30 July 2026

ARBUTHNOT BANKING GROUP

1H'26: accelerating franchise growth

ABG's results may be considered across two, distinct, time dimensions. The long-term value, created by franchise growth, picked up in 1H'26. Key growth was well spread and seen in deposits, specialist lending and wealth management. The "Future State" target of £10bn client balances was achieved two years early, and the customer base is growing. Short term, there remains sensitivity to the interest rate environment (avg. base rates down 73bp 1H'26 vs. 1H'25). A higher-for-longer outlook post Iran conflict would be positive for 2H'26/2027 and, if sustained, could see FY'26 forecasts raised. The ca.2x covered div. yield is ca.7%.

- **Key financials:** i) PBT £11.0m (1H'25: £10.9m); ii) op income £88.2m (£84.9m), with growth in both banking and leasing divisions; iii) operating expenses +4%; iv) EPS 49.9p (42.5p); v) interim dividend +2p to 24p; vi) NAV p/sh 1,712p (1,649p); and vii) CET1 ratio 12.0% (12.7%).

- **Key operating metrices:** i) deposits £4.8bn, +8% YoY; ii) customer loans £2.45bn +6% YoY (specialist lending breaking £1bn, with all divisions close to, or exceeding, our previous FY estimates); and iii) FUMA +26% to £3bn for the first time. Strong gross inflows (25% opening FUMA, 14% net).

- **Valuation:** Our broad range of valuations is: £9.89 DDM, £17.20 SOTP and £24.60 GGM. The average is £17.23, nearly double the share price. Trading at 49% of NAV is anomalous, in our view, given returns above the cost of capital and ABG's growth potential. ABG's 2027E yield is 7.3% with 1.9x cover.

- **Risks:** Margins are falling, with the trend and level of interest rates a key driver to future earnings. A higher-for-longer outlook would be beneficial. Credit is a risk, but ABG is conservative in lending and takes good security; thus, its loss given default is low. Other risks are reputation, regulation and compliance.

- **Investment summary:** ABG offers strong, accelerating, franchise growth building future embedded profits. Its balance sheet strength gives it options, especially in uncertain times. Management has been innovative but also very conservative in managing risk. A profitable, well-funded, well-capitalised and strongly growing bank priced below well book value is an anomaly, in our view.

Financial summary and valuation

Year-end Dec (£000)	2023	2024	2025	2026E	2027E
Group op. income	178,899	179,511	169,474	182,618	196,868
Total costs	(131,113)	(139,806)	(147,208)	(157,150)	(167,000)
Cost:income ratio	73%	78%	87%	86%	85%
Total impairments	(3,191)	(6,275)	(2,501)	(5,887)	(6,137)
Reported PBT	47,117	35,090	24,184	21,331	25,481
Adj. PBT (co. basis) *	51,384	35,090	24,184	21,331	25,481
Statutory EPS (p)	222.8	152.3	109.1	98.7	117.0
Adj. EPS (co. basis) (p)	244.6	152.3	109.1	98.7	117.0
Loans to deposits	55%	51%	43%	48%	46%
Ord. dividend (p)**	46.0	49.0	53.0	58.0	61.0
P/adj. earnings (x)	3.4	5.5	7.7	8.5	7.1
P/BV (x)	0.54	0.51	0.49	0.48	0.46

**Inc. £3m one-off gain, **Additional special dividend of 20p (2024). Source: Hardman & Co Research*

Banks

Source: LSEG, 2026

Market data

EPIC/TKR	**ARBB/ARBN/ABRN**
Price (p)	**835/800/810**
12m high (p)	1,130
12m low (p)	800
Shares (m)	16.7
Mkt cap (£m)	140
Loans to deposits, 2026E	48%
Free float*	38.6%
Country/Ccy	UK/GBP
Market	AIM/AIM /AQSE

**As defined by AIM Rule 26*

Description

Arbuthnot Banking Group (ABG) has a well-funded and capitalised private bank and has been growing specialist high-margin commercial banking very strongly.

Company information

Chair/CEO	Sir Henry Angest
COO/CEO Arb. Latham	Andrew Salmon
Group FD/ Deputy CEO Arb. Latham	James Cobb
NEDs	Jayne Almond, Frederick Angest, Sir Nigel Boardman, Charlotte Crosswell, Richard Gabbertas, Stephen Fletcher, Angela Knight, Lord Sassoon

Tel: +44 (0)20 7012 2400
www.arbuthnotgroup.com

Key shareholders

Sir Henry Angest	59.9%
Liontrust AM	8.5%
Slater Investments	3.2%

Diary

Oct'26	3Q trading update

Analyst

Mark Thomas
mt@hardmanandco.com

1H'26 results summary

Range of growth options highlighted by results

The key strategic message lies in the numerous options that ABG has created to grow its franchise through the noise of an unknown interest rate cycle. The 1H'26 results show good growth in the specialist loan book, deposits and wealth management and a modest return to core bank lending growth.

Financial highlights (1H'25 in brackets)

Profits stable, with new business growth offsetting interest-rate-driven pressure on the core

- Profit before tax was stable at £11.0m (£10.9m). Currently, we forecast similar profits in 2H'26 and a return to growth in FY'27, although our forecasts are conservative and have upside potential from continued business growth and the interest rate environment.
- Group total operating income rose to £88.2m (£84.9m), with rises in both banking income (£76.3m vs. £73.3m) and leasing income (£11.9m vs. £11.6m). Banking net interest income saw a small rise for the first time in several periods (£59.6m vs. £58.7m), with interest income down over £10m but interest expense down £11m (falls driven by lower market rates, base rates down an average 73bp). Banking net fee income grew strongly from £14.5m to £16.8m.

Costs reflect mix of inflationary pressure, headcount growth and increased investment

- Operating expenses increased by 4% to £76.2m. ABG continues to invest, but some of the dual property running costs have now dropped out. Recruitment was slightly behind plan and some further technology costs may be incurred in 2H'26, so we expect a faster FY run rate than seen at the interims.
- Earnings per share were 49.9p (42.5p), rising faster than profits as the tax charge fell by £1m (effective tax rate reverting to a more normal 26% vs. 36% in 1H'25). The interim dividend declared increased by 2p to 24p, more than twice covered by earnings. The dividend growth reflects the board's confidence in the outlook.

Divisionally, key message is growth in specialist lending offsetting banking pressure

- Caution needs to be taken when considering reported divisions, given internal allocations, but reported divisional pre-tax profits were: i) Banking and Other divisions combined (to eliminate distortions from internal treasury pricing) £7.9m (£10.7m), the unit most exposed to falling interest rates; ii) Renaissance Asset Finance (RAF) £3.8m (£3.3m) with loan book growth of £82.2m, +32% YoY; iii) Arbuthnot Commercial Asset Backed Lending (ACABL) £4.3m (£4.8m) and with strong business growth (29% since year-end) weighted to the end of the period; and iv) Asset Alliance Group (AAG) £0.8m profit (£0.5m loss) seeing franchise growth (assets available for lease £398m vs. £383m at year-end) and a more normal profit on the sale of end-of-lease vehicles. The Wealth Management (WM) division reported funds under management and administration at the end of June of £3.0bn, up 12% on end-2025, but its profitability is distorted by internal allocations.

Strong capital ratios

- The core equity Tier 1 ratio was 12.0% (12.7%), and the total capital ratio was 13.9% (14.8%), well above the regulatory requirement of 8.05%. NAV per share was £17.12 against £16.49.

Operational highlights

YoY deposits +8%, FUMA +26%, total loans +9%, specialist loans +17%

Customer deposits increased by 4% in 1H'26 (8% YoY), to £4.8bn, despite outflows in the tax payment period (ca.£250m) and driven by strong commercial deposit growth. FUMA balances were up 12% in 1H'26, 26% YoY to £3.0bn. Net flows for the period were £189m (£127m). Customer loans grew 9% in 1H'26, 6% YoY, to £2.5bn. Specialist Lending Divisions' loan balances were strong (aggregate £1,049m vs. £896m, up 17% YoY), with the core banking book returning to growth (up £41m in 1H'26).

Theme 1: franchise growth

Summary

Growth seen in multiple key areas

In our view, the key driver to long-term performance is giving customers what they want, so that they give you more of their business, which, in turn, attracts new customers. In 1H'26, this was seen again across ABG's different businesses, with notably strong continued performance from:

Specialist lending ca.6x business acquired less than 10 years ago

- **specialist lending areas**, which surpassed £1bn in lending for the first time. It is also worth putting the loan book of £1,049m into context. ABG acquired ca.£50m in advances with RAF in 2017, £130m with the 2021 AAG acquisition and grew ACABL from scratch in 2018. The current advances are nearly 6x the business acquired, and this has been achieved in less than 10 years.

Wealth management record business levels, and well on way to reporting profitability

- **wealth management, which saw FUMA exceed £3bn for the first time**. With the full-year results in March, ABG indicated the ambition to see WM having run rate profitability by the end of 2026. In our view, the achievement of this target is likely to have been accelerated, and we now expect the 2H to be profitable not just as a run rate at the end of the period.
- **deposit gathering**, with total balances up a further £0.2bn, despite £250m customer tax-related outflows in 1H'26.

Future State levels of business achieved in three years vs. target five

Overall, ABG has achieved its "Future-State" target of £10bn client balances in three years rather than the originally planned five.

Growth in specialist lending

RAF

1H'26 RAF profits growing and more than double FY'23. Loan book ahead of previous FY'26 estimate.

RAF is a specialist asset finance provider, acquired by ABG in 2017. It makes funding facilities available, both direct and via premium brokers, to the UK commercial and high-net-worth-individual markets. The main products are HP, finance leases and refinance facilities for a range of assets, including motor vehicles, plant & machinery, engineering and manufacturing equipment, and business-critical soft assets. In 1H'26, RAF continued its strong, consistent profit growth trend, delivering a pre-tax contribution of £3.8m (vs. £3.2m in 1H'25). In FY'23, it delivered £1.6m for the whole year. RAF finished 1H'26 with a loan book of £369m, up 32% YoY and well ahead of our previous year-end target of £320m. As the table below shows, we have increased our 2026 book forecasts by nearly a third to £415m.

RAF – key data

Year-end Dec (£000)	2021	2022	2023	2024	2025	2026E	2027E
Interest income	8,300	8,898	12,584	19,340	23,305	26,500	30,000
Interest expense	(2,371)	(3,353)	(4,540)	(6,468)	(7,667)	(9,000)	(9,500)
Net fees and comms.	166	32	34	239	92	125	125
Operating income	6,095	5,577	8,078	13,111	15,730	17,625	20,625
Other income	78	82	170	0	-	-	-
Operating expenses, direct	(3,943)	(4,697)	(5,634)	(6,981)	(7,612)	(9,000)	(10,000)
Impairments	(2,292)	(768)	(982)	(554)	(922)	(750)	(1,000)
PBT	(62)	194	1,632	5,576	7,196	7,875	9,625
Loans and advances (£m)	97	134	199	249	287	415	475

Note: In 2021, impairments included a £2.1m charge against Arena TV, which appears to be a sophisticated fraud affecting 54 other lenders; Source: ABG, Hardman & Co Research

AAG

AAG return to profitability, with a more normal used vehicle resale market. Loan book close to previous FY'26 estimate.

AAG provides contract hire, operating lease and hire of new and used commercial vehicles in the UK. It is the UK's leading bus & coach leasing, finance and rental provider. In 2025, AAG reported a loss due to the de-risking of its residual truck inventory. In 1H'26, truck sale prices normalised and the group returned to profitability with a profit of £0.8m. As at 30 June 2026, the business had a total of £398m (31 December 2025: £383m, 2024: £363.0m) of assets available for lease and finance leases, which was close to our previous FY estimate.

AAG – key data

Year-end Dec (£000)	2021	2022	2023	2024	2025	2026E	2027E
Interest income	190	664	2,390	5,119	6,298	8,000	9,000
Interest expense	(2,591)	(5,120)	(10,254)	(15,327)	(13,406)	(12,906)	(12,906)
Net Fees and commissions	0	0	0	(15)	425	-	-
Turnover	68,673	99,367	100,940	110,832	118,569	125,000	140,000
Cost of sales	(62,196)	(82,109)	(81,074)	(85,301)	(97,466)	(100,000)	(112,000)
Operating income	4,076	12,802	12,002	15,308	14,420	20,094	24,094
Other income	0	0	0	88	-	500	500
Operating expenses, direct	(7,872)	(14,507)	(15,093)	(15,308)	(16,758)	(18,000)	(19,500)
Gain on acquisition	8,626	0	0	-	-	-	-
Impairments	(1,001)	(369)	(98)	(60)	86	(500)	(500)
PBT	3,829	(2,074)	(3,189)	28	(2,252)	2,094	4,594
Loans and advances (£m)	121	189	327	363	383	425	450

Note: Income and profits deflated in 2022 (£6.5m) and 2023 (£4.3m) by acquisition accounting adjustments driving the reported loss in those years.
Source: ABG, Hardman & Co Research

ACABL

ACABL saw strong closing-period book growth (+29% in 1H'26), well above our year-end estimate

ACABL is a specialist, asset-based lender, focused on delivering facilities to private equity (PE)-backed SME and mid-tier businesses. It provides a full suite of asset-based lending facilities, including invoice discounting, stock finance, property, plant and machinery, and cashflow loans. In 1H'26, it reported a sharp increase in the closing loan book (+29% in 1H'26) but a small fall in profit. We understand that the timing of facilities being used was weighted to the end of the period and so 1H'26 profit did not reflect the full period effect of the franchise growth. The closing book was £282m, well ahead of our previous end-FY'27 estimate of £260m. At this stage, we have been cautious on carrying the full franchise value forward, noting that two thirds of new business was event-driven (primarily PE) and uncertainties on the timing of deals in that market may restrain 2H'26 profit growth.

ACABL – key data

Year-end Dec (£000)	2021	2022	2023	2024	2025	2026E	2027E
Interest income	8,010	14,665	23,300	25,456	19,196	19,500	22,000
Interest expense	(2,699)	(7,903)	(14,658)	(15,413)	(10,276)	(12,000)	(13,000)
Net fees and comms.	4,224	5,976	6,911	9,922	7,182	8,500	9,000
Operating income	9,535	12,738	15,553	19,965	16,102	16,000	18,000
Operating expenses, direct	(4,748)	(5,463)	(6,777)	(7,993)	(7,241)	(7,250)	(7,500)
Impairments	(50)	(2,082)	(234)	(32)	(3)	(250)	(250)
PBT	4,737	5,193	8,542	11,940	8,858	8,500	10,250
Loans and advances (£m)	182	269	240	228	219	300	350

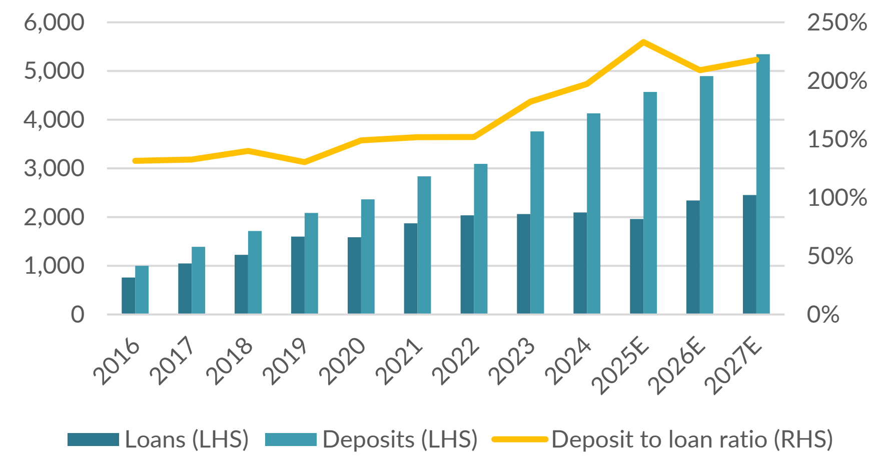
Source: ABG, Hardman & Co Research

Growing deposits

Deposits low-capital-intensity, profitable product at current interest rate levels

For much of the past 15 years, interest rates have been so low that the deposits have not been a profitable product in their own right. Indeed, when base rates were at their lowest, there was cost in having surplus liquidity. However, higher interest rates means that deposits can be raised at below base rate and invested at a positive spread, and so generate profit at minimal risk and with a minimal capital requirement. As the chart below shows, ABG has not only doubled its deposit book over recent years, but it has also grown deposits at a faster rate than lending; in doing so, it has increased its deposits-to-loan ratio from 130% in 2019 to 221% in 1H'26.

Deposits and loans (£m LHS) and deposit-to-loan ratio (% RHS)



Source: ABG Report and Accounts, Hardman & Co Research

Deposit market has multiple sub-elements, which allow flexible and optimal focus

While ABG reports its aggregate deposits, in reality, there are multiple sub-elements to the market. We discussed how ABG targets different products, customer segments, durations, etc. in more detail in our note *2025 lower margins, 2026 profit stability*. In 1H'26, good growth was reported in commercial deposits.

Growing WM

Record levels of FUMA and inflows

We believe the operating metrics are a more useful measure of how the business is doing. As the table below shows, FUMA and inflow volumes are on strongly growing trends. The 1H'26 gross inflows were £343m, well up on prior-year run rates (2025: £501m, 2024: £482m). As can be seen, should the current level of net inflows continue, it will be their best ever year.

Key metrics for wealth management division

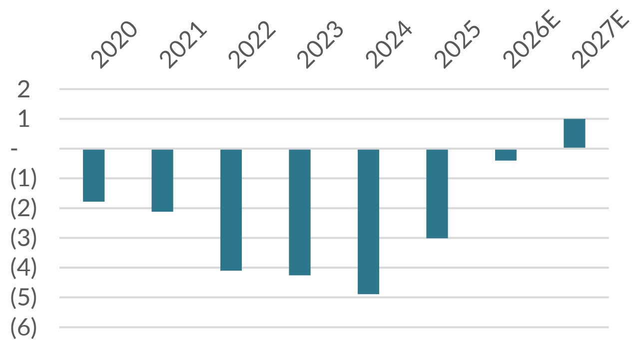
	2020	2021	2022	2023	2024	2025	1H'26
FUMA (£bn)	1.15	1.36	1.33	1.71	2.21	2.68	3.00
Net inflow (£m)	12	80	105	261	331	263	189

Source: ABG, Hardman & Co Research

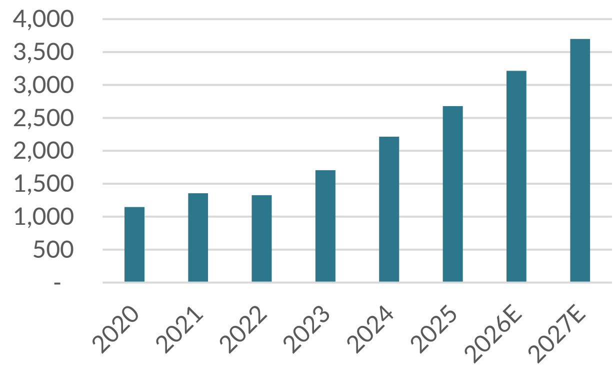
WM to see run-rate profitability by end-2026

Divisionally, WM has reported a loss because the division does not accrue benefit from the wealth management clients' deposits held within the banking division, and also internal costs. With the FY'25 results, ABG indicated the division was targeted to be at run-rate profitability by the end of 2026 (see our report *2025 lower margins, 2026 profit stability*). With these results, the probability of this being achieved has increased sharply. Indeed, we forecast profitability for 2H'26 as a whole, and not just at the period-end.

WM division reported profit/loss before tax (£m)



Funds under management and administration (£m)



Source: ABG, Hardman & Co Research

Theme 2: managing the interest rate noise

Profits optimised when interest rate rose

In our April note, *2023: delivering strategy with strong profit growth,* we detailed how, in 2023, ABG saw the maximum benefit from the then recent rising rates. In summary, ABG i) chose to have a structural sensitivity, with more assets repricing than liabilities, ii) invested in relationship banking, so it could raise significant deposits at below base rate and then place them with the BoE, earning a spread – it grew deposits at a time when they were profitable in their own right, and iii) saw term deposits locked in for the duration of their term, and so repricing up only when they matured, and not immediately on the change in the base rates. Historically, it has taken ABG up to 18 months for its deposit book to effectively fully reprice to market changes.

Falling rates created well-flagged margin pressure

Having seized the opportunity when rates rose so well, it was inevitable, and well flagged, that margins would come under pressure as interest rates fell, and the lag effect meant that ABG was still paying above current rates for its term deposits until they matured. With a deposit book of £4bn, the impact of this has outweighed otherwise good franchise growth in deposits, AUM and selected specialist lending in FY'23-FY'25.

1H'26 saw some further pressure but at lower rate than before and more profit has been generated by new businesses

In 1H'26, the Iranian war-related inflation risk and domestic political uncertainty has seen a marked change in market-wide interest rate expectations. Further potential falls, which appeared likely at the start of 2026, now appear improbable and indeed there may even be rate increases to deter further inflationary pressure. 1H'26 did see further pain. As noted above, the combined Banking and Other Divisions (to eliminate distortions from internal treasury pricing) reported 1H'26 pre-tax profits of £7.9m against £10.7m in 1H'25. The pace of decline has been moderating: FY'24 profits for this combined group fell £21.9m on FY'23 and FY'25 was down a further £8.5m on FY'24.

Interest rate outlook uncertain

Looking forward, in our view, the outlook for interest rates is highly uncertain. If the Iranian war continues and there is a sustained period of higher energy prices and broad inflation, then rate increases may well be seen. This should ease the incremental pressure on deposit margins. In contrast, a rapid resolution and fall in inflation expectations, could see rate cuts, although the probability of this scenario does appear to be moderating. We will review our FY'26-FY'27 forecasts in due course, but, at present, we see a greater probability of upward revision than cuts to estimates.

Other issues

Credit tightening has paid off, with decline in highest-risk loans

1H'26 saw decline in highest-risk loans and minimal loss rate in year

Specifically, we draw investors' attention to note 4 of the [results]. The accounting disclosure provides a risk categorisation (stages 1-3 with stages 2 and 3 being higher risk). We note:

- Gross stage 3 loans are down again to £60m, from £64m at end-2025 and £75m 1H'25.
- Stage 2 loans have risen modestly to £74m (ca.3% loans, end-2025 £53m and 1H'25 £64m). The increase is well spread across divisions (Banking +£13m, RAF +1m, ACABL +£6m). Stage 2 loans are assessed, primarily, on individual exposure factors and investors should remember ABG takes significant security (limiting loss in the event of default). The expected credit loss provision on stage 2 loans is just £76k. It is also worth noting that the ACABL watchlist of new cases is falling. The stage 2 categorisation for ACABL is somewhat arbitrary and the watchlist is a better measure as customers may be put on the watchlist if they fall behind on budget; i.e., before any difficulties in making payments are seen.
- The impairment charge was £1.8m, an annualised rate of less than 0.2%. As we have discussed in previous reports, for ABG, looking at the probability of default in isolation is inappropriate. The extremely low LTVS in the banking materially reduces the loss in the event of default. It is not a large homogenous book and single situation deteriorations or improvements can have a marked impact on the reported impairment in any period.

Banking book

After three years of a falling core banking loan book, 1H'26 saw modest volume growth

ABG's core banking book has been in a gentle decline since the end of 2022 (end-2022: £1,601m, 2023: £1,564m, 2024: £1,539m, 2025: £1,355m) with its core, very-low-risk, low-LTV, residential-backed loans being subject to intense competition. ABG, for many years, has been somewhat counter-cyclical and chosen to walk away from business that did not meet its hurdle returns when competition was too intense. It preserved capital for where it could be deployed for better returns. In 1H'26, there was a small growth in the core bank (balances £1,397m) although management emphasises that, with ca.£400m maturing each year and needing to be replenished, it is too early to call this a reversal of the trend.

Mix is averse to gross yield as the maturing loans were higher-risk, higher-yielding ones than those being added now

Additionally, we note the fall in banking division gross interest income was slightly faster than the fall in base rate, despite the loan growth. Maturing facilities, written during the COVID-19 pandemic, are being replaced by slightly narrower spread business; *inter alia*, reflecting the tightened credit criteria and lower macro-risk outlook today compared with then. We do not believe that risk-adjusted returns have fallen (see section on excellent credit above), but there is a marginal pressure on income from this mix effect.

Normalisation of truck sale profits

With the interim results, ABG commented that, in AAG, end-of-lease commercial vehicle "*sales now running at a profit rather than the losses experienced in 2025*".

Capital

Capital ratios strong

The core equity Tier 1 ratio was 12.0% (2025: 13.3%, 2024: 13.2%, 2023: 13.0%), and the total capital ratio was 13.9% (2025 15.4%, 2024: 15.3%, 2023: 15.2%). Both have fallen with the accelerated loan growth across the group, but, with a capital requirement of 8.05%, there remains significant surplus capital. The low capital intensity in raising deposits (and generating a positive spread by deploying them in zero- or low-weighted government and bank securities) and in wealth management, together with good risk-adjusted returns in specialist commercial lending bode well for returns on capital.

The PRA is implementing the new Basel 3 rules on 1 January 2027. ABG has made good progress to be ready to implement the new rules. The board is now minded to remain on the Basel rule book rather than adopt the Small Domestic Deposit Takers (SDDT) regime. Although the Bank would qualify for these new simplified rules, they would result in a higher capital requirement.

£20m hit from removal of “refined approach” built into ABG’s plans

Both of these new rule books will see the withdrawal of the “refined approach”, which was designed to level the playing field between the large Internal Ratings Based (IRB) banks and smaller banks. Because of this approach, ABG saw a lower weighting as, on average, larger banks on IRB had a low capital weighting generated by their models and the regulator wanted a balanced playing field. The new Basel approach sets floors to the benefit of the IRB approach, meaning larger banks will have to hold more capital. This has resulted in the withdrawal of the compensating refined approach and will result in an increase in ABG’s capital requirement of ca.£20m. ABG has been planning for this, and it is a factor in the decision not to deploy capital at suboptimal rates.

Timing means ABG at competitive disadvantage for up to four years

The floors being introduced in Basel 3.1, however, will be tapered, with the full effect only felt in year four. Until that time, ABG will be at a competitive disadvantage in terms of its capital costs, compared with large banks using IRB approaches, as the “refined approach” is being immediately withdrawn in full.

The equity-to-assets ratio has fallen from 5.5% to 5.3% but remains well above levels where we believe there would be any concern from rating agencies, for example. The deployment of surplus deposits into low-risk assets adversely affects this ratio, but the key point is the low-risk nature of the assets.

Financials

We advise investors to treat the following forecasts with a degree of caution given the interest rate uncertainties. We have not changed estimates materially with the interim results. There have been a few tweaks between divisions, but the bottom-line profit forecast is unchanged. We believe there is upside potential to our numbers from the interest rate environment and sustained delivery in ACABL.

Changes to estimates

Year-end Dec (£000)	2026E			2027E		
	Old	New	% change	Old	New	% change
Group operating income	183,123	182,618	0%	197,873	196,868	-1%
Total costs	(157,098)	(157,150)	0%	(167,598)	(167,000)	0%
Cost:income ratio	86%	86%	0%	85%	85%	0%
Total impairments	(6,137)	(5,887)	-4%	(6,137)	(6,137)	0%
Reported PBT	21,057	21,331	1%	25,307	25,481	1%
Adj. PBT (co. basis)	21,057	21,331	1%	25,307	25,481	1%
Statutory EPS (p)	97.5	98.7	1%	116.2	117	1%
Adj. EPS (co. basis, p)	97.5	98.7	1%	116.2	117	1%
Loans to deposits	44%	48%		42%	46%	

Source: ABG, Hardman & Co Research

Divisional pre-tax profits

Year-end Dec (£000)	2021	2022	2023	2024	2025	2026E	2027E
Banking (inc. mortgages)	12,166	22,898	66,039	28,123	28,526	19,000	16,750
WM	(2,121)	(4,101)	(4,256)	(4,893)	(3,013)	(400)	1,000
AAG	3,829	(2,074)	(3,189)	28	(2,252)	2,094	4,594
RAF	(62)	194	1,632	5,576	7,196	7,875	9,625
ABL	4,737	5,193	8,542	11,940	8,858	8,500	10,250
Other divisions	(2,253)	11,700	(10,269)	5,725	(3,183)	(4,738)	(5,238)
Centrals	(10,632)	(12,856)	(11,382)	(11,409)	(11,948)	(11,000)	(11,500)
Group total	**4,638**	**20,009**	**47,117**	**35,090**	**24,184**	**21,331**	**25,481**

Note change in divisional reporting in 2024 affecting banking and other divisions; Source: ABG, Hardman & Co Research

Profit and loss

Year-end Dec (£000)	2021	2022	2023	2024	2025	2026E	2027E
Interest income	77,102	120,013	231,836	263,435	247,248	238,255	246,755
Interest expense	(13,027)	(20,932)	(95,217)	(137,568)	(129,122)	(115,783)	(117,283)
Net interest income	**64,075**	**99,081**	**136,619**	**125,867**	**118,126**	**122,472**	**129,472**
Fees and comms. income	18,223	21,586	23,170	29,142	31,689	35,945	40,195
Fees and comms. expenses	(100)	(537)	(768)	(1,029)	(1,444)	(799)	(799)
Net fees and comms.	18,123	21,049	22,402	28,113	30,245	35,146	39,396
Banking operating income	**82,198**	**120,130**	**159,021**	**153,980**	**148,371**	**157,618**	**168,868**
Leasing revenue	68,673	99,367	100,952	110,832	118,569	125,000	140,000
Leasing cost of sales	(62,196)	(82,109)	(81,074)	(85,301)	(97,466)	(100,000)	(112,000)
Gross profit from leasing	**6,477**	**17,258**	**19,878**	**25,531**	**21,103**	**25,000**	**28,000**
Group operating income	**88,675**	**137,388**	**178,899**	**179,511**	**169,474**	**182,618**	**196,868**
Total impairments	(3,196)	(5,503)	(3,191)	(6,275)	(2,501)	(5,887)	(6,137)
Other income	3,955	1,627	2,522	1,660	4,419	1,750	1,750
Profit from bargain purchase	8,626						
Loss on sale of King Street	0	(4,590)					
Operating expenses	(93,422)	(108,913)	(131,113)	(139,806)	(147,208)	(157,150)	(167,000)
Profit before tax from cont. ops.	**4,638**	**20,009**	**47,117**	**35,090**	**24,184**	**21,331**	**25,481**
Income tax	2,148	(3,551)	(11,738)	(10,236)	(6,374)	(5,223)	(6,385)
Profit for year	**6,786**	**16,458**	**35,379**	**24,854**	**17,810**	**16,108**	**19,096**

Source: ABG, Hardman & Co Research

Balance sheet							
@ 31 Dec (£000)	**2021**	**2022**	**2023**	**2024**	**2025E**	**2026E**	**2027E**
Cash and balances at central bank	814,692	732,729	826,559	911,887	437,548	412,191	711,329
Loans and advances to banks	73,444	115,787	79,381	66,971	117,497	100,000	100,000
Debt securities held to maturity	301,052	439,753	942,437	1,199,847	2,033,158	2,033,158	2,033,158
Assets classified as held to sale	3,136	3,279	3,281	0	0	0	0
Derivative financial instruments	1,753	6,322	4,214	2,970	1,398	1,398	1,398
Loans and advances to customers	**1,870,962**	**2,036,077**	**2,064,217**	**2,094,212**	**1,960,542**	**2,341,000**	**2,452,000**
Other assets	110,119	52,185	57,150	51,701	51,866	51,866	51,866
Financial investments	3,169	3,404	3,942	4,947	2,061	2,061	2,061
Deferred tax	2,562	2,425	-	-	-	-	-
Investments in associates	-	-	-	-	-	-	-
Intangible assets	29,864	32,549	29,587	30,565	33,448	32,948	32,448
Property, plant and equipment	125,890	175,273	274,306	313,366	310,569	310,569	360,569
Right of use property	15,674	7,714	52,816	47,511	44,501	44,501	44,501
Investment property	6,550	6,550	5,950	5,250	5,250	5,250	6,550
Total assets	**3,358,867**	**3,614,047**	**4,343,840**	**4,729,227**	**4,997,838**	**5,334,942**	**5,795,880**
Deposits from banks	240,333	236,027	193,410	192,911	1,389	1,389	1,389
Derivative financial instruments	171	135	1,032	-	-	-	-
Deposits from customers	**2,837,869**	**3,092,549**	**3,759,567**	**4,132,493**	**4,570,365**	**4,895,000**	**5,345,000**
Liab. relating to assets held for sale	0	0	0	0	0	0	0
Current tax liability	413	1,748	294	3,001	-	5,223	6,385
Other liabilities	26,216	26,144	40,700	35,384	42,489	42,489	42,489
Deferred tax liability			4,910	5,671	10,258	10,258	10,258
Lease liabilities	16,214	7,872	53,761	54,829	58,267	58,267	58,267
Debt securities in issue	36,772	37,594	37,726	37,982	38,672	38,672	38,672
Total liabilities	**3,157,988**	**3,402,069**	**4,091,400**	**4,462,271**	**4,721,440**	**5,051,298**	**5,502,460**
Share capital	154	154	167	167	167	167	167
Share premium			11,606	11,606	11,606	11,606	11,606
Retained earnings	201,026	212,037	240,606	254,575	265,738	272,984	282,760
Other reserves	(301)	(213)	61	608	(1,113)	(1,113)	(1,113)
Total equity	**200,879**	**211,978**	**252,440**	**266,956**	**276,398**	**283,644**	**293,420**

Source: ABG, Hardman & Co Research

Valuation

Range of valuations broad – driven by scenario of assumptions but also methodology

Average is £17.23 per share, nearly double current price

Our average fair value is now £17.23. On our assumptions, this represents a very undemanding 1x 1H'26 NAV (£17.12) for a business expected to deliver a 4.6x increase in profits in 2026 vs. 2021.

Summary of different valuation techniques by approach

£ per share	GGM	SOTP	DDM
Implied valuation	24.60	17.20	9.89

Source: Hardman & Co Research

GGM

GGM £24.60

The assumptions and sensitivities in our GGM model are given below. The valuation is £24.60, 1.4x current NAV.

GGM and sensitivities (central scenario)

	Base	+1% RoE	+1% CoE	+0.5% G
Return on Equity (RoE)	13.5%	14.5%	13.5%	13.5%
Cost of Equity (CoE)	10%	10%	11%	10%
Growth	5%	5%	5%	5.5%
Price/book value (x)	1.70	1.9	1.4	1.8
Discount for near-term underperformance	-25%	-25%	-25%	-25%
Adjusted price/book value (x)	**1.3**	**1.4**	**1.1**	**1.3**
Book value 2026E (£m)	283.6	283.6	283.6	283.6
Valuation (£m)	361.6	404.2	301.4	378.2
Valuation per share (£)	**24.60**	**27.50**	**20.50**	**25.73**
Variance (p per share)		**42.5**	**-60.3**	**16.5**

Source: Hardman & Co Research

SOTP

SOTP £17.20

The valuation is £17.20 per share. As can be seen in the table below, more than half our value is generated by RAF and ACABL. Our forecasts have seen a slight swing into lower-rated divisions and so this valuation methodology is slightly below our previous analysis.

SOTP

	2026E post-tax	Rating (x)	Value (£m)
Banking	14.1	10	140.6
Other divisions	(3.5)	10	(35.1)
WM (2.5% FUMA)			59.0
AAG	1.5	12	18.6
RAF	5.8	12	69.9
ACABL	6.3	12	75.5
Centrals	(8.1)	5	(40.7)
Total			287.8

Source: Hardman & Co Research

DDM

Our DDM model reflects forecast earnings and 5% annual growth through to 2047 and a terminal value of 10x. Our dividend payout ratio for 2027E reflects the earnings not required to fund growth on our long-term assumptions (payout ratio 65% with RoE at 13.5% and growth at 5%). The model implies a valuation of £9.89.

Appendix: previous research on ABG

The following details our research on ABG since the start of 2020. The short (typically 6-7 minutes) DirectorsTalk audio interviews on the reports are also available through the links below:

2019 results: resilience into the storm (19 April 2020)

2020 interim results: credit robust, rate sensitivity (20 July 2020)

Acquisition of Asset Alliance (11 December 2020)

2020 results in line; 2021 outlook: strong recovery (6 April 2021)

1H'21 results: a return to profitable growth (18 August 2021)

Back to profitable growth with interest-rate kicker (7 April 2021)

The power ranger of relationship deposit banking (22 July 2022)

3Q'22 trading statement – yet another upgrade (12 October 2022)

2022: profits and growth in core and new franchises (6 April 2023)

1H'23: steering through the interest rate wave (4 August 2023)

Trading update: taking ABG to the next level (24 October 2023)

2023: delivering strategy with strong profit growth (8 April 2024)

1H'24: optimising the franchise value (30 July 2024)

2024 results: franchise growing through the noise (4 April 2025)

1H'25 results: growing where it wants to (29 July 2025)

2025 lower margins, 2026 profit stability (1 April 2026)

Additionally, we give investors regular updates in our monthly book available *here*.

More information including the AIM Rule 26 disclosure can be found on the company's website *here* and RNSs on the company's LSE webpage *here*.

Disclaimer

Hardman & Co provides professional independent research services and all information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. However, no guarantee, warranty or representation, express or implied, can be given by Hardman & Co as to the accuracy, adequacy or completeness of the information contained in this research and they are not responsible for any errors or omissions or results obtained from use of such information. Neither Hardman & Co, nor any affiliates, officers, directors or employees accept any liability or responsibility in respect of the information which is subject to change without notice and may only be correct at the stated date of their issue, except in the case of gross negligence, fraud or wilful misconduct. In no event will Hardman & Co, its affiliates or any such parties be liable to you for any direct, special, indirect, consequential, incidental damages or any other damages of any kind even if Hardman & Co has been advised of the possibility thereof.

This research has been prepared purely for information purposes, and nothing in this report should be construed as an offer, or the solicitation of an offer, to buy or sell any security, product, service or investment. The research reflects the objective views of the analyst(s) named on the front page and does not constitute investment advice. However, the companies or legal entities covered in this research may pay us a fixed fee in order for this research to be made available. A full list of companies or legal entities that have paid us for coverage within the past 12 months can be viewed at http://www.hardmanandco.com/legals/research-disclosures. Hardman may provide other investment banking services to the companies or legal entities mentioned in this report.

Hardman & Co has a personal dealing policy which restricts staff and consultants' dealing in shares, bonds or other related instruments of companies or legal entities which pay Hardman & Co for any services, including research. No Hardman & Co staff, consultants or officers are employed or engaged by the companies or legal entities covered by this document in any capacity other than through Hardman & Co.

Hardman & Co does not buy or sell shares, either for their own account or for other parties and neither do they undertake investment business. We may provide investment banking services to corporate clients. Hardman & Co does not make recommendations. Accordingly, they do not publish records of their past recommendations. Where a Fair Value price is given in a research note, such as a DCF or peer comparison, this is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. Hardman & Co may publish further notes on these securities, companies and legal entities but has no scheduled commitment and may cease to follow these securities, companies and legal entities without notice.

The information provided in this document is not intended for distribution to, or use by, any person or entity in any jurisdiction or country where such distribution or use would be contrary to law or regulation or which would subject Hardman & Co or its affiliates to any registration requirement within such jurisdiction or country.

Some or all alternative investments may not be suitable for certain investors. Investments in small and mid-cap corporations and foreign entities are speculative and involve a high degree of risk. An investor could lose all or a substantial amount of his or her investment. Investments may be leveraged and performance may be volatile; they may have high fees and expenses that reduce returns. Securities or legal entities mentioned in this document may not be suitable or appropriate for all investors. Where this document refers to a particular tax treatment, the tax treatment will depend on each investor's particular circumstances and may be subject to future change. Each investor's particular needs, investment objectives and financial situation were not taken into account in the preparation of this document and the material contained herein. Each investor must make his or her own independent decisions and obtain their own independent advice regarding any information, projects, securities, tax treatment or financial instruments mentioned herein. The fact that Hardman & Co has made available through this document various information constitutes neither a recommendation to enter into a particular transaction nor a representation that any financial instrument is suitable or appropriate for you. Each investor should consider whether an investment strategy of the purchase or sale of any product or security is appropriate for them in the light of their investment needs, objectives and financial circumstances.

(Disclaimer Version 9 – Approved July 2025)

Status of Hardman & Co's research under MiFID

Hardman & Co's research is paid for by the companies, legal entities and issuers about which we write and, as such, falls within the scope of 'acceptable minor non-monetary benefits', as defined in the Markets in Financial Instruments Directive.

The FCA Handbook (COBS 2.3A.19) states: 'An acceptable non-monetary benefit is one which:[…] (5) consists of: […] (b) written material from a third party that is commissioned and paid for by a corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any firms wishing to receive it, or to the general public.'

The fact that Hardman & Co is commissioned to write the research is disclosed in the disclaimer, and the research is widely available.

About Hardman & Co

We are a rapidly growing, innovative corporate research & consultancy business, based in London, serving the needs of both public and private companies.

Our expert team of sector analysts and market professionals collectively have over 400 years of experience. This depth of knowledge and a reputation for integrity have built trust with investors. With effective communication and precision distribution, we help companies disseminate their investment message to interested investors, as well as advise them on strategy.

Our smaller, boutique structure allows us to provide first-class customer service and to deliver a wide range of ad-hoc services for multiple clients with different needs.

research@hardmanandco.com

9 Bonhill Street
London
EC2A 4DJ

www.hardmanandco.com