

Annual Report Summary



Year ended
31 December 2014

Registered number 07972522

 **Cambridge &
Counties Bank**
Growing business together

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Board Members



Michael Kirsopp

Chief Executive Officer



Ian McKenzie

Chief Financial Officer



John McGuire

Non-Executive Director



Ian Smith

Non-Executive Director



Christopher Malyon

Non-Executive Director



Simon Moore

Non-Executive Director



Paul ffolkes Davis

Non-Executive Chairman

Welcome

May I take this opportunity to thank you for taking an interest in our growing business. Our story is a unique and exciting one and this summary has been designed to share the highlights of our progress with you.

It includes excerpts from our full annual report and accounts, a copy of which is available on request.

I hope you find it helpful.

Paul ffolkes Davis, Chairman

Company Information



John Stobart

Company Secretary

Registered office

42 Castle Street, Cambridge, CB3 0AJ

Auditor

KPMG LLP, One Snowhill, Snow Hill
Queensway, Birmingham, B4 6GH

Registered number

07972522

Telephone 0344 225 3939

Fax 0116 254 4637

Email info@ccbank.co.uk

Website www.ccbank.co.uk

Other office locations

Headquarters

Charnwood Court, New Walk, Leicester,
LE1 6TE

South West & Wales regional office

10 Victoria Street, Bristol, BS1 6BN

North regional office

Suite 37, The Quadrant Business Centre,
99 Parkway Avenue, Sheffield, S9 4WG

Our Business

Cambridge & Counties Bank is a UK bank that specialises in providing lending and deposit products for Small and Medium Enterprises (SMEs).

Lending

Our lending is secured on property and we lend to owner occupier businesses to invest in their own commercial premises, as well as to experienced commercial and residential property investors.

Deposits

Our lending is primarily funded by the acquisition of UK savings balances. We offer a range of business deposit accounts that are available to all types of businesses as well as a number of broader organisations such as charities, clubs, societies and associations.

Unique Ownership

Established in June 2012, Cambridge & Counties Bank has a unique ownership structure being owned jointly by Trinity Hall, a college of the University of Cambridge, and Cambridgeshire Local Government Pension Fund.

The Bank is authorised by the Prudential Regulation Authority, regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is registered under the Financial Services Compensation Scheme.

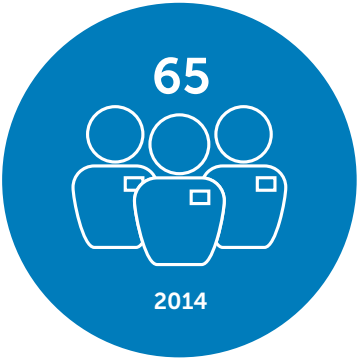
Cambridge & Counties Bank provides lending products via a network of Business Development Managers who deal directly with customers as well as via business introducers such as brokers. We deliver our range of savings accounts via the internet with online and postal application channels.

What our customers say...

"Dealing with yourselves really is a breath of fresh air compared with the other banks at the moment."

Borrower – Property Management

Staff growth



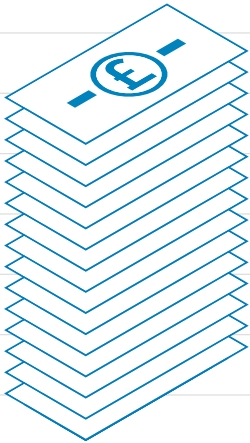
Customer satisfaction



Recommendation rate



Pre tax profit



Profit
+£4.1m

2013

2014

Loss -£99k



Customer Net Promoter Score



Number of customers in 2014

Borrowers



600+

Savers



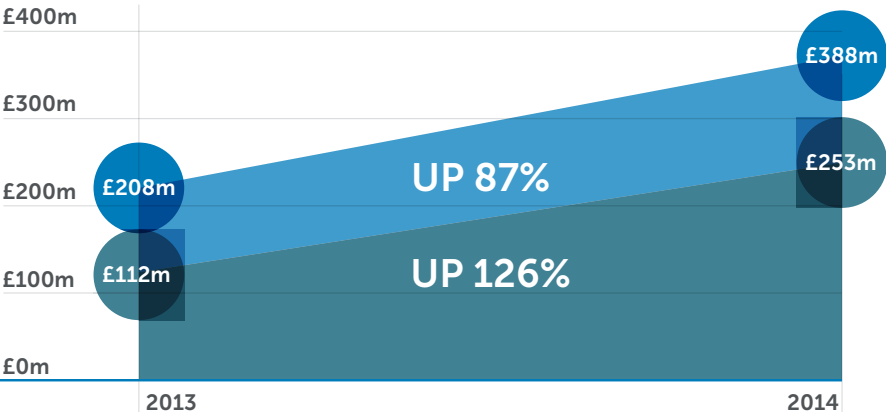
3000+



Deposit balance growth



Value of lending growth



Chairman's Message

2014 has been distinguished as a year of growth, not only for Cambridge & Counties Bank, but also across all of the major markets that we seek to serve.

The Bank has continued to attract a wide variety of borrowing customers through its offer of simple, appropriately priced, and flexible lending products. The portfolio is showing one of the fastest growth rates for any bank currently included within the Bank of England's Funding for Lending Scheme.

To meet the healthy demand that we are receiving from our national broker coverage, we have continued to open new offices during the year adding Bristol and Sheffield to our existing offices in Cambridge and Leicester.



Lending

I am pleased to be able to report that after two and a half years in business the quality of the lending continues to be well within the risk appetites set out by the Board, provisions remain well within our budgeted expectations at 0.25%, and we have made only two specific provisions since the launch of the bank.

Deposits

On the lodgement side of the Balance Sheet, we continue to report a healthy liquidity ratio of 39%, which reflects the Bank's brand strength in its target SME market, the levels of customer satisfaction with our deposit offering, and the ease of opening and maintaining accounts through our new online banking system.

Satisfying our Customers

Of particular pride to everyone within the Bank are our customer satisfaction scores which, for both borrowing and depositing activities, remains in excess of 99% for new customers and over 98% for those customers who have been with us for a year or more. We protect this performance vigorously, and it is testament to our superb customer culture that we have been able to foster and maintain this performance as the Bank has grown.

Financial Performance

The result of all these strategies is that the financial performance of Cambridge & Counties Bank continues in line with our expectations. We have declared a Profit Before Tax of £4.1m for the year ending the 31st December 2014, a turnaround from last year's small start-up loss of £99k. Our cost/income ratio continues to fall, reducing to a figure of 56% at the year end reflecting the growth in our business, and investment in the infrastructure that will underpin our 2015 performance.

Our Return On Assets continues to grow and now stands at a healthy 1.3%.

Our capital position remains strong at 15.2% for total capital and 10.1% for Core Tier 1, and the owners continue to make investments in line with their five year strategy to support the Bank's growth.

What our customers say...

"Absolutely brilliant - at last a financial institution which keeps things easy and simple. If only more were like you!"

Saver - Charity

Our People

In talking about our culture, I must also commend the fantastic performance of our people. The staff numbers within the business have grown from 9 at the founding of the Bank in 2012 to 65 at the end of 2014, and I am pleased to be able to say that we continue to attract experienced people who share the Bank's vision of offering attractive products, delivered in a way that customers expect a customer-focussed Bank to perform.

Additionally, during 2014 we have seen a change of Chief Executive Officer and I am delighted to say that the Board have appointed Mike Kirsopp to the role reflecting his depth of understanding of our business and the role that he has played in the building of Cambridge & Counties Bank since its initiation in June 2012. Mike leads a team who have made unstinting efforts to make 2014 a year of outstanding achievement, and I, along with all my Board colleagues, send them our grateful thanks.

The whole team looks forward to 2015 where the Bank aims to continue to attract new customers by way of our strategy of offering simple, transparent and attractively priced products and services. We will remain steadfast in our dedication to our customers in the execution of our business strategy.

A handwritten signature in black ink, reading 'Paul folkes Davis'. The signature is written in a cursive, flowing style with a large initial 'P'.

Paul folkes Davis

Non-Executive Chairman

Guests at our North regional
office opening event



What our customers say...

*"I just wanted to write and thank you.
Your pragmatic, professional,
proactive and positive approach
was greatly appreciated."*

Borrower – Building Services

CEO's Message

Market & Competition

Trading conditions during 2014 continued to improve, and whilst a number of new competitors entered into the SME deposit and lending arenas, demand across the market continues to grow and has enabled the Bank to meet and exceed all of its growth targets.

The loan portfolio increased by a figure in excess of £140m during the year and at the year end stood at £253m in line with our 2014 aspirations, up from £112m at the end of 2013.

We continue to deliver a mix of business balanced between Commercial and Residential Investment and supporting SME's in their business strategies through funding on a secured basis across the country.

Property prices in all of our major markets continued to show increases, with healthy demand coming from most of the market sectors.

Retail continued to lag behind somewhat, reflecting uncertainty on the High Street as to the future effect of growing internet shopping, although in the smaller end of the SME market we have seen an increase in requests from speciality and independent retailers.

The demand for industrial property remains strong both for businesses wishing to purchase their own premises but also in the investment sector. Regional demand is broadly balanced and the Bank has seen substantial growth in its homelands of the East Midlands and East of England, with significant business now being generated from our new offices in Sheffield, covering the North of England, and Bristol, covering the South West and Wales.

The quality of the lending business continues to meet our credit appetites, and we continue to lend against assets providing good yield and strong cash flow.

The Bank's portfolio reflects this quality with an overall loan to value ratio of 57%.



Loan losses continue to be subdued, and arrears remain well within our planned expectations. Our bad debt charge for the year of £0.45m includes one small specific provision and in total our specific provisions remain less than £50k, and we remain confident that our current risk appetite remains appropriate for this stage in the economic cycle.

2014 saw the introduction of new Light Refurbishment and Bridging lending products which have attracted good levels of interest during the final months of the year.

Investment

The Bank has successfully applied for membership of the Funding for Lending Scheme with acceptance being achieved in the early weeks of 2015 which will enable us to continue our planned asset growth through the next period of the Bank's development.

We also continue to invest heavily in our IT infrastructure, completing the transfer of our IT capabilities to a cloud environment. In addition we continue to make the appropriate investment in data and IT security to support the growing business and our online account application and maintenance capabilities.

People Investment

Our numbers continue to grow in affirmation of our strategy of remaining accessible to our brokers and customers, whilst maintaining our manual underwriting capacity and continuing to build our Risk & Compliance functions. To help us deliver, we continue to appoint skilled and experienced underwriters and seasoned, practised credit operations people.

This ensures that we can execute our offer to customers quickly, efficiently and commercially. In support of this we have also put in place a highly experienced in-house legal team.

What our customers say...

"It was good to be able to speak to someone on the telephone. No queue and no holding. Thank you for your prompt attention."

Saver - Retailer

Customer Experience

We continue to follow our strategy of ensuring our communications remain clear, simple to understand, and available through all distribution channels including our new online application capability. Customer comments continue to support our aim of making Cambridge & Counties Bank the easiest Bank to do business with, whilst ensuring all our processes fully protect all parties via the operation of our Anti Money Laundering and Terrorist Financing policies.

Customer reaction to these developments has been very pleasing, and with our FSCS membership, ensures that we are able to offer a complete and competitive deposit offering for the SME market.

Challenges

As more players enter the market, margins may start to adjust although continued uncertainty surrounding the General Election and increased turmoil in Europe has yet to see this fully develop.

Early signs of asset inflation, evident in 2013 and early 2014, has subsided and it is expected that this, together with increasing disposable incomes, will lead to rising consumer confidence and business sentiment.

Looking Ahead

2015 augurs well for Cambridge & Counties Bank, we will build further on our strong foundations and the progress of 2014. This has been due to the dedication and passion that our people have for delivering great customer service. My thanks go to them for all they have done over the past year. We look forward to working with all our existing customers and welcoming new ones in 2015.

A handwritten signature in black ink, appearing to read 'Mike Kirsopp', with a long horizontal line extending from the bottom right.

Mike Kirsopp

Chief Executive Officer

Our Director of Customer Experience (left)
with members of our Customer Service Team



What our customers say...

*"Excellent service! You show the
other organisations up! Well done."*

Saver - Parish Council



Portfolio Statistics

Lending has grown from £112m as at the 31st December 2013 to £253m as at 31st December 2014. Customer deposits grew from £208m as at the 31st December 2013 to £388m as at 31st December 2014.

The average loan value was £410,000, and the average deposit balance was £55,000.

Corporate Governance and Risk Management

The Board views good corporate governance as playing an essential role in discharging their responsibilities to the Bank shareholders, depositors and other stakeholders. The Bank's regulator, the PRA, requires us to have regard to the UK Corporate Code (the 'Code') issued by the Financial Reporting Council in developing our policies, practices and procedures. The Board agrees with and supports the general principles of the Code.

We have developed a risk management process which provides a structured and consistent framework for identifying, assessing and responding to risks. The key identified risks, which are monitored and managed daily, include:

Credit Risk is the risk that counterparties will be unable or unwilling to meet a commitment that they have entered into with the Bank.

Market Risk is the risk that changes in market rates negatively impact the earnings or market value of the Bank's assets and liabilities.

Treasury Counterparty Risk is the lending risk related to wholesale counterparties used by the Bank in the execution of its treasury transactions.

Liquidity Risk is the risk that the Bank will encounter difficulty in realising assets or otherwise raising funds to meet its commitments as and when they fall due.

Operational Risk is the risk that failures in the Bank's operational processes cause monetary loss, service disruption or customer detriment.

Strategic Risk is the risk that the Bank fails to execute its strategic plan or fails to effectively execute elements of its strategic plan due to poor planning or changes in the strategic environment.

Interest Rate Risk in the Banking Book is the risk that arises when there is an imbalance between the re-pricing dates of interest bearing assets, liabilities and off-balance sheet items.

Conduct Risk is the risk that the Bank's customers suffer loss or detriment due to failures in product design, sales and marketing processes or operational delivery.

Regulatory Risk is the risk that the Bank does not comply with changes in the regulatory environment.

What our customers say...

"You were significantly more helpful and knowledgeable than other banks I asked about our slightly unusual eligibility situation."

Borrower - Residential Property Investor

Profit & Loss Account

	Year ended 31/12/14 £'000	Year ended 31/12/13 £'000
Interest receivable and similar income	12,119	4,392
Interest payable and similar charges	(4,364)	(2,181)
Net interest income	7,755	2,211
Fees and commissions receivable	3,387	2,071
Fees and commissions payable	(1,429)	(974)
Other operating income	560	189
Total operating income	10,273	3,497
Staff costs	(3,114)	(2,024)
Other administrative expenses	(2,295)	(1,293)
Depreciation	(207)	(75)
Provisions on loans and advances to banks	-	15
Impairment provisions on loans and advances to customers	(451)	(160)
Provision for liabilities and charges	(114)	(59)
Total operating expenses	(6,181)	(3,596)
Operating profit/(loss) on ordinary activities before taxation	4,092	(99)
Taxation charge on profit/(loss) on ordinary activities	(876)	(22)
Profit/(loss) for the financial year	3,216	(121)

Balance Sheet

As at 31 December	2014 £'000	2013 £'000
Assets		
Cash and balances at central banks	123,500	62,000
Loans and advances to banks	9,796	18,677
Loans and advances to customers	252,975	112,449
Debt securities	32,487	36,362
Tangible fixed assets	803	694
Deferred tax asset	41	240
Other assets	90	58
Prepayments and accrued income	354	685
Total assets	420,046	231,165

Liabilities		
Customer accounts	388,199	207,904
Other liabilities	104	59
Accruals and deferred income	852	725
Preference shares dividends	1,060	597
Provisions for liabilities and charges	53	32
Taxation	677	-
Subordinated loan	2,000	2,000
Total liabilities	392,945	211,317

Share capital and reserves		
Called up share capital	18,455	13,955
Preference shares	7,500	7,500
Profit and loss account	1,146	(1,607)
Shareholders' funds	27,101	19,848
Total liabilities and shareholders' funds	420,046	231,165

Important Note

This summary is not intended to contain sufficient information to allow for a full understanding of the results of the Bank or of the state of affairs of the company. For full details, the 2014 Annual Report and Accounts, the auditor's report on those accounts and the Report of the Directors should be consulted.

A copy of the Report and Accounts can be obtained via the contact details below.

Report of the Auditor

The auditor's report on the full accounts for the year ended 31 December 2014 was unqualified.

CEO and Chairman
at Trinity Hall



Photography by
Kiloran Howard

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New Walk
Leicester
LE1 6TE

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Registered Office:
42 Castle Street, Cambridge,
CB3 0AJ United Kingdom
Company Registration No: 07972522
Authorised by the Prudential Regulation
Authority and regulated by the Financial
Conduct Authority and Prudential
Regulation Authority.
Financial Services Register No: 579415