Annual report summary
2019

Cambridge & Counties Bank

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Preface

Our annual results, together with the condensed summary report, are produced each year during the Summer. They cover the Bank's activities for the previous financial year, in this case from January to December 2019.

Last year presented new challenges for our country, our economy, and our society, largely due to the political uncertainty caused by Brexit. Against this unclear backdrop, the overall aim for the Bank was to maintain careful growth throughout 2019.

Moving into 2020, the Bank started to see green shoots of growth thanks to the restored political certainty and a clearer direction on Brexit. Like everyone, we're now facing the unprecedented situation created by the Covid-19 pandemic. The lasting impacts of this will be felt by individuals, businesses, society, the wider economy, and the world for quite some time. We will share the outcome of the pandemic's effects in our 2020 Annual Results.

In response to all this uncertainty, the Board has run a number of stress tests on our operating model, particularly those affecting our property lending concentrations. From this they remain confident that the Bank is capitalised strongly enough to withstand any shocks that the pandemic will inevitably bring. At the close of year the Bank's total capital ratio was 23%.

We're optimistic in our approach and outlook, and are clear on the role we continue to play within the UK finance sector. We're also confident that when normality resumes, we'll be in a positive place, refreshed and ready to go.

Contents

Chairman's review

It's safe to say that 2019 has been a challenging year for everyone. For us, perhaps our most challenging since the Bank began. However, our careful planning and resolve has helped us navigate through this tricky time.

Political uncertainty, a general economic slowdown, and a lack of confidence in international markets has meant we've retained careful growth across all business lines. The result? A balance sheet maintained at around £1 billion throughout the year. This was done without the need to weaken our credit quality or chase growth at inappropriate margins.

Simon Moore
Chairman

A full review of our response to these factors can be found within our Strategic Report. I'm pleased to say that, despite these changes in the business climate, the Board remains pleased with how the Bank has continued to perform, protecting its income through high quality service, a close control of costs, and by maintaining an appropriate investment profile in both people and technology.

The Bank delivered a good financial performance in 2019 with a pre-tax profit of £22.5 million. Loans and Advances in the Real Estate Finance book remain stable at £707.0 million and both our Asset Finance and Classic Car businesses have shown good growth with books of £44.8 million and £17.9 million respectively. The Bank's balance sheet at year-end continues to exceed £1 billion, with strong liquidity and a cost of funding well within our expectations.

The Board had planned for the 2019 profit to be less than 2018's. This reflected our stance on the current credit risk in the market and our investment appetite. The Bank's returns continue to be sound and sustainable, with losses attributable to bad debts at £1.6 million which is well within expectations.

The Bank delivered a good financial performance in 2019 with a pre-tax profit of

£22.5M

Capital

Following the 2018 injection of capital by our owners, retained profitability has continued to increase. The Bank delivered Common Equity Tier 1 (including IFRS9 transitional relief) of 19.4% with our total capital at the year end reaching 23.0%. This provides us with a strong base for 2020's planned growth.

Dividends

No dividends are proposed for payment.

The Board

As part of our existing Board succession programme John McGuire, the Bank's Independent Chair of Risk and Compliance Committee, retired having been with us since the beginning in 2012. John's guidance and wisdom has been key in setting the tone, culture, and growth of the organisation over the past seven years and I would like to take the opportunity to thank him for all of his efforts and support.

I am pleased to say that Nick Treble has joined the Bank as our Independent Chair of Risk and Compliance Committee, bringing with him a long and broad career in financial services, alongside specific experience in our markets.

2019 also saw Mike Hudson join us as our new Chief Risk Officer. Mike has been Chief Risk Officer at several financial institutions, most recently having spent the last seven years as Chief Risk Officer at Brown Shipley.

Outlook

Our Chief Executive Officer Mike Kirsopp told the Board in 2019 that it was his intention to retire from his full-time career in 2020. I am pleased to say that he will be staying on until the end of this year to help us bring his successor on board. Mike joined the Bank on its formation in 2012 and assumed the CEO responsibilities in 2014 and his five years as CEO have been an unmatched success.

On behalf of my Non-Executive Board colleagues I would, as ever, like to take the opportunity to thank Mike and his Executive team for the way they have helped navigate the Bank through this challenging year. Delivering not just a strong financial performance but continued high levels of customer and staff engagement and satisfaction.

We continue to monitor the Covid-19 pandemic and its impact very closely. Our priority is always the wellbeing of our customers and staff, and we will continue to do everything possible to support them as they resume business activity. The macroeconomic environment remains uncertain however, the strength of our capital, liquidity, and the quality of our products and services leads me to believe we're well placed to face the new climate. We expect the UK economy to stabilise over the course of 2020, albeit at a lower growth rate than in recent years or previously expected.

The strength of our capital, our strong liquidity, and the quality of our products and services leads me to believe that we're well placed to face the macroeconomic climate expected in 2020. We're confident the Bank will continue to thrive as it continues careful growth while market sentiment improves, and the negotiation of the terms of trade with the EU - and wider world - become clearer.

Chief Executive Officer's review

The strategic report forms a major part of our commentary on 2019 and gives a full picture of the risks we face during this challenging climate.

Mike Kirsopp
Chief Executive Officer

I believe we fully recognise these risks and mitigate them where possible, meaning we're strong and well placed to deal with the increasingly competitive and uncertain business environment. This can be seen in the development of our operational resilience capabilities, designed to enable the Bank to withstand uncertainty, while continually developing our thinking and ability.

The best defence against many non-financial threats, like the Covid-19 pandemic, is ensuring that we have a team of capable, well-trained people who recognise the importance of protecting our customers.

With regard to Covid-19, we're closely monitoring the situation and are adhering to guidance from the UK Government, Public Health England, and our regulators. The risk management section further explains how we're monitoring this and it's important to reiterate that we're well prepared to maintain our high standard within these adverse circumstances.

Similarly, 2019 saw the Bank address the issue of climate change and sustainability. Considerable work has been started on understanding the risks they pose to our customers, their business models, and the collateral that underpins our property lending book. We continue to work with the University of Leicester in developing our thoughts and action plans, whilst at the same time addressing our own carbon footprint. Decisions taken in 2019 will see our core operations become carbon neutral in 2020, thanks to our investment in tree planting and support for Brazilian rainforest sustainability.

We're proud that our team has been recognised by customers and business partners as being some of the most approachable, professional, and easy to deal with. My thanks go out to each and every one of them for the way they embody our culture and values.

Strategic report

Business model

We've maintained our existing business model during the year by using a small panel of brokers that we work closely with in the lending and deposit market. From this we're seeing continued growth in new business from our existing customers.

Our head office is in Leicester and we have regional offices in Sheffield, Birmingham, and Bristol with satellite representation in Manchester, Cardiff, and Glasgow. With the recruitment of new Relationship Managers in Scotland, Manchester, and Cardiff, we've achieved our goal of expanding our representation across Great Britain.

The Classic Car business, which operates from our head office, is building a panel of Introducers, Servicing Brokers, High-End Dealers, auction houses, and private banking firms introduced from our existing lending operations.

Our continued ability to provide a seamless operation in onboarding new customers and managing their accounts, is a key element to our relationships with Brokers. We continue to meet their needs and surpass expectations in this area.

We further developed our customer contact programme during 2019 and from this our long-term Relationship Managers have been delivering (as a minimum) annual reviews for the majority of our customers. This has been positively received by customers, leading to new business opportunities.

We believe the key to our success is in the relationship between our frontline teams and Broker partners. And this is supported by our Broker research, which allows us to manage ongoing relationships with confidence. It also means we can exceed their expectations with personable communication and technological advances.

During 2019, repeat business from existing borrowers was in line with our previous experience, reducing our cost of acquisition and providing plenty of creditworthy opportunities.

Our deposit business reinvestment rates for fixed-term bonds have been above expected levels

Strategy

Our strategic objectives are to maintain the growth of the business, bring our products and services to more customers across the UK, and expand our lending activities into new asset classes. We also want to undertake niche opportunities in markets that offer earnings at a level accretive to those in our core businesses. In 2019 this was delivered through our new Relationship Managers and the launch of our term funding loan for Holiday Lets in the third quarter of the year.

Underpinning all of this activity is our continuing goal to keep major suppliers and customers satisfied and willing to recommend us. Through clear and open communication, and without cross-selling ancillary products to borrowing customers, we're proud to have achieved this.

"Our medium-term strategy will see growth across new areas of the country"

In the short term, our strategy will see us investing heavily in IT capabilities across customer experience, while capitalising on the migration of our IT architecture to a cloud-based service.

Our medium-term strategy will see growth in new areas of the country, along with a controlled expansion of our broker-introducer panel, for all three of our core lending markets.

We also continue to keep the opportunities for development finance under scrutiny. However, current levels of competition, macroeconomics, and heightened risk profiles means we have no plans to enter this market at this time.

We've maintained high levels of liquidity during the second half of 2019, driven by market uncertainty that was caused by Brexit. We'll continue unwinding our current Funding for Lending Scheme facility, which means we can avoid the need to compete in the market at a time when rates may become inflated.

2019 has also seen significant investment in our Risk and Compliance, Finance, and Lending capabilities. Development of our second-generation Credit Grading Model is now complete and the Board continues to ensure that Lending Portfolio Management develops alongside the rest of our business. We've taken the opportunity to widen the remit of the Risk and Compliance team, build our Credit Risk Management Framework, and bolster our Models Management; investing in the skills and capability needed to protect our lending base.

Strategic report

Trends and factors

The major trends that continue to influence business and its forward prospects can be summarised as follows:

Fundamental change in **competition**.

Long term trends in **technology investment** driving disintermediation across financial services.

Increased focus on **climate change** risk.

Looking at these each in turn:

Fundamental changes in competition

The fiscal changes to the Buy to Let investment market - introduced three years ago - have caused significant change to the level of demand for Buy to Let mortgages, the sale of existing Buy to Let stock, and the emergence of a demand for Build to Rent investments.

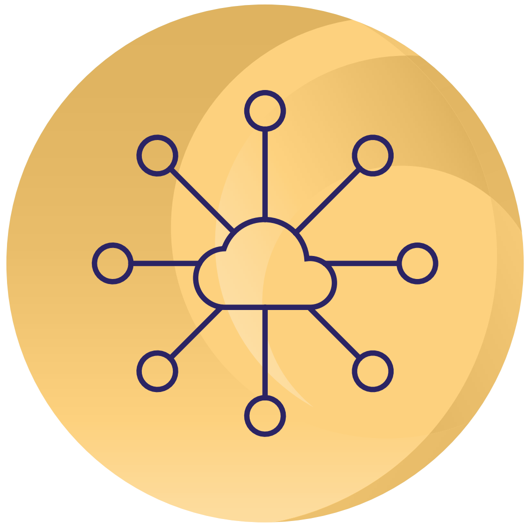
The advent of ring-fencing has also seen significant capital applied by major high street players to the mortgage and SME markets. Activity levels (at lower margins) are now a major factor in market pricing to risk. Plus, the number of new players looking to achieve fast growth, means trading conditions are tough and risk-based pricing in the market is stretched to the limits.

Technological investment

The market adoption of FinTech services continues, although not at a pace or depth that was expected. Lending markets competition remains subdued and the SME lending market in particular has faced little direct competition from FinTech banks, although increased market penetration from peer-to-peer lenders has grown. For the Bank, we maintain our operating models, based on people-first relationships that are supported by technology.

In the deposit market, the use of brokers to disintermediate the Bank and customer relationship has seen dramatic growth. It's clear that the vast majority of new-to-market banks and some of the largest building societies are using these services as a source of funding. This has enabled us to tap into the retail deposit market without the cost of acquisition and infrastructure, which would be required if this was made directly to the target customer base.

IT investment across 2019 has been focused on making sure our cyber security capabilities remain high. We've also developed data management capabilities and are designing a new online deposit acquisition and management capability. Both of these are planned for a mid-2020 delivery.



Climate change

The financial services industry fully recognised the challenges of climate change in 2019. From this we've undertaken a review of our customers' businesses, the collateral that supports the Bank's lending book, and the threat to business models as they aim for carbon neutrality. The risks of climate change including floods, rising sea levels, and water runoff have all been reviewed and in 2020 we'll begin conversations with our customers on how they can plan to limit those risks, and protect the value in their investments. We're also working closely with the University of Leicester to be sure we're up to date with the latest climate change thinking and research.

We're starting to incorporate climate change risk within all of our operations, especially credit risk management and our Credit Grading Model. What's becoming apparent is that climate change also offers many opportunities for us to differentiate our product offering. As a result we imagine there'll be significant demand for our loan finance, to upgrade assets within the property sector that do not currently meet minimum EPC gradings.

During the year we investigated how we can best achieve carbon neutrality for our core operations and have invested in tree planting alongside a Brazilian rainforest protection scheme. This means, from the start of 2020, we have a carbon neutral footprint (confirmed by independent judging). It's the Board's intention to continue this work, with the tree planting investment being focused on the UK.

For the fifth year in a row we've achieved our Investors in the Environment Green Award, and for 2019 we're proud to have achieved 94% in the independently assessed performance review. This initiative is driven by our staff who organised a Green Team to oversee our consumption of power, travel, office consumables, and recycling. From this - along with the 2019 upgrade of our head office premises - we've seen a major reduction in our carbon footprint.

Strategic report

Key risks

These items may pose a risk to our operating model but we remain confident that most of them can be mitigated through our high quality, relevant, and value-based offer to the market.

Some of the key risks to our strategy include:

- Macroeconomic and geopolitical headwinds, such as the emerging threats of the Covid-19 pandemic and post-Brexit trade negotiations, plus their effects on business confidence.
- The credit cycle which is closely aligned to the above.
- Competition and its effects on pricing in our targeted market sectors.
- IT data security and cyber security threats.
- Funding risks and liquidity costs, and the continued disintermediation through the rise of deposit brokers in both the retail and SME markets.
- Regulatory requirements and the evolving regulatory environment.
- Operational resilience including the impact of supplier and outsourcing risks.

Current influences on business confidence

The late 2019 general election result and passing of the act which allowed Brexit to take place in January 2020, brought some stability to financial markets. However, business confidence remains subdued in comparison to historic levels. Our customer base doesn't depend too much on international supply chains but they do face challenges in the residential market, where there has been reliance on immigration labour.

During the early months of 2020 we've seen a rise in the number of property transactions across the market. This is most likely because, now the future course of our relationship with Europe is defined, significant liquidity is now available for investment. It's doubtful we'll see a bounce in business confidence until there is greater clarity on trade terms with both the EU and other major trading partners, like the USA.

The Covid-19 pandemic has created significant disruption for our staff, suppliers, and customers, and we're committed to supporting them all through this challenging time. It's possible that we may see revenue reductions from lower lending and transaction volumes in 2020, as well as some credit losses coming from any disruptions to our customers' businesses. Our immediate aims are to protect staff, support customers, and continue investing in creating the capacity and means to develop our business.

Pricing and competition

The number of newly launched niche challenger banks, together with an increase in the non-banking participation in the asset finance market, has had significant effect on lending margins. This has inevitably driven a reduction in the Bank's gross lending margins, although this has been mitigated through the repricing of the liabilities which has protected our net interest margin. We continue to ensure that our customers enjoy competitive rates and that a loss of balances has been muted.

Margin compression is expected to feature throughout 2020. We remain confident that following the expansion of our geographic footprint and investment in relationships with our brokers introducers, we will be able to meet our growth appetite at acceptable margins for credit risk.

IT and data security

Along with the rest of the industry, we continue to face threats to IT security and cyber attacks. Our investment in IT security has featured heavily during the year and all incidents have been managed without loss of data or service to customers. We continue to invest in this area to remain vigilant and confident in our ability to respond to similar attacks in the future. The Bank has appointed Price Waterhouse Cooper to act as our virtual Chief Information Security Officer, providing the Board with up-to-the-minute insight into industry developments and emerging threats.

Liquidity

We've maintained high levels of liquidity during the year and have had no problem attracting and retaining the balances we look for. We achieved this by providing our product directly to target markets through comparison tables and our relationships with deposit partners.

Liquidity costs have eased over the year, although there is the emerging risk that the consolidation of balances by a few dominant deposit platforms will distort market operations and pricing. To mitigate this risk, we'll continue with our 2019 strategy.

Strategic report

Viability

The past year has seen the Bank produce good financial results. However, the Board has chosen to reduce its appetite for customer assets because of the current stage of the credit cycle and economic challenges. The quality of lending opportunities during the year was not strong and so we've chosen to grow our assets cautiously so we can maintain the balance sheet.

The strongly performing back book, together with the management of liquidity pricing, means profitability has allowed us to enhance capital levels and cover the significant rise in operating costs and investment. This was achieved while still delivering a return on capital of 13.6%.

The Board remains confident that our offering to the market is relevant and attractive, and that 2020 will give us the opportunity to continue growing customer assets without strain on our capital or liquidity measures.

Each year the Bank prepares a three-year strategic plan to confirm it will be able to continue operating with a viable business model and meet its liabilities. With the evolving macroeconomic environment and change in interest rate outlook, we've altered our revenue growth expectations for 2020 and continue to monitor the impact on our business plan forecasts.

Whilst historically the number of non-performing loans has stayed very low, with credit losses well below budgeted expectations, it's possible we may see some credit losses coming from disruption to customer business. The Board has continued to run a number of stress tests on our operating model, most particularly those affecting our property lending concentrations. They remain confident that we are capitalised strongly enough to withstand severe contractions in both the number of transactions in the market and any fall in capital values across residential and commercial property. At the close of year the Bank's total capital ratio was 23.0%.

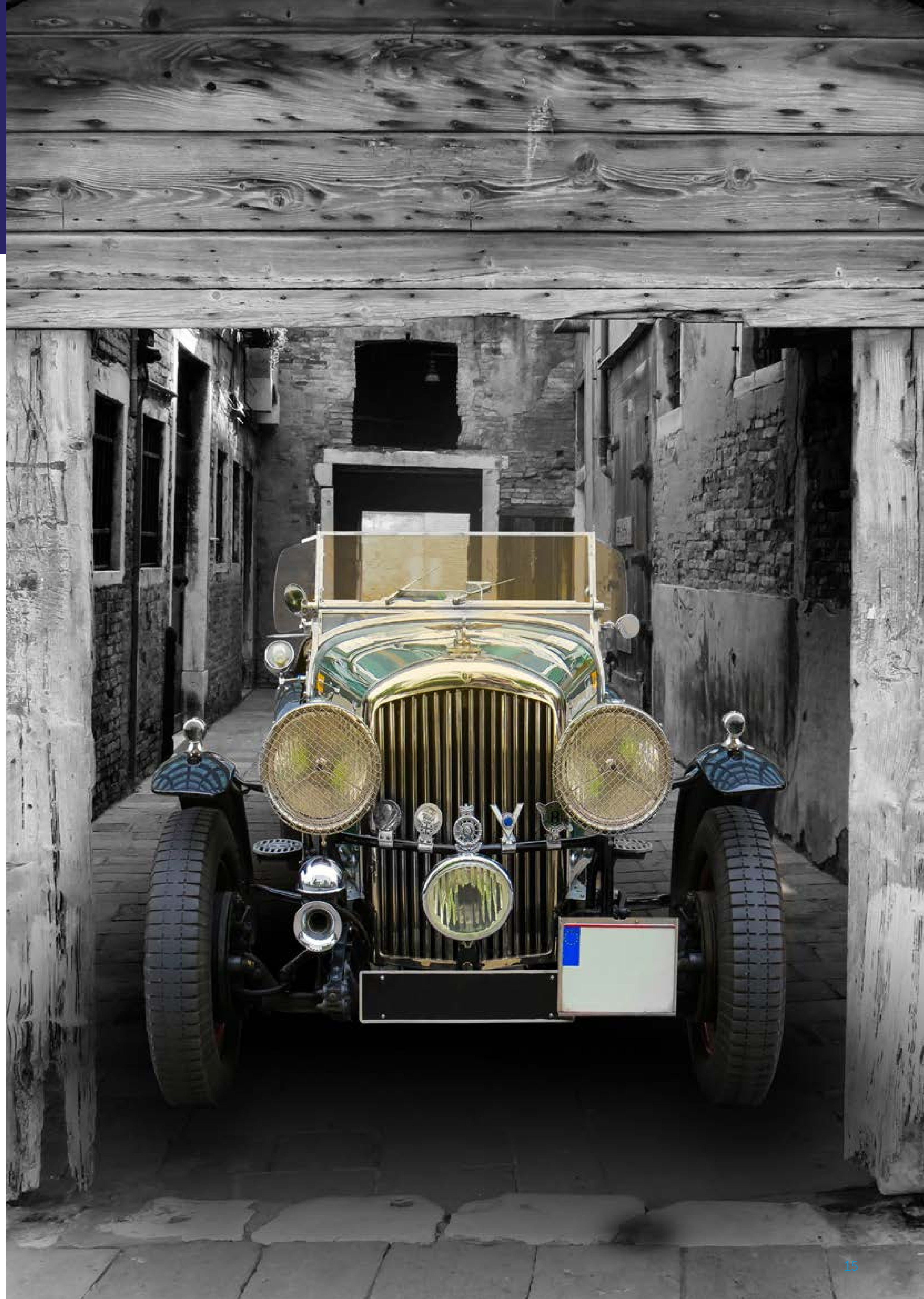
We have a robust operational resilience program in place which is tested regularly. This means we can be confident in not only today's operational resilience, but that we meet regulatory expectations around operational resilience for the future too.

The number of Relationship Management team members in comparison to our customers has meant we can respond quickly to uncertainty in the market. Similarly, we can provide support to our customers experiencing stresses in their business.

Access to required talent remains a challenge, although during the year we have been able to attract the services of specialist skills in Risk, Compliance, and Finance. The Board continues to review its organisational structure and succession plans for both non-executive and executive posts and is confident in being able to successfully deliver plans for 2020 and beyond.

At the close of the year the Bank's total capital ratio was

23%



Strategic report

Energy efficiencies we introduced during the refurbishment of our Leicester head office building

saved over 23 tonnes of CO_2

Environmental, social, and governance

The Environmental, Social, and Governance agenda means that the Board regularly debates on reports received from the Executive, relating to environmental, community, and wider industry issues.

The Board also recognises the importance of the Bank's culture. They set the tone so we can be sure to deliver on our responsibilities to stakeholders and customers.

Sustainability

As already outlined, our management teams have spent a lot of time this year discussing climate change and sustainability. And despite team growth, our utility usage has fallen; largely due to the energy efficiencies we introduced during our head office refurbishment. This resulted in a saving of over 23 tonnes of CO_2 in 2019, compared to 2018.

Social

True to form, our colleagues continued supporting many fantastic initiatives and charities throughout 2019.

Charitable giving:

Our charities team grew to eight members of staff from across the Bank. We donated close to £35k to charitable causes, which included...

The Leicestershire and Rutland Community Foundation who support:

- Turtle Dove who provides the opportunities and confidence building needed to get vulnerable women back into the working environment.
- Soft Touch Arts who take young people's passion for art and design and provide help from difficult situations into higher education or a potential career.

Leicestershire Cares who support:

- Number Partners, who put young people in regular touch with adults who will help them build their confidence through number-based games.
- Interview Techniques, who provide interview practice for 14-15 year olds which will help them shape their careers.
- Collect for Christmas, whose staff collected over 100 new toys, as well as 50 boxes of second-hand clothes for Help the Homeless and Making Moves.

As well as matching funding for our staff's own charitable efforts:

- The 100-mile Leicestershire walk.
- The London Marathon.
- A 100m charity bike ride.
- Fundraising for premature baby unit, Adapt.
- Fundraising evenings for the Shepshed Food Bank.
- White collar boxing in aid of Cancer Research UK.
- Warning Zone Road Crew.
- National Space Centre Ignite Initiative.

Our people

The Bank has maintained its association with the Banking Standards Board (BSB). For the third year we underwent an assessment of our colleagues' views on our culture, and the results remain positive, reflecting well in comparison to other organisations. We've also recorded consistently high participation rates and strong scores in our employee engagement survey, with the latest having taken place in January 2019.

The Board pays close attention to our staff turnover rate, which remains subdued for a company that is over seven years old. Performance is considered very good for general staff although attracting talent into sectors such as Risk, Compliance, and Finance is taking longer than we would like, especially given high levels of current demand for these specialisms.

There's been no change to our pay and bonus schemes during the year, where the majority of staff benefit from the Bank's discretionary profit-sharing scheme that's capped at 10% of basic salary.

We've successfully implemented full remote-working across all of our teams and flexible working patterns have expanded throughout the Bank, including job sharing and compressed hours working.

A new Staff Forum was formed during the year which has improved communication and has already influenced our maternity and paternity benefits, and introduced a holiday purchase / sell scheme.

Strategic report

Operational performance

Customer satisfaction

Our customer satisfaction metric continues to perform outstandingly and compares well across the industry and other service sector businesses. 99% of new customers, both borrowing and depositing, say that we dealt with their enquiry and application effectively, with a similar score given on their willingness to recommend us. Long-term customers also remain positive regarding their relationships with us and continue to highly rate our service.

Several initiatives during the year, such as a new relationship model for borrowers or our regular business reviews, help push this high level of satisfaction. These achievements continue to be reflected in the 'stickiness' of balances in the deposit book, as well as the increase of new business generated from existing lending customers.

Our Brokers regularly introduce business to us, despite the competitive market, based on our customer satisfaction with our loan manufacturing and easy onboarding process. Both Broker and client feedback say that our quality of service is much more than just fast response times but is based on end-to-end delivery.

Operations

The cost-to-income ratio at 43.9% has risen due to the investments detailed throughout this report. This level continues to compare well with similar operating models.

Operational losses remain low and an annual total of 76 complaints represents less than 1% of accounts. Developing our investment in customer experience in 2018 has seen us change some of the fundamentals within our processes and customer journey. This has since given us greater insight into service improvement, further reducing the causes of friction and improving customer satisfaction.

The Board is committed to improving general staff performance through significant investment in training and development. This resulted in 1,096 days spent on individual and general staff development during 2019. Similarly, it has enabled us to make sure we develop our talent pool, which means we can promote internally as the need arises rather than depend on external recruitment only.

Our customer satisfaction metric continues to perform outstandingly

Directors' biographies

Simon Moore
Chairman

Simon joined Cambridge & Counties Bank when it was formed in 2012, as Non-Executive Director. He was appointed Chairman of the Bank in October 2016.

After leaving the British Army, Simon began his banking career in 1992. He completed his training with Lloyds Bank in 1994 and spent the bulk of his career with Chase Manhattan Bank in London and New York. He also worked with Barclays Bank where he was the regional director for the corporate banking business in Wales and the South West of England.

Simon was a member of the management board of the Confederation of British Industry (CBI) from 2013 until 2016 and the director responsible for London, the South of England and Financial Services. Prior to that, he spent three years as CBI International Director leading the work of the CBI in support of its members outside Europe.

Simon is non-executive chairman of Al Rayan Bank and non-executive chairman of Pennant International Group Plc. Formerly he was governor at the University of the West of England and non-executive board member of the Government Office of the South West.

Directors' biographies

Mike Kirsopp
Chief Executive Officer

Mike has spent over 40 years working in the financial services industry, specifically within the commercial lending sector. Much of his career was spent lending within the commercial banking arm of Lloyds Bank, which also included senior roles in the business change and strategy functions.

Mike joined Cambridge & Counties Bank in 2011, initially working on developing the plan to gain the new banking licence, which underpinned the launch of the Bank in 2012. Mike initially performed the role of Chief Operating Officer, taking up the position of Chief Executive Officer in 2014.

Andrea Hodgson
Chief Financial Officer

Andrea joined Cambridge & Counties Bank in 2017, prior to which she worked as CFO for a start-up challenger bank where she was responsible for establishing the financial management, governance and control framework for the bank in its early design phase.

Andrea qualified as a Chartered Accountant with KPMG before moving into the financial services sector, where she has built over 20 years' experience working at, National Australia Group, Bank of Scotland and Lloyds Banking Group in which she held senior executive leadership positions. Previously, she also served as a Non-Executive Director & Deputy Chair at Wirral University Teaching Hospital NHS Foundation Trust.

Andrea is passionate about motivating teams to ensure that Finance are a valued and trusted business partner at the heart of the business.

Mike Hudson
Chief Risk Officer

Mike joined Cambridge & Counties Bank in 2020, before which he was CRO for Brown Shipley & Co Ltd. With over 30 years' experience in Financial Services working across all the risk categories, Mike has spent much of his career within the banking and lending environment.

At Cambridge & Counties Bank, he is responsible for the management and oversight of the Bank's risk and control framework which also includes helping the Bank meet its regulatory obligations. Mike is passionate about ensuring the Risk Management team provide the appropriate support to the Bank.

Simon Lindley
Chief Development Officer

Simon has over 30 years' experience in financial services predominantly centred on business development and property lending. After starting his career in 1985 working for NatWest, Simon moved around the Midlands to broaden his knowledge by leading business development teams for Bank of Ireland, Yorkshire Bank and latterly leading the Handelsbanken in Leicester.

After joining Cambridge & Counties Bank in 2012 as its first Business Development Manager, Simon took over responsibility for the national Property Finance team in 2015 and has been at the centre of the Bank's successful balance sheet growth due to his commitment to delivering a service led and broker-centric business. In 2017, responsibility for the asset finance sales team was added to his duties with Simon joining the Board as the Bank's Chief Development Officer.

Outside of the Bank, Simon is a very proud Non-Executive Trustee of Age UK Leicestershire and has acted as the charity's treasurer for over 10 years.

Rachel Curtis-Bowen
Chief Customer Officer

Rachel has 25 years' experience in financial services. She began her career in a branch of the Halifax Building Society before working with Alliance & Leicester and then Santander, holding senior management positions in customer service, deposit management and marketing.

Rachel was part of the team that developed the new Cambridge & Counties Bank proposition, which launched in 2012 and she became the Bank's first female board member in 2015. Rachel champions customer experience within the Bank and fiercely defends the Bank's 99% customer satisfaction rates. She is responsible for the liabilities side of our balance sheet, raising deposits from UK SMEs and also heads up the Bank's marketing function. Rachel also holds a non-executive director position at the Loughborough Building Society.

Rachel is an advocate of supporting women in business and is the founding member of an East Midlands mentoring scheme which aims to help the next generation of female leaders.

Directors' biographies

Paul ffolkes Davis
Vice Chairman

Paul began as an investment banker in New York, even before leaving Oxford University in 1977. His career in international capital markets spanned 26 years and included directorships of N M Rothschild & Sons Ltd, NatWest Markets and Rabobank International.

His activities centred initially on the fixed income markets but following Big Bang he was part of the Rothschild team that developed the privatisation/Equity Capital Market model that has become the industry standard.

Since 2004 Paul has been Bursar of Trinity Hall, one of Cambridge University's oldest colleges. In Cambridge he has chaired the University's Board of Scrutiny and the Bursars' Sub-Committee on Investments. He has been intimately involved in the foundation, design and structure of Cambridge & Counties Bank, the College's investment in which forms a key part of its endowment portfolio. Paul was Chairman of Cambridge & Counties Bank from June 2012 to October 2016.

Richard Perry
Non-Executive Director

Richard has over 35 years' experience in the finance industry. After qualifying in auditing, Richard spent most of his career in the private sector working with FTSE 100 companies in positions that handled Financial Reporting and Control.

In 2013, Richard joined the Pension Service team at LGSS, taking responsibility for the investments of the Local Government Pension Schemes administered by Cambridgeshire County Council and Northamptonshire County Council. Richard joined the Board of Cambridge & Counties Bank in 2019.

Ian Smith
Non-Executive Director

Ian qualified as a Chartered Accountant in 1985 and joined KPMG the same year. He was appointed as Partner in 1998, remaining there until his retirement from the partnership in 2010. During his time with KPMG, Ian had responsibility for the firm's Midlands and South West financial services practice.

During Ian's 20 years in the financial services sector, he has provided audit and advisory services for a range of clients including banks, building societies and other regulated bodies. His experience covers commercial and retail banking across a broad range of institutions. Ian began his association with Cambridge & Counties Bank in 2012.

Nick Treble
Non-Executive Director

Nick has over 35 years' experience in financial services with a broad experience of banking, asset & liability management, risk management, trading and general management.

He started his career in 1982 at the Allied Irish Banks Group and served as Group Treasurer, Group Chief Risk Officer and Chief Executive of AIB Group UK. Nick was also director of AIB Capital Markets Ltd, Allied Irish Capital Management Ltd, AIB Group (UK) plc and was a member of the AIB Group Executive Committee before retiring in 2012.

Alongside Cambridge & Counties Bank, Nick is also a Non-Executive Director at Bank Leumi UK plc, Saffron Building Society and Eskmuir Properties Group.

Caroline Fawcett
Non-Executive Director

Caroline has over 25 years' experience in financial services, specialising in marketing and customer experience in both the UK and US. After a decade as Marketing Director with Legal & General, Caroline progressed to become one of the first Customer Experience Directors within the Insurance sector. She has since led customer driven change programmes across a range of other organisations in the public and private sectors. Caroline has held several non-executive director positions in the financial services industry and public sector over the past eight years, and is currently on the Boards of Co-op Insurance, the Rail Safety and Standards Board, and Lifesight Ltd (the Trustee for Willis Towers Watson's Master Trust pension scheme).

Statement of profit or loss

For the year ending 31 December 2019

£'000	2019	2018
Interest income calculated using the effective interest rate	57,045	57,514
Interest expense	(14,137)	(13,089)
Net interest income	42,908	44,425
Other income	50	310
Total operating income	**42,958**	**44,735**
Administrative expenses	(17,763)	(14,584)
Depreciation, amortisation and loss on disposals	(1,093)	(509)
Operating profit before impairment losses	**24,102**	**29,642**
Impairment losses on loans and advances to customers	(1,566)	(1,716)
Profit before tax	**22,536**	**27,926**
Taxation charge	(4,035)	(5,518)
Profit after tax	**18,501**	**22,408**
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Fair value through other comprehensive income: Debt securities	(71)	37
Fair value through other comprehensive income – net change in value	-	48
Fair value through other comprehensive income – reclassified to profit or loss	(86)	-
Related tax	15	(11)
Total other comprehensive income	(71)	37
Total comprehensive income attributable to owners of the bank	**18,430**	**22,445**

£22,536,000

Profit before tax

Statement of financial position

For the year ending 31 December 2019

£'000	2019	2018
Assets		
Cash and balances at central banks	228,972	232,286
Loans and advances to banks	7,695	14,384
Debt securities	0	13,350
Loans and advances to customers	761,503	769,016
Other assets and prepayments	1,224	940
Property plant and equipment	3,154	386
Intangible assets	791	846
Deferred taxation	729	880
Total assets	**1,004,068**	**1,032,088**
Liabilities		
Customers' accounts	854,449	901,398
Derivative financial liabilities	31	94
Current tax liabilities	1,595	2,698
Other liabilities and accruals	5,840	2,710
Provisions	0	8
Total liabilities	**861,915**	**906,908**
Equity		
Share capital	44,955	44,955
Convertible loan notes	22,900	22,900
Fair value through other comprehensive income reserve	2	73
Retained earnings	74,296	57,252
Total equity	**142,153**	**125,180**
Total liabilities and equity	**1,004,068**	**1,032,088**

The Bank's Report and Accounts were approved on 16th April 2020 and signed by Simon Moore and Mike Kirsopp.

Board governance

The Bank has a well-established corporate governance structure and supports the principles of good corporate governance, as set out in the UK Corporate Governance Code. While our day-to-day operations are delegated to specific individual managers, the Board - appointed by the shareholders to monitor and govern the Bank's operations - is legally responsible for safeguarding the interests of depositors' and shareholders' investments. The Board lays out the Bank's goals and monitors progress, as well as limiting exposure to excessive risks of all kinds. The Bank's principal risks and uncertainties are set out below.

Strategic risk is the risk of having an insufficiently defined or flawed strategy that does not adapt to market and business developments and/or meet the requirements and stakeholder expectations.

Capital adequacy risk is the risk that the Bank fails to hold sufficient capital to meet its regulatory obligations, support its growth plans or to absorb shocks.

Liquidity & funding risk is the risk of being unable to fund assets and meet obligations as they fall due without incurring unacceptable losses.

Tax risk is the risk of loss resulting from the Bank entering into any arrangements outside risk appetite including failure in any process or control for the management of tax risk which leads to any incorrect or late filing of any tax return and any tax outcome of any business activity or project which is significantly different from the expected or planned outcome.

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

Credit risk is the risk that counter-parties fail to meet, in a timely manner, the commitments into which they have entered.

Legal, compliance & regulatory risk is the risk that non-compliance with laws or regulations could give rise to fines, litigation, sanctions, reputational damage or financial loss

Financial crime risk is the risk that inadequate controls relating to financial crime could give rise to fines, litigation, sanctions, reputational damage or financial loss

Operational risk is the risk that events arising from inadequate or failed internal processes, people and systems or from external events cause regulatory censure, reputational damage, financial loss, service disruption and/or customer detriment.

Conduct risk is the risk that customers suffer loss or detriment due to failures at any stage of the customer journey, including inadequate product design, sales/ marketing processes and operational delivery, data management and record keeping or the failure of its staff or key providers of services to act with integrity and treat the customers' best interests as the highest priority.

Operational resilience is the Bank's ability to prevent, respond to, recover and learn from operational disruptions.

Clockwise from left: Simon Lindley, Ian Smith, Richard Perry, Rachel Curtis-Bowen, Paul ffolkes Davis, Nick Treble, Mike Hudson, Mike Kirsopp, Caroline Fawcett, Simon Moore, Andrea Hodgson.

Company information

Company Secretary
Richard Bryan

Registered office
Charnwood Court, 5B New Walk, Leicester LE1 6TE

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

Company registration number
07972522

Head Office & East Midlands regional office
Charnwood Court, 5B New Walk, Leicester LE1 6TE

West & Wales regional office
Regus Castlemead,
Lower Castle Street, Bristol BS1 3AG

North & Scotland regional office
Suite 26, The Quadrant,
99 Parkway Avenue, Sheffield S9 4WG

West Midlands regional office
The Colmore Building, 20 Colmore Circus,
Queensway, Birmingham B4 6AT

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 '2019 Annual report and accounts', the 'Auditor's report' on those accounts and the 'Directors' report' should be consulted.

A copy of the full 'Report and accounts' can be obtained via the contact details below.

Report of the Auditor

KMPG's full independent 'Auditor's report' for the year ended 31st December 2019 is included in the 'Annual report and accounts'.

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Cambridge & Counties Bank