023	(6)
Amortisation charge	(1)
At 31 December 2023	(7)
At 31 December 2024	(7)
Net book amount	
At 31 December 2024	-

Notes to the Consolidated Financial Statements *continued*

29. Property, plant and equipment

Land and buildings comprise mainly branches and offices and are stated at the latest valuation with subsequent additions at cost less depreciation. Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, applying the following annual rates, which are subject to regular review:

Leasehold improvements	3 to 20 years
Commercial vehicles	2 to 7 years
Plant and machinery	5 years
Computer and other equipment	3 to 10 years
Motor vehicles	4 years

Leasehold improvements are depreciated over the term of the lease (until the first break clause). Gains and losses on disposals are determined by deducting carrying amount from proceeds. These are included in the Statement of Comprehensive Income.

Commercial vehicles are subject to operating leases. The other assets are owned and used by the Group.

Group	Leasehold improvements £000	Commercial vehicles £000	Plant and machinery £000	Computer and other equipment £000	Motor Vehicles £000	Total £000
Cost or valuation						
At 1 January 2023	7,748	210,569	13	6,246	623	225,199
Additions	3,979	161,235	4	627	235	166,080
Disposals	–	(62,181)	–	–	(10)	(62,191)
At 31 December 2023	11,727	309,623	17	6,873	848	329,088
Additions	20,581	90,472	–	2,216	407	113,676
Disposals	–	(50,471)	–	–	(247)	(50,718)
At 31 December 2024	32,308	349,624	17	9,089	1,008	392,046
Accumulated depreciation						
At 1 January 2023	(5,787)	(38,831)	(9)	(5,134)	(165)	(49,926)
Depreciation charge	(857)	(40,219)	(3)	(680)	(121)	(41,880)
Disposals	–	37,018	–	–	6	37,024
At 31 December 2023	(6,644)	(42,032)	(12)	(5,814)	(280)	(54,782)
Depreciation charge	(1,405)	(51,337)	(8)	(899)	(141)	(53,790)
Disposals	–	29,698	10	–	184	29,892
At 31 December 2024	(8,049)	(63,671)	(10)	(6,713)	(237)	(78,680)
Net book amount						
At 31 December 2023	5,083	267,591	5	1,059	568	274,306
At 31 December 2024	24,259	285,953	7	2,376	771	313,366

Company	Computer and other equipment £000	Motor Vehicles £000	Total £000
Cost or valuation			
At 1 January 2023	218	91	309
Additions	(1)	–	(1)
At 31 December 2023	217	91	308
Additions	(1)	118	117
Disposals	–	(91)	(91)
At 31 December 2024	216	118	334
Accumulated depreciation			
At 1 January 2023	(88)	(91)	(179)
Depreciation charge	–	1	1
At 31 December 2023	(88)	(90)	(178)
Depreciation charge	–	(26)	(26)
Disposals	–	91	91
At 31 December 2024	(88)	(25)	(113)
Net book amount			
At 31 December 2023	129	1	130
At 31 December 2024	128	93	221

Minimum lease payments receivable under operating and contract hire leases fall due as follows:

Group	2024 £000	2023 £000
Maturity analysis for operating lease receivables:		
- No later than 1 year	55,825	55,763
- Later than 1 year and no later than 5 years	76,293	70,225
- Later than 5 years	3,722	5,131
	135,840	131,119

30. Right-of-use assets

At inception or on reassessment of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

Notes to the Consolidated Financial Statements *continued*

30. Right-of-use assets (continued)

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore it or its site, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Practical exemptions

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

Assets leased to customers under agreements which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to finance leases, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. When assets are held subject to operating leases, the underlying assets are held at cost less accumulated depreciation. The assets are depreciated down to their estimated residual values on a straight-line basis over the lease term. Lease rental income is recognised on a straight line basis over the lease term.

Breakdown of right-of-use assets:

Group	Properties £000	Equipment £000	Total £000
At 1 January 2023	7,409	303	7,714
Additions	49,228	23	49,251
Amortisation	(3,524)	(149)	(3,673)
Derecognition	(476)	–	(476)
At 31 December 2023	52,637	177	52,816
Additions	181	134	315
Amortisation	(5,452)	(168)	(5,620)
At 31 December 2024	47,366	143	47,511

In the year, the Group received £Nil (2023: £Nil) of rental income from subleasing right-of-use assets through operating leases.

The Group recognised £3.1m (2023: £1.3m) of interest expense related to lease liabilities. The Group also recognised £0.7m (2023: £0.6m) of expense in relation to leases with a duration of less than 12 months.

31. Investment property

Investment property is initially measured at cost. Transaction costs are included in the initial measurement. Subsequently, investment property is measured at fair value, with any change therein recognised in profit and loss within other income.

Group	2024 £000	2023 £000
Opening balance	5,950	6,550
Fair value adjustment	(700)	(600)
At 31 December 2024	5,250	5,950

Crescent Office Park, Bath

The property represents a freehold office building in Bath and comprises 25,528 square ft. over ground and two upper floors with parking spaces. The property was acquired for £6.35m. On the date of acquisition, the property was being multi-let to tenants and was at full capacity.

The Group has elected to apply the fair value model (see Note 4.2 (c)). The fair value of the investment property was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued.

The fair value measurements for the investment property have been categorised as Level 3 fair value measurement.

The Group recognised £0.5m (2023: £0.7m) rental income during the year and incurred £0.8m (2023: £0.7m) of direct operating expenses. The property remained tenanted during 2024.

32. Deposits from banks

Group	2024 £000	2023 £000
	192,911	193,410

Deposits from banks include £190m (2023: £190m) obtained through the Bank of England Term Funding Scheme with additional incentives for small and medium-sized enterprises ("TFSME"). £177.6m of TFSME is maturing in 2025, with the remaining £12.4m maturing in 2027.

33. Deposits from customers

Group	2024 £000	2023 £000
Current/demand accounts	2,754,141	2,161,285
Notice accounts	158,537	180,854
Term deposits	1,219,815	1,417,428
	4,132,493	3,759,567

Included in customer accounts are deposits of £24.8m (2023: £32.6m) held as collateral for loans and advances. The fair value of these deposits approximates their carrying value.

For a maturity profile of deposits from customers, refer to Note 6.

Notes to the Consolidated Financial Statements *continued*

34. Other liabilities

Group	2024 £000	2023 £000
Trade payables	6,229	18,542
Accruals and deferred income	29,155	22,158
	35,384	40,700
Company	2024 £000	2023 £000
Trade payables	1,812	1,796
Accruals and deferred income	3,655	3,740
	5,467	5,536

35. Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Primarily, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rates as at the commencement date;
- amounts expected to be payable under a residual value guarantee.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in the statement of comprehensive income if the carrying amount of the right-of-use asset has been reduced to zero.

Group	Properties £000	Equipment £000	Total £000
At 1 January 2023	7,587	285	7,872
Additions	48,175	23	48,198
Interest expense	1,336	9	1,345
Lease payments	(3,496)	(158)	(3,654)
At 31 December 2023	53,602	159	53,761
Additions	197	134	331
Interest expense	3,125	7	3,132
Lease payments	(2,215)	(180)	(2,395)
At 31 December 2024	54,709	120	54,829

Maturity analysis		
Group	2024 £000	2023 £000
Less than one year	1,216	2,734
One to five years	26,121	20,239
More than five years	61,099	67,497
Total undiscounted lease liabilities at 31 December	88,436	90,470
Lease liabilities included in the statement of financial position at 31 December	54,829	53,761
Current	1,087	2,559
Non-current	53,742	51,202

36. Debt securities in issue

Issued financial instruments or their components are classified as liabilities where the contractual arrangement results in the Group having a present obligation to either deliver cash or another financial asset to the holder.

Financial liabilities, other than trading liabilities at fair value, are carried at amortised cost using the effective interest rate method as set out in the policy in Note 8.

Group and Company	2024 £000	2023 £000
Subordinated loan notes	37,982	37,726

Euro subordinated loan notes

The subordinated loan notes 2035 were issued on 7 November 2005 and are denominated in Euros. The principal amount outstanding at 31 December 2024 was €15.0m / £12.4m (2023: €15.0m / £13.0m). The notes carry interest at 3% over the interbank rate for three month deposits in euros and are repayable at par in August 2035 unless redeemed or repurchased earlier by the Company.

The contractual amount that will be required to be paid at maturity of the above debt securities is €15.0m.

The fair value of these Euro subordinated loan notes approximates their carrying value.

Pounds Sterling subordinated loan notes

The subordinated loan notes were issued on 3 June 2019 were denominated in Pounds Sterling. These notes were fully repaid on 3 June 2024. A new facility of £26m subordinated loan notes were issued on 3 June 2024 and are denominated in Pound Sterling. The principal amount outstanding at 31 December 2024 was £26m (2023: £25m). The notes carry interest at 7.25% over 3 month average SONIA and are repayable at par in June 2034 unless redeemed or repurchased earlier by the Arbuthnot Latham & Co., Limited

The contractual amount that will be required to be paid at maturity of the above debit securities is £26.0m.

The fair value of these subordinated loan notes approximates their carrying value.

Notes to the Consolidated Financial Statements *continued*

37. Contingent liabilities and commitments

Financial guarantees and loan commitments policy

Financial guarantees represent undertakings that the Group will meet a customer's obligation to third parties if the customer fails to do so. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. The Group is theoretically exposed to loss in an amount equal to the total guarantees or unused commitments. However, the likely amount of loss is expected to be significantly less; most commitments to extend credit are contingent upon customers maintaining specific credit standards. Liabilities under financial guarantee contracts are initially recorded at their fair value, and the initial fair value is amortised over the life of the financial guarantee. Subsequently, the financial guarantee liabilities are measured at the higher of the initial fair value, less cumulative amortisation, and the best estimate of the expenditure to settle obligations.

Provisions and contingent liabilities policy

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required from the Group and amounts can be reliably measured.

Onerous contract provisions are recognised for losses on contracts where the forecast costs of fulfilling the contract throughout the contract period exceed the forecast income receivable. In assessing the amount of the loss to provide on any contract, account is taken of the Group's forecast results which the contract is servicing. The provision is calculated based on discounted cash flows to the end of the contract.

Contingent liabilities are disclosed when the Group has a present obligation as a result of a past event, but the probability that it will be required to settle that obligation is more than remote, but not probable.

Contingent liabilities

The Group is subject to extensive regulation in the conduct of its business. A failure to comply with applicable regulations could result in regulatory investigations, fines and restrictions on some of the Group's business activities or other sanctions. The Group seeks to minimise this risk through the adoption and compliance with policies and procedures, continuing to refine controls over business practices and behaviour, employee training, the use of appropriate documentation, and the involvement of outside legal counsel where appropriate.

Capital commitments

At 31 December 2024, the Group had capital commitments of £0.2m (2023: £0.4m) in respect of a contribution in an equity investment.

Credit commitments

The contractual amounts of the Group's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

Group	2024 £000	2023 £000
Guarantees and other contingent liabilities	2,500	2,051
Commitments to extend credit:		
- Original term to maturity of one year or less	425,531	450,539
	428,031	452,590

38. Share capital and share premium

Group and Company	31 December 2024 £000	31 December 2023 £000
Share capital	167	167
Share premium	11,606	11,606
Share capital and share premium	11,773	11,773

Ordinary share capital

Group and Company	Number of shares	Share capital £000
At 1 January 2024	16,576,619	166
At 31 December 2024	16,576,619	166

Ordinary non-voting share capital

Group and Company	Number of shares	Share capital £000
At 1 January 2024	152,621	1
At 31 December 2024	152,621	1

Total share capital

Group and Company	Number of shares	Share capital £000
At 1 January 2024	16,729,240	167
At 31 December 2024	16,729,240	167

(a) Share issue costs

Incremental costs directly attributable to the issue of new shares or options by Company are shown in equity as a deduction, net of tax, from the proceeds.

(b) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the period in which they are approved.

(c) Share buybacks

Where any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued.

The Ordinary shares have a par value of 1p per share (2023: 1p per share). At 31 December 2024 the Company held 409,314 shares (2023: 409,314) in treasury. This includes 390,274 (2023: 390,274) Ordinary shares and 19,040 (2023: 19,040) Ordinary Non-Voting shares.

Notes to the Consolidated Financial Statements *continued*

39. Reserves and retained earnings

Group	2024 £000	2023 £000
Capital redemption reserve	19	19
Fair value reserve	1,888	1,341
Treasury shares	(1,299)	(1,299)
Retained earnings	254,575	240,606
Total reserves at 31 December	255,183	240,667

The capital redemption reserve represents a reserve created after the Company purchased its own shares which resulted in a reduction of share capital.

The fair value reserve relates to gains or losses on assets which have been recognised through other comprehensive income.

Company	2024 £000	2023 £000
Capital redemption reserve	19	19
Treasury shares	(1,299)	(1,299)
Retained earnings	149,238	148,809
Total reserves as 31 December	147,958	147,529

40. Share-based payment options

Company – cash settled

Grants were made to Messrs Salmon and Cobb on 23 July 2021 under the Phantom Option Scheme to subscribe for 200,000 and 100,000 ordinary 1p shares respectively in ABG at 990p. 50% of each director's individual holding of phantom options is exercisable at any time after 23 July 2024 and the other 50% is exercisable at any time after 23 July 2026 when a cash payment would be made equal to any increase in market value. All share options awarded on 23 July 2021, regardless of first exercise date, may not be exercised later than 23 July 2028, being the day before the seventh anniversary of the date of grant. The valuation of the share options are considered as level 2 within the fair value hierarchy, with the Group adopting a Black-Scholes valuation model as adjusted for an attrition rate for members of the scheme and a probability of pay-out reflecting the risk of not meeting the terms of the scheme over the vesting period. The number of share options that are expected to vest is reviewed at least annually. The fair value of the options as at 31 December 2024 was a liability of £0.2m (2023: £0.4m). As at 31 December 2024 the initial 50% of each director's holding had reached the strike date of 24 July 2024 but have not been exercised.

The performance conditions of the Scheme are that, from the grant date to the date the Option is exercised, there must be no public criticism by any regulatory authority on the operation of the Company or any of its subsidiaries which has a material impact on the business of Group and for the duration of the vesting period, there has been satisfactory growth in the dividends paid by the Company.

Options are forfeited if they remain unexercised after a period of more than 7 years from the date of grant. If the participant ceases to be employed by the Group by reason of injury, disability, ill-health or redundancy; or because his employing company ceases to be a shareholder of the Group; or because his employing business is being transferred out of the Group, his option may be exercised within 6 months after such cessation. In the event of the death of a participant, the personal representatives of a participant may exercise an option, to the extent exercisable at the date of death, within 6 months after the death of the participant.

On cessation of employment for any other reason (or when a participant serves, or has been served with, notice of termination of such employment), the option will lapse although the Remuneration Committee has discretion to allow the exercise of the option for a period not exceeding 6 months from the date of such cessation.

In such circumstances, the performance conditions may be modified or waived as the Remuneration Committee, acting fairly and reasonably and taking due consideration of the circumstances, thinks fit. The number of Ordinary Shares which can be acquired on exercise will be pro-rated on a time elapsed basis, unless the Remuneration Committee, acting fairly and reasonably and taking due consideration of the circumstances, decides otherwise. In determining whether to exercise its discretion in these respects, the Remuneration Committee must satisfy itself that the early exercise of an option does not constitute a reward for failure.

The probability of payout has been assigned based on the likelihood of meeting the performance criteria, which is 100%. The Directors consider that there is some uncertainty surrounding whether the participants will all still be in situ and eligible at the vesting date. Therefore the directors have assumed a 15% attrition rate for the share options vesting in June 2021, July 2024 and July 2026. The attrition rate will increase by 3% per year until the vesting date. ABG had a credit of £0.13m in relation to share based payments during 2024 (2023: £0.22m cost), as disclosed in Note 13.

Measurement inputs and assumptions used in the Black-Scholes model are as follows:

	2024	2023
Expected Stock Price Volatility	23.2%	31.8%
Risk Free Interest Rate	2.1%	4.2%
Average Expected Life (in years)	0.78	1.56

41. Dividends per share

The Directors recommend the payment of a final dividend of 29p (2023: 27p) per Ordinary share and Ordinary Non-Voting share. This represents total dividends for the year of 69p (2023: 46p) per Ordinary share and Ordinary Non-Voting share. The final dividend, if approved by members at the forthcoming AGM, will be paid on 30 May 2025 to shareholders on the register at close of business on 22 April 2025.

42. Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash and cash equivalents comprises cash on hand and demand deposits, and cash equivalents are deemed highly liquid investments that are convertible into cash with an insignificant risk of changes in value with a maturity of three months or less at the date of acquisition.

Group	2024 £000	2023 £000
Cash and balances at central banks (Note 17)	911,887	826,559
Loans and advances to banks (Note 18)	66,971	79,381
	978,858	905,940

Company	2024 £000	2023 £000
Loans and advances to banks	920	623

Notes to the Consolidated Financial Statements *continued*

43. Related party transactions

Related parties of the Company and Group include subsidiaries, directors, Key Management Personnel, close family members of Key Management Personnel and entities which are controlled, jointly controlled or significantly influenced, or for which significant voting power is held, by Key Management Personnel or their close family members.

A number of banking transactions are entered into with related parties in the normal course of business on normal commercial terms. These include loans and deposits. Directors and Key Management includes solely Executive and Non-Executive Directors.

Group - Directors and close family members	2024 £000	2023 £000
Loans		
Loans outstanding at 1 January	1,450	1,409
Loans advanced during the year	1,540	457
Loan repayments during the year	(105)	(416)
Transfer to deposits during the year	(102)	–
Loans outstanding at 31 December	2,783	1,450
Interest income earned	61	38

The loans to directors are mainly secured on property, shares or cash and bear interest at rates linked to base rate. No provisions have been recognised in respect of loans given to related parties (2023: £Nil).

Group - Directors and close family members	2024 £000	2023 £000
Deposits		
Deposits at 1 January	3,190	4,422
Deposits placed during the year	5,649	4,118
Deposits repaid during the year	(4,850)	(5,350)
Transfer to loans during the year	(102)	–
Deposits at 31 December	3,887	3,190
Interest expense on deposits	106	72

Details of directors' remuneration are given in the Remuneration Report on pages 61 and 62. The Directors do not believe that there were any other transactions with key management or their close family members that require disclosure.

Details of principal subsidiaries are given in Note 44. Transactions and balances with subsidiaries are shown below:

	2024		2023	
	Highest balance during the year £000	Balance at 31 December £000	Highest balance during the year £000	Balance at 31 December £000
ASSETS				
Due from subsidiary undertakings -				
Loans and advances to banks	6,231	913	12,843	616
Due from subsidiary undertakings -				
Debt securities at amortised cost	38,776	38,103	38,129	38,129
Shares in subsidiary undertakings	164,354	164,354	164,354	164,354
	209,361	203,370	215,326	203,099
Interest income		4,180		4,198
LIABILITIES				
Due to subsidiary undertakings	7,014	1,406	1,339	1,540
	7,014	1,406	1,339	1,540
Interest expense		-		223

The disclosure of the year end balance and the highest balance during the year is considered the most meaningful information to represent the transactions during the year. The above transactions arose during the normal course of business and are on substantially the same terms as for comparable transactions with third parties.

The Company undertook the following transactions with other companies in the Group during the year:

	2024 £000	2023 £000
Arbuthnot Latham & Co., Ltd - Recharge of property and IT costs	995	896
Arbuthnot Latham & Co., Ltd - Recharge for costs paid on the Company's behalf	5,279	3,543
Arbuthnot Latham & Co., Ltd - Recharge of costs paid on behalf of Arbuthnot Latham & Co., Ltd	(44)	(2,100)
Arbuthnot Latham & Co., Ltd - Group recharges for shared services	(10,058)	(9,764)
Arbuthnot Latham & Co., Ltd - Group recharges for liquidity	(1,349)	(5,814)
Total	(5,177)	(13,239)

Notes to the Consolidated Financial Statements *continued*

44. Interests in subsidiaries

Company	Investment at cost £000	Impairment provisions £000	Net £000
At 1 January 2024	164,354	–	164,354
At 31 December 2024	164,354	–	164,354
Company		2024 £000	2023 £000
Subsidiary undertakings:			
Bank		162,814	162,814
Other		1,540	1,540
Total		164,354	164,354

(a) List of subsidiaries

Arbuthnot Latham & Co., Limited is the only significant subsidiary of Arbuthnot Banking Group. Arbuthnot Latham is incorporated in the United Kingdom, has a principal activity of Private and Commercial Banking and is 100% owned by the Group.

	% shareholding	Country of incorporation	Principal activity
Direct shareholding			
Arbuthnot Fund Managers Limited	100.0%	UK	Dormant
Arbuthnot Investments Limited	100.0%	UK	Dormant
Arbuthnot Limited	100.0%	UK	Dormant
Arbuthnot Properties Limited	100.0%	UK	Dormant
Arbuthnot Unit Trust Management Limited	100.0%	UK	Dormant
Gilliat Financial Solutions Limited	100.0%	UK	Dormant
Indirect shareholding via intermediate holding companies			
Arbuthnot Commercial Asset Based Lending Limited	100.0%	UK	Asset Finance
Arbuthnot Latham (Nominees) Limited	100.0%	UK	Dormant
Arbuthnot Latham Real Estate PropCo 1 Limited	100.0%	Jersey	Property Investment
Arbuthnot Securities Limited	100.0%	UK	Dormant
Arbuthnot Specialist Finance Limited	100.0%	UK	Specialist Finance
Asset Alliance Finance Limited	100.0%	UK	Dormant
Asset Alliance Group Finance No.2 Limited	100.0%	UK	Dormant
Asset Alliance Group Holdings Limited	100.0%	UK	Commercial Vehicle Financing
Asset Alliance Leasing Limited	100.0%	UK	Commercial Vehicle Financing
Asset Alliance Limited	100.0%	UK	Dormant
ATE Truck & Trailer Sales Limited	100.0%	UK	Dormant
Forest Asset Finance Limited	100.0%	UK	Commercial Vehicle Financing
Hanbury Riverside Limited	100.0%	UK	Dormant
John K Gilliat & Co., Limited	100.0%	UK	Dormant
Pinnacle Universal Limited	100.0%	UK	Property Development
Renaissance Asset Finance Limited	100.0%	UK	Asset Finance
AAG Traffic Management Limited	100.0%	UK	Dormant
The Peacocks Management Company Limited	100.0%	UK	Property Management
Valley Finance Limited	100.0%	UK	Dormant

All the subsidiaries above were 100% owned during the current and prior year and are unlisted and none are banking institutions. All entities are included in the consolidated financial statements and have an accounting reference date of 31 December.

The Jersey entity's registered office is 26 New Street, St Helier, Jersey, JE2 3RA. All other entities listed above have their registered office as 20 Finsbury Circus, London, EC2M 7EA.

Arbuthnot Specialist Finance Limited is exempt from the requirement to prepare audited accounts under section 479A of the Companies Act 2006.

(b) Non-controlling interests in subsidiaries

There were no non-controlling interests at the end of 2024 or 2023.

(c) Significant restrictions

The Group does not have significant restrictions on its ability to access or use its assets and settle its liabilities other than those resulting from the supervisory frameworks within which banking subsidiaries operate. The supervisory frameworks require banking subsidiaries to keep certain levels of regulatory capital and liquid assets, limit their exposure to other parts of the Group and comply with other ratios. The carrying amounts of the banking subsidiary's assets and liabilities are £4.7bn and £4.4bn respectively (2023: £4.3bn and £4.1bn respectively).

(d) Risks associated with interests

During the year Arbuthnot Banking Group PLC did not make capital contributions to Arbuthnot Latham & Co., Ltd.

In 2023 Arbuthnot Banking Group PLC made £5.0m capital contributions to Arbuthnot Latham & Co., Ltd. The contributions were made to assist the Bank during a period of growth to ensure that all regulatory capital requirements were met.

45. Operating segments

The Group is organised into seven operating segments as disclosed below:

- 1) Banking – Includes Private and Commercial Banking. Private Banking – Provides traditional private banking services. Commercial Banking – Provides bespoke commercial banking services and tailored secured lending against property investments and other assets.
- 2) Wealth Management – Offering financial planning and investment management services.
- 3) RAF – Specialist asset finance lender mainly in high value cars but also business assets.
- 4) ACABL – Provides finance secured on either invoices, assets or stock of the borrower.
- 5) AAG – Provides vehicle finance and related services, predominantly in the truck & trailer and bus & coach markets.
- 6) All Other Divisions – All other smaller divisions and central costs in Arbuthnot Latham & Co., Ltd (Investment property and Central costs)
- 7) Group Centre – ABG Group management.

* Mortgage portfolios are now included in Banking and ASFL is now included in Central costs.

Transactions between the operating segments are on normal commercial terms. Centrally incurred expenses are charged to operating segments on an appropriate pro-rata basis. Segment assets and liabilities comprise loans and advances to customers and customer deposits, being the majority of the balance sheet.

Notes to the Consolidated Financial Statements *continued*

45. Operating segments (continued)

Year ended 31 December 2024	Banking £000	Wealth Management £000	RAF £000	ACABL £000	AAG £000	All Other Divisions £000	Group Centre £000	Total £000
Interest revenue	117,660	–	19,340	25,456	5,119	95,860	4,180	267,615
Inter-segment revenue	–	–	–	–	–	–	(4,180)	(4,180)
Interest revenue from external customers	117,660	–	19,340	25,456	5,119	95,860	–	263,435
Fee and commission income	4,695	13,779	256	9,922	–	490	–	29,142
Revenue	–	–	–	–	110,832	–	–	110,832
Revenue from external customers	122,355	13,779	19,596	35,378	115,951	96,350	–	403,409
Interest expense	(20,250)	–	(6,468)	(15,413)	(15,327)	(80,105)	(7)	(137,570)
Cost of goods sold	–	–	–	–	(85,301)	–	–	(85,301)
Add back inter-segment revenue	–	–	–	–	–	–	4,180	4,180
Subordinated loan note interest	–	–	–	–	–	–	(4,178)	(4,178)
Fee and commission expense	(896)	(114)	(17)	–	(15)	13	–	(1,029)
Segment operating income	101,209	13,665	13,111	19,965	15,308	16,258	(5)	179,511
Impairment losses	(5,571)	–	(554)	(32)	(60)	(58)	–	(6,275)
Other income	–	–	–	–	88	2,473	(901)	1,660
Operating expenses	(67,515)	(18,558)	(6,981)	(7,993)	(15,308)	(12,948)	(10,503)	(139,806)
Segment profit / (loss) before tax	28,123	(4,893)	5,576	11,940	28	5,725	(11,409)	35,090
Income tax (expense) / income	–	–	(1,397)	(2,998)	(1,358)	414	(4,897)	(10,236)
Segment profit / (loss) after tax	28,123	(4,893)	4,179	8,942	(1,330)	6,139	(16,306)	24,854
Loans and advances to customers	1,539,155	–	248,790	228,195	77,051	1,035	(14)	2,094,212
Assets available for lease	–	–	–	–	285,953	–	–	285,953
Other assets	–	–	–	–	–	2,353,779	(4,717)	2,349,062
Segment total assets	1,539,155	–	248,790	228,195	363,004	2,354,814	(4,731)	4,729,227
Customer deposits	4,133,406	–	–	–	–	–	(913)	4,132,493
Other liabilities	–	–	–	–	–	326,779	2,999	329,778
Segment total liabilities	4,133,406	–	–	–	–	326,779	2,085	4,462,271
Other segment items:								
Capital expenditure	–	–	–	–	–	(118,298)	(117)	(118,415)
Depreciation and amortisation	–	–	–	–	–	(57,525)	(26)	(57,551)

The “Group Centre” segment above includes the parent entity and all intercompany eliminations.

Year ended 31 December 2023	Banking* £000	Wealth Management £000	RAF £000	ACABL £000	AAG £000	All Other Divisions** £000	Group Centre*** £000	Total £000
Interest revenue	118,579	–	12,584	23,300	2,390	74,983	4,198	236,034
Inter-segment revenue	–	–	–	–	–	–	(4,198)	(4,198)
Interest revenue from external customers	118,579	–	12,584	23,300	2,390	74,983	–	231,836
Fee and commission income	3,168	11,417	45	6,911	–	1,629	–	23,170
Revenue	–	–	–	–	100,952	–	–	100,952
Revenue from external customers	121,747	11,417	12,629	30,211	103,342	76,612	–	355,958
Interest expense	(203)	–	(4,540)	(14,658)	(10,254)	(65,056)	(223)	(94,934)
Cost of goods sold	–	–	–	–	(81,074)	–	–	(81,074)
Add back inter-segment revenue	–	–	–	–	–	–	4,198	4,198
Subordinated loan note interest	–	–	–	–	–	–	(4,481)	(4,481)
Fee and commission expense	(551)	(89)	(11)	–	(12)	(105)	–	(768)
Segment operating income	120,993	11,328	8,078	15,553	12,002	11,451	(506)	178,899
Impairment losses	(2,048)	–	(982)	(234)	(98)	171	–	(3,191)
Other income	–	–	170	–	–	3,191	(839)	2,522
Operating expenses	(52,906)	(15,584)	(5,634)	(6,777)	(15,093)	(25,082)	(10,037)	(131,113)
Segment profit / (loss) before tax	66,039	(4,256)	1,632	8,542	(3,189)	(10,269)	(11,382)	47,117
Income tax (expense) / income	–	–	(391)	(2,017)	(488)	(5,537)	(3,305)	(11,738)
Segment profit / (loss) after tax	66,039	(4,256)	1,241	6,525	(3,677)	(15,806)	(14,687)	35,379
Loans and advances to customers	1,563,402	–	198,790	239,777	59,210	3,078	(40)	2,064,217
Assets available for lease	–	–	–	–	267,591	–	–	267,591
Other assets	–	–	–	–	–	2,017,916	(5,884)	2,012,032
Segment total assets	1,563,402	–	198,790	239,777	326,801	2,020,994	(5,924)	4,343,840
Customer deposits	3,760,199	–	–	–	–	–	(632)	3,759,567
Other liabilities	–	–	–	–	–	329,879	1,954	331,833
Segment total liabilities	3,760,199	–	–	–	–	329,879	1,322	4,091,400
Other segment items:								
Capital expenditure	–	–	–	–	–	(167,954)	1	(167,953)
Depreciation and amortisation	–	–	–	–	–	(46,365)	–	(46,365)

* Banking numbers have been re-presented to include the Mortgage Portfolio.

** All Other Divisions numbers have been re-presented to include Arbuthnot Specialist Finance Limited (ASFL). Additionally, interest expense increased by £4.2m due to subordinated loan interest recharged from the Group Centre. This change does not affect the statutory profit of any legal entity and represents the way the Group is currently managed and is in line with how it is presented in the current year.

*** Group Centre interest income increased by £4.2m as interest on subordinated loans were recharged to All Other Divisions. This change does not affect the statutory profit of any legal entity and represents the way the Group is currently managed and is in line with how it is presented in the current year.

Segment profit is shown prior to any intra-group eliminations.

All operations of the Group are conducted wholly within the United Kingdom and geographical information is therefore not presented.

Notes to the Consolidated Financial Statements *continued*

46. Country by Country Reporting

Article 89 of the EU Directive 2013/36/EU otherwise known as the Capital Requirements Directive IV ('CRD IV') was implemented into UK domestic legislation through statutory instrument 2013 No. 3118, the Capital Requirements (Country-by-Country Reporting) Regulations 2013 (the Regulations), which were laid before the UK Parliament on 10 December 2013 and which came into force on 1 January 2014.

Article 89 requires credit institutions and investment firms in the EU to disclose annually, specifying, by Member State and by third country in which it has an establishment, the following information on a consolidated basis for the financial year: name, nature of activities, geographical location, turnover, number of employees, profit or loss before tax, tax on profit or loss and public subsidies received.

31 December 2024				
Location	Turnover (£m)	FTE employees Number	Profit/(loss) before tax (£m)	Tax paid (£m)
UK	179.5	883	35.1	10.2

31 December 2023				
Location	Turnover (£m)	FTE employees Number	Profit/(loss) before tax (£m)	Tax paid (£m)
UK	178.9	799	47.1	11.7

No public subsidies were received during 2024 or 2023.

47. Ultimate controlling party

The Company regards Sir Henry Angest, the Group Chairman and Chief Executive Officer, who has a beneficial interest in 58.0% of the issued Ordinary share capital of the Company, as the ultimate controlling party. Details of his remuneration are given in the Remuneration Report and Note 43 of the consolidated financial statements includes related party transactions with Sir Henry Angest.

48. Events after the balance sheet date

There were no material post balance sheet events to report.

Five Year Summary

	2020 £000	2021 £000	2022 £000	2023 £000	2024 £000
Profit / (loss) for the year after tax	(1,332)	6,786	16,458	35,379	24,854
Profit / (loss) before tax from continuing operations	(1,090)	4,638	20,009	47,117	35,090
Total Earnings per share					
Basic (p)	(8.9)	45.2	109.6	222.8	152.3
Earnings per share from continuing operations					
Basic (p)	(8.9)	45.2	109.6	222.8	152.3
Dividends per share (p) – ordinary	–	38.0	42.0	46.0	49.0
– special	–	21.0	–	–	20.0
Other KPI:					
	2020	2021	2022	2023	2024
Net asset value per share (p)	1,291.5	1,337.2	1,411.1	1,546.8	1,635.8

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the thirty ninth Annual General Meeting (“Meeting”) of Arbuthnot Banking Group PLC (the Company) will be held at Arbuthnot House, 20 Finsbury Circus, London EC2M 7EA on Wednesday, 21 May 2025 at 3 p.m. for the purpose of transacting the following business as ordinary resolutions (as regards resolutions 1 to 8 and 11) and as special resolutions (as regards resolutions 9 and 10).

ORDINARY RESOLUTIONS

1. To receive and adopt the Annual Report and Accounts for the year ended 31 December 2024.
2. To receive the report of the Remuneration Committee.
3. To declare a final dividend in respect of the year ended 31 December 2024 which the directors propose should be 29p per Ordinary Share or Ordinary Non-Voting Share, payable on 30 May 2025 to shareholders on the register of members at the close of business on 22 April 2025.
4. To elect Mr R. K. Gabbertas as a Director who, having been appointed as a Director since the last annual general meeting, offers himself for election in accordance with Article 75 of the Articles of Association.
5. To re-elect Sir Henry Angest as a Director who retires by rotation in accordance with Article 78 of the Articles of Association and offers himself for re-election.
6. To re-elect Mr. A.A. Salmon as a Director who retires by rotation in accordance with Article 78 of the Articles of Association and offers himself for re-election.
7. To re-appoint Forvis Mazars LLP as Auditor of the Company.
8. To authorise the Directors to determine the remuneration of the Auditor.

To consider and, if thought fit, pass the following resolutions which in the case of resolutions 9 and 10 will be proposed as special resolutions and in the case of resolution 11 as an ordinary resolution:

SPECIAL RESOLUTIONS

9. That the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined in section 693(4) of the Companies Act 2006) of Ordinary Shares provided that:
 - a. the maximum number of Ordinary Shares hereby authorised to be purchased shall be 1,657,000 (being approximately 10% of the number of issued Ordinary Shares in the Company as at 26 March 2025);
 - b. the minimum price (excluding expenses) which may be paid for an Ordinary Share shall be £0.01;
 - c. the maximum price (excluding expenses) which may be paid for an Ordinary Share shall be 5 per cent. above the average of the closing middle market price of the Ordinary Shares (as derived from the London Stock Exchange Daily Official List) for the ten business days prior to the day the purchase is made;
 - d. the authority hereby conferred shall expire on 21 August 2026 or, if earlier, on the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
 - e. the Company may enter into contracts to purchase Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which contracts will or may be executed wholly or partly after the expiry of such authority, and may make purchases of Ordinary Shares pursuant to any such contracts.

-
10. That the Company be and is hereby generally and unconditionally authorised to make market purchases (as defined in section 693(4) of the Companies Act 2006) of Ordinary Non-Voting Shares provided that:
- a. the maximum number of Ordinary Non-Voting Shares hereby authorised to be purchased shall be 15,200 (being approximately 10% of the number of issued Ordinary Non-Voting Shares in the Company as at 26 March 2025);
 - b. the minimum price (excluding expenses) which may be paid for an Ordinary Non-Voting Share shall be £0.01;
 - c. the maximum price (excluding expenses) which may be paid for an Ordinary Non-Voting Share shall be 5 per cent. above the average of the closing middle market price of the Ordinary Non-Voting Shares (as derived from the share information published by the AQSE Growth Market) for the ten business days prior to the day the purchase is made;
 - d. the authority hereby conferred shall expire on 21 August 2026 or, if earlier, on the conclusion of the next Annual General Meeting of the Company unless such authority is renewed prior to such time; and
 - e. the Company may enter into contracts to purchase Ordinary Non-Voting Shares under the authority hereby conferred prior to the expiry of such authority, which contracts will or may be executed wholly or partly after the expiry of such authority, and may make purchases of Ordinary Non-Voting Shares pursuant to any such contracts.

ORDINARY RESOLUTION

11. That in light of regulatory change, the Company be and is hereby authorised to pay a discretionary bonus to one or more executive directors or senior managers without restriction, but within prevailing policy and regulatory requirements.

This resolution replaces the resolution passed on 8 May 2014.

By order of the Board
N.D. Jennings
Secretary
26 March 2025

Registered Office
Arbuthnot House
20 Finsbury Circus
London
EC2M 7EA

Notice of Annual General Meeting *continued*

NOTES:

1. You may vote your shares by proxy. To be effective this must be submitted on Investor Centre app or website at uk.investorcentre.mpms.mufg.com so as to have been received by the Company's registrars, MUFG Corporate Markets, not less than 48 hours (excluding weekends and public holidays) before the time appointed for the meeting or any adjournment of it. Investor Centre is a free app for smartphone and tablet provided by MUFG Corporate Markets (the company's registrar). It allows you to securely manage and monitor your shareholdings in real time, take part in online voting, keep your details up to date, access a range of information including payment history and much more. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.

Apple App Store



Google Play



2. We recommend that Ordinary shareholders appoint the Chairman of the meeting as proxy. This will ensure that your vote will be counted if you are unable to attend the meeting in person.
3. Any power of attorney or other authority under which the proxy is submitted must be returned to MUFG Corporate Markets, PXS1, Central Square, 29 Wellington Street, Leeds, LS1 4DL.
4. The Company is no longer sending paper forms of proxy to shareholders unless specifically asked to do so. If you need help with voting online, or require a paper proxy form, please contact MUFG Corporate Markets by email at shareholderenquiries@cm.mpms.mufg.com, or by telephone on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. They are open between 9 a.m. and 5 p.m. Monday to Friday excluding public holidays in England and Wales. Submission of a Proxy vote shall not preclude a member from attending and voting in person at the meeting in respect of which the proxy is appointed or at any adjournment thereof.
5. If a paper form of proxy is requested from the Registrar, it should be completed and returned to MUFG Corporate Markets at the address above to be received not less than 48 hours before the time of the meeting.
6. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, the Company gives notice that only those shareholders entered on the relevant register of members (the Register) for certificated or uncertificated shares of the Company (as the case may be) at close of business on 19 May 2025 ("the Specified Time") will be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to entries on the Register after the Specified Time will be disregarded in determining the rights of any person to attend or vote at the Meeting. Should the Meeting be adjourned to a time not more than 48 hours after the Specified Time, that time will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned Meeting. Should the Meeting be adjourned for a longer period, then to be so entitled, members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned Meeting, or, if the Company gives notice of the adjourned Meeting, at the time specified in the notice.
7. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & International Limited's specifications and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy, or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Company's registrars (ID: RA10) by 3p.m. on 19 May 2025. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
9. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings (www.euroclear.com).
10. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001 (as amended).
11. Unless otherwise indicated on the Form of Proxy, CREST voting, Proxymity or any other electronic voting channel instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.
12. Institutional investors may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the registrar. Further information regarding Proxymity can be found at www.proxymity.io. Your proxy must be lodged by 3 p.m. on 19 May 2025 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.
13. A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.
14. At 26 March 2025 (being the latest practicable date prior to the publication of this Notice and excluding shares held in Treasury) the Company's issued Ordinary share capital consists of 16,186,345 Ordinary Shares carrying one vote each. Therefore, the total voting rights in the Company as at 26 March 2025 are 16,186,345.
15. There are no service contracts of Directors other than ones which may be terminated on up to 12 months' notice at any time. Copies of these service agreements will be available for inspection at the registered office during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this notice until the date of the Meeting and at the place of the Meeting for 15 minutes prior to and during the Meeting.
16. Any electronic address provided either in this Notice or in any related documents may not be used to communicate with the Company for any purposes other than those expressly stated.

Corporate Contacts and Advisers

Group Address and Registered Office

Arbuthnot Banking Group PLC
Arbuthnot House
20 Finsbury Circus
London EC2M 7EA
T 020 7012 2400
E info@arbuthnotgroup.co.uk
www.arbuthnotgroup.com

Renaissance Asset Finance Limited
3rd Floor
Phoenix Place
Christopher Martin Road
Basildon
Essex SS14 3GQ
T 01268 269500
E info@renaissanceaf.com
www.renaissanceaf.com

Corporate Contacts

London

Arbuthnot Latham & Co., Limited
Arbuthnot House
20 Finsbury Circus
London EC2M 7EA
T 020 7012 2500
F 020 7012 2501
E banking@arbuthnot.co.uk
www.arbuthnotlatham.co.uk

Bristol

St Brandon's House
27-29 Great George Street
Bristol BS1 5QT
T 01392 496061

Exeter

The Senate
Ground Floor
Southernhay Gardens
Exeter
Devon EX1 1UG
T 01392 496061

Manchester

8th Floor
82 King Street
Manchester M2 4WQ
T 0161 413 0030

Arbuthnot Commercial Asset Based Lending Limited

The Beehive
City Place
Gatwick RH6 0PA
E abl@arbuthnot.co.uk

Asset Alliance Group Holdings Limited

Edwin House
Boundary Industrial Estate
Stafford Road
Wolverhampton WV10 7EL
T 01902 625330
E enquiries@assetalliancegroup.co.uk
www.assetalliancegroup.co.uk

Advisers

Auditor

Forvis Mazars LLP

Principal Bankers

Barclays Bank PLC
Lloyds Bank PLC
National Westminster Bank PLC

Stockbroker

Shore Capital Stockbrokers Limited

Nominated Adviser and AQSE Corporate Adviser

Grant Thornton UK LLP

Registrars

MUFG Corporate Markets
Central Square
29 Wellington Street
Leeds
Yorkshire LS1 4DL



Arbuthnot Banking Group PLC
Arbuthnot House
20 Finsbury Circus
London EC2M 7EA

T 020 7012 2400
E info@arbuthnotgroup.co.uk

www.arbuthnotgroup.com

Registration No. 1954085