Cambridge & Counties Bank

Built on understanding

ANNUAL REPORT AND FINANCIAL STATEMENTS 2024

CONTENTS

STRATEGIC REPORT

STRATEGIC REPORT

Profit before tax

£35.8m — 2024
£40.9m — 2023

Return On Capital Employed (ROCE)

12.2% — 2024
15.7% — 2023

Gross lending balances

£1,226m — 2024
£1,106m — 2023

Customer deposit balances

£1,272m — 2024
£1,155m — 2023

Total Equity

£240m — 2024
£215m — 2023

Net interest margin

4.9% — 2024
5.4% — 2023

Cost of risk

42bps — 2024
67bps — 2023

Definitions:
Return On Capital Employed (ROCE) – Profit after tax/average Total equity (Retained Earnings+ Fair value through other comprehensive income reserve (FVOCI) +Ordinary Shares+AT1 capital) (at the start and end of the period). 2023 previously reported 15.6% excluding FVOCI reserve.
Net interest margin – net interest income / average interest earning assets (at the start and end of the period)
Cost of risk – loan loss impairment charge/ average gross lending balance (at the start and end of the period)

We are pleased to report strong increase in both asset finance and property lending.

Chair's statement

2024 has seen another strong performance from Cambridge & Counties Bank, notwithstanding many challenges in the wider economy and the banking industry. As the rest of Annual Report will show, notwithstanding these challenges, we have delivered well and remain confident that our strategy and business model are fit for purpose and that we can continue to follow a strong growth path.

The start of the year was characterised by considerable political uncertainty and an improving but still weak economic outlook. By the end of the first half, it was apparent that global inflation was levelling off, confidence levels returning and that the UK and global economies were starting to recover. The UK was running ahead of many of the other developed world economies both in containing inflation and in starting to grow more rapidly, which was reflected in increasing business volumes for the Bank.

In the second half, although political uncertainty has been reduced following the UK and US elections, the outlook for the two countries' economies remains uncertain. Uncertain in the US because of the potential volatility of the new government, particularly with regard trade policy, and uncertain in the UK because, although the Government proclaims a wish to drive economic growth, a number of its early initiatives are likely to achieve the opposite effect, reflected in falling business confidence in many sectors. We hope that the Government will steady the ship and implement policies in the new year which will stimulate growth.

Our Strategy

Donald's CEO report explores our performance and our present views of progress against our strategy in more detail. In summary, having reached the end of one three-year planning cycle, exceeding our targets, we have developed our next three year plan which shows continued growth, superior returns for stakeholders and a sustainable and vibrant business which will remain attractive for our people. Important planks of the delivery are further diversification and the continuation of our technology enablement programme which is delivering a faster and better client experience. Our plans include significant investment in this programme which will ensure that we remain the specialist SME bank of choice in our chosen markets.

We are confident that we can deliver this plan. Key risks to delivery are failure by the Government to support continuing economic growth and unforeseen impacts from the regulator in implementing the Basel 3.1 and Small Domestic Deposit Takers reforms. It is still early days for these reforms and we cannot yet discern precisely what the future capital regime will be. However, from what we can see, the new regime should not impede our plans.

We remain committed to the ESG agenda and to ensuring that we maintain a strong environmental and socially responsible dimension to our thinking and work. We endeavour to support a just transition to net zero in the products that we offer to clients and in the way that we conduct our business. Our continuing B Corp membership evidences our commitment to being a responsible business, keeping pace with wider societal expectations whilst ensuring that our growth is sustainable and robust.

Our Board and Senior Executive Team

Last year I reported Andrea Hodgson's intention to retire as Chief Financial Officer during 2024. Andrea left us in the Autumn after seven very successful years as CFO. Her contribution to the Bank's success was considerable and I would like to thank Andrea on behalf of shareholders, the Board and all of our employees for her hard work, attention to detail and the very high professional standards that she brought to everything she did at the Bank. She will be much missed and we wish her well in her new portfolio career as a Non-Executive Director in the financial sector.

I am delighted that we have been able to recruit Richard Hanrahan as our new CFO. Richard brings extensive financial and treasury experience from a range of senior roles in the banking sector and we are very much looking forward to the benefit of the application of that experience and a fresh pair of eyes to our financial affairs and performance.

Our Wider Team

Nothing that has been achieved this year would have been achieved without our wonderful wider team. They have continued to give their all to the benefit of the Bank and have been tremendously supportive, going the extra mile throughout another challenging year. On behalf of myself and the Board, I thank everybody for their contribution to the Bank's success this year. The Board and Executive Team work hard to create an environment which encourages a team based, collaborative and diverse high performance culture.

Conclusion

It is to be hoped that the UK Government's intentions to deliver economic growth will bear fruit in 2025 and the geopolitical risk will decline, creating a more benign environment for business. Cambridge & Counties Bank is well capitalised, has good and relevant products for its chosen sectors which we can and will continue to promote, expanding our market share, delivering a great experience for our clients, above average returns for our shareholders and a vibrant and stimulating workplace for our people, taking what further challenges the wider world throws at us in our stride.

The remainder of the Annual Report describes the Bank's progress through 2024 and explores the opportunities and challenges that we face and our plans for a prosperous future.

Patrick Newberry
Chairman
27 March 2025

Chief Executive Officer's Review

Overview

The year under review was the third and final year of our current strategic plan. In beginning our journey to be the "specialist SME bank of choice" we set ourselves a series of objectives focused on that ambition. We wanted to continue to grow organically by meeting the needs of our customers through selected products, delivering great service while modernising our infrastructure, developing our people and operating within the Risk Appetite agreed with the Board. We have had to face several external headwinds in the three years all of which are well publicised, and which has required us to be fleet of foot in adapting to the changing environment. We have emerged a stronger bank with strong capital and liquidity metrics, a growing business set on continuing to modernise with a great team engaged in our shared goals. The efforts of everyone in the team in delivering our plans allowed us to present our Board and shareholders with optionality in the latest strategic review. We were pleased that there was consensus that there remains an opportunity to grow organically and that the Board and shareholders have confidence in the team to undertake inorganic activity should the right opportunity emerge. The journey to becoming the "specialist SME bank of choice" continues to be our ambition.

Strategy

Our strategy then remains consistent, with a determination to deliver optimal outcomes to a wide set of stakeholders including customers and brokers, shareholders, colleagues, communities in which we operate, regulators and suppliers. We will achieve this through offering our customers value for money, straightforward products along with service with them at the centre of our operations.

- In our real estate finance business, we will support experienced operators with increased focus on a segmented model rather than a one size fits all approach
- With our asset finance business, we will continue to offer a differentiated model with our Classic Car business alongside an SME business with attention on service to meet increasing customer expectations
- For our deposit customers we will leverage the investment made in our onboarding process to continue to enhance their experience with us, alongside providing them with competitively priced products

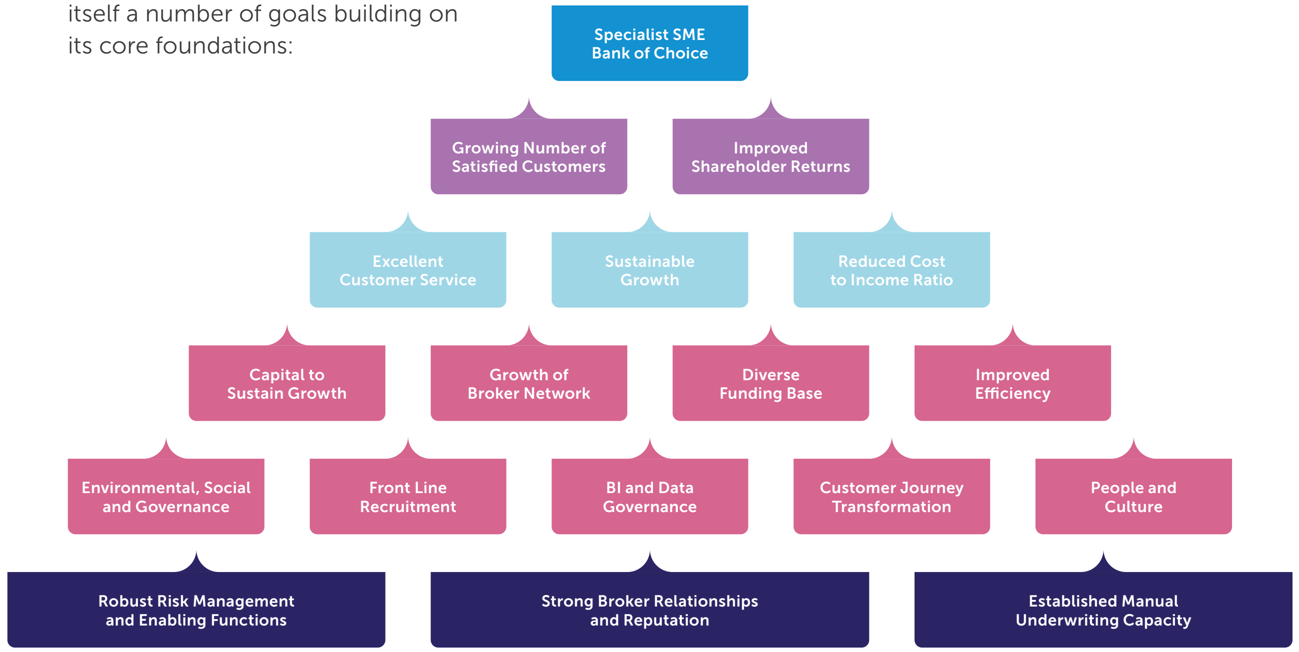
Performance

We are pleased to report a strong set of financial results with profit before tax of £35.8m (2023: £40.9m), driven by strong asset growth.

After moderating our growth last year due to uncertainty in asset values we welcomed the recovery in our core markets and are pleased to report strong increase in both asset finance and property lending. Year on year asset growth increased from 5% (2023) to 11% in 2024 with record drawdowns in both asset finance and property lending. Our asset finance drawdowns at £89m represent

> We are excited about the prospects for the Bank; we have the right strategy, business model and people to deliver on this potential.

The Bank is focused on becoming the "Specialist SME Bank of Choice". To achieve this the Bank has set itself a number of goals building on its core foundations:



a 39% uplift on last year, which was a record. Property finance drawdowns at over £287m represented the third consecutive year of growth in line with our strategic ambition. Repayments moderated slightly in year with £256m repaid, compared to £283m the prior year as customers became accustomed to the elevated base rate environment. Our balance sheet ended with Gross Loans and Advances at £1.2 billion a 26% increase in the three years of the strategic plan.

Margins for new business remained competitive and base rate began its expected downward trajectory which led to interest receivable increasing more slowly than asset growth with income growing by 11% to £128m (2023: £116m). We expect further pressure on income growth to be a feature in 2025 as the forecast base rate reductions will impact sooner than a repricing of our fixed term deposit products. Net interest margin reduced to 4.9% from 5.4% as these elements emerged. Our cost base, whilst reflecting inflationary increases, continues to be well managed and we are pleased with the cost: income ratio of 45% reflecting consistent cost discipline and strong income performance.

The challenging conditions faced by some of our customers in the current environment is reflected in the impairment provision charge of £4.9m (2023: £7.3m). This largely reflects the resolution of a number of legacy distressed positions and materially reduces the stock of stage 3 exposures within the portfolio. In addition, we have adequate coverage from a balance sheet perspective (1.7% loan loss provision coverage) and believe we are well positioned should further stress emerge in a recovering market.

We continued to fund ourselves in a satisfactory manner with the bulk of our deposits continuing to come from customers with whom we interact directly, with c20% of our book from deposit aggregator sites. Our mantra of offering existing customers as attractive rates as new customers has seen continued high reinvestment rates at over 65% on our fixed term products. Our strategy to hold robust levels of liquidity is reflected in an LCR in excess of 500% (2023: 718%), and a 95% LDR (2023: 94%), without any reliance on wholesale funding, enabling the Bank to maintain a consistently strong liquidity position throughout the year.

Supporting our customers

We recognise the continued challenging economic conditions and the increased cost burden on business resulting from increases in the tax burden and continue to monitor closely the potential impact on our customers. We remain focused on supporting those customers who have short term pressures with a dedicated team of experienced bankers offering additional support where needed.

We have continued to invest in our customer journeys including in our property business where we have optimised the build out of the nCino platform launched in 2022 along with the launch of a digital servicing application for our more straightforward customers working with Nivo, a market leading technology company. In asset finance we have streamlined processes for certain cohorts of customers significantly reducing the time taken to payout for these customers. We have also automated aspects of our financial crime controls allowing us to focus our efforts on those customers who present higher risk characteristics. The next year will see us build greater flexibility into our technology stack allowing for faster and safer deployment of future innovation.

People

As highlighted last year, Andrea Hodgson left us to pursue a career as a Non-Executive and it comes as no surprise that she has been quickly snapped up by a couple of banks to serve on their boards.

I am delighted to have recruited Richard Hanrahan as our new Chief Financial Officer. Richard has settled in well and is already delivering on several priority areas and his broad skill set will stand us in good stead as we progress our plans.

Mike Hudson, our Chief Risk Officer, intimated to me that he would be stepping down from his own executive career in 2025. Mike has been a terrific CRO, strengthening our second line team, improving our Risk Management Framework while at the same time being a great advocate for our ambitious plans. We have identified Mike's successor, and James Royle will join us in Q1 2025 allowing for a robust handover. James was CRO at Recognise Bank, another bank focussed on the SME sector, prior to joining us.

As we have grown as a bank, we continue to focus on making Cambridge & Counties Bank a rewarding place to work. Our learning and development plans seek to add capability to colleagues at all levels and we partner with like-minded organisations to offer broad learning opportunities. Our people are actively involved in leading initiatives beyond the products and services which we offer, including charity engagement, leading green initiatives, and community social events; each underpinning our passion to make a positive impact on society and the communities in which we operate as recognised in our B Corp accreditation.

I am delighted with the strong results from our most recent employee engagement survey, reflecting our strong values driven culture. I am particularly pleased that we had participation of 86% (2023: 73%) and we continue to have a highly engaged team reflected in a score of 80%, bettering global and sector peers as provided by our survey provider. The feedback also gives us insight as to how we can further improve, reminding us that the engagement journey is never complete. Likewise, the drive for improved diversity continues and while we have maintained gender diversity at our committed levels for senior management levels (40%) we recognise that there is more to do across the spectrum of this crucial area, and this will remain a focus for the Executive.

Outlook

The delivery of the strategic plan agreed three years ago has taken the whole team across Cambridge & Counties Bank to engage positively and contribute. Consistent and sustainable growth across a range of metrics does not happen by accident and the next three-year plan will require a redoubling of efforts but the goal of being "the specialist SME bank of choice" is a worthy prize. Cambridge & Counties Bank remains a great place to work, has the capital and liquidity to support our aspirations and ambitious plans to deliver for all stakeholders. My thanks to all who have contributed in 2024, and I look forward to the next three years with confidence.

The Bank remains well capitalised, with strong liquidity and an asset backed lending portfolio. We have retained an appropriate credit loss provision, to provide a suitable level of coverage across our loan portfolio. We are confident we can deliver our strategy, building on the investment we have made over the past couple of years and the momentum continued during 2024. We are well-placed to continue delivering on our track record of profitability and growth. We are excited about the prospects for the Bank; we have the right strategy, business model and people to deliver on this potential.

Donald Kerr
Chief Executive Officer
27 March 2025

The journey to becoming the "specialist SME bank of choice" continues to be our ambition.

Our Purpose and Business Model

Purpose statement

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

Ownership

Established in June 2012, Cambridge & Counties Bank has a stable and supportive ownership structure being jointly owned by Trinity Hall, a college of the University of Cambridge, and Cambridgeshire County Council as Administering Authority of the 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.

Lending

The Bank's commercial real estate loans are secured on property. We lend to experienced commercial and residential property investors as well as to owner occupied businesses to invest in their own commercial premises.

The Bank provides finance for businesses to acquire essential assets such as equipment, plant, machinery, and vehicles, using hire purchase and finance lease facilities. The Bank also provides finance for the purchase of classic cars using hire purchase and finance lease products.

Deposits

The Bank's lending is primarily funded by the acquisition of UK savings balances. We offer a range of deposit accounts that are available directly to business customers. These accounts are also available to retail customers through a network of Deposit Intermediaries. Business customers include broader organisations such as charities, clubs, societies, and associations.

We have a simple and proven Business Model

Distribution network

Cambridge & Counties Bank provides lending products through a network of relationship managers who deal via business introducers as well as directly with customers. We seek to be straight forward and easy to deal with in our interactions with introducers and customers and deliver a banking experience that attracts and retains customers. The Bank delivers a range of savings accounts via the internet, post, and savings intermediaries.

Section 172 Companies Act 2006 Statement

Statement by the Directors in performance of their statutory duties

The Board of Directors of Cambridge & Counties Bank Limited believe, both individually and together, that they have acted in what they consider good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1) (a-f) of the Companies Act 2006) in the decisions taken during the year ended 31 December 2024.

Stakeholder engagement

The Bank has maintained regular dialogue with all its key stakeholders throughout the year. The table below sets out the Bank's key stakeholders and the main methods by which the Board and Management engage.

Stakeholder	Description	Engagement
Shareholders	The Bank has two Shareholders each holding 50% of the Bank's ordinary share capital	Both Shareholders' have Non-Executive Director representatives on the Board and Board sub-committees and are therefore fully involved in the decision making of the Bank. In addition, Board members meet with both Shareholders outside of Board meetings on a regular basis to enable the Board to understand the Shareholders expectations.
Customers	The Bank has around 11,000 deposit customers and 1,700 lending customers	The Bank undertakes regular activity to gather customer feedback. The results of which are shared with colleagues and the Board and incorporated into its future business development plans. We also use this feedback to monitor and validate our approach to products, services, and the way we interact with customers. The Bank engages with lending and deposit intermediaries who introduce business to the Bank as well as having regular dialogue with customers. Customer support remains a key strategic priority for the Bank in its response to the current unpredictable economic environment. During the year, the feedback from engagement with customers and intermediaries has been used by the Board to understand the appetite for future development of our digital proposition and our strategy for creating products to suit customer needs.
Employees	The average number of people employed by the Bank during the year was 243	The Bank undertakes an annual internal colleague survey, which this year has been adapted to utilise a market-wide engagement partner to get better colleague insights and comparator benchmarking against market and industry. We have achieved our highest ever participation rates in our employee engagement survey (86%) and record strong scores of colleague engagement at 80%. The Board reviews the colleague survey results and receives regular reports from the CEO on the activities of the Colleague Forum. During the year the Board has had regular updates on colleague issues, including cultural and colleague performance measures, that generate our strategic approach towards colleague each year. The Bank continues to support its colleague forums namely – Green Team, Charities Group, and Social Group. These forums feed into the Bank's governance allowing us to receive colleague feedback generally and in relation to our ESG activities. The Bank continues to offer colleagues electric vehicle and bicycle financing schemes.
Suppliers	Business and individuals who provide services and goods which the Bank uses to deliver its products to its end customers	Management regularly meets with the Bank's key suppliers, particularly those providing important business services and information technology systems. The Bank pays over 95% of suppliers within 30 days. We have consistently received a Fast Payer Award from Good Business Pays since 2021. The Bank has an active engagement process with any material supplier to help us understand how we can work better together and ensure the efficient operation of the supplier relationships.
Regulators	The Bank is regulated by the PRA (Prudential Regulation Authority) and FCA (Financial Conduct Authority)	The Bank's Senior Management are committed to fostering open and honest engagement with its Regulators in line with the cornerstone principle of the UK regulatory environment. The CEO, CFO and CRO meet regularly with the Bank's PRA Supervisory team through the framework of 'proactive engagement and continuous assessment' meetings and report on key themes discussed through committee and Board meetings as appropriate. The CRO reports to the Board Risk & Compliance Committee on material matters of regulatory liaison, and the Bank's assessment of the quality of the relationship with each Regulator. In addition, the Chair, Senior Independent Director, and Chair of Risk maintain a direct relationship with the Bank's Regulators on key themes as appropriate.
Communities	The geographic locations in which the Bank has offices, employees, and customers	The Board support the Bank's membership of several local trade bodies such as Chamber of Commerce and Business Networking groups in the regions in which it operates, including sponsoring an Environmental Impact award. In consideration of the challenges on charities in the current economic environment, the Board has maintained the Bank's level of activity and support for local communities. Further details of the Bank's activities in local communities are set out in the ESG – Supporting our Local Communities section. The Board receives regular updates on the Bank's delivery of these activities and how the Bank supports the local community.
B Corp	The B Corp community and the expectation that B Corps have a material positive impact on society and the environment	As a certified B Corp company, we published our first Impact Report in 2024. The report outlines our positive contributions to society and the environment. A copy of the report can be seen at: https://ccbank.co.uk/about-us/environmental-social-governance

Decisions made during the year

The Board agreed our next three year strategic plan in 2024. Delivery of the plan over the three year period will see continued growth, superior returns for stakeholders and a sustainable and vibrant business. Since it started trading in 2012 the Bank's strategy has resulted in balance sheet assets exceeding £1.55bn and delivering profit before tax of £35.8m.

The Board has assessed the future operating environment for the business and expects continued growth in profits and ongoing investment in people and systems. The Bank's strategic objectives remain unchanged. The Bank plans to continue to grow and expand its lending activities into new asset classes where the existing capacity and capability of the Bank can be brought to bear, realising niche opportunities in markets that offer earnings at a level accretive to those achieved in the core businesses.

The Board considered various risks and trends that shaped the financial services industry in 2024, and how they affected our strategic direction and operational performance. Some of the key risks and trends that influenced the Board are:

- The impact of the cost-of-living crisis and the base rate environment upon colleagues, customers and the community.
- The escalation of geopolitical tensions which threaten the stability and security of regions, disrupt trade and energy supplies, and increase the risk of sanctions and cyber-attacks.
- The changes in political and regulatory landscape arising from the UK general election, the consequential change to a Labour government and the US presidential elections. All of which are driving a shift in perspective with regards regulation and the approach of the regulators.

- The effectiveness of the Bank's Operational Resilience and increased focus on third and fourth-party reliance following the impact on the Finance industry following the CrowdStrike outage.
- The changes in competition and market demand, driven by the emergence of new entrants, as well as the changing customer preferences and expectations, which required us to innovate and differentiate our products and services, and enhance our digital capabilities.
- The increased focus on climate change risk, which required us to align our business strategy and practices with the environmental and social goals, and measure and disclose our climate-related risks and opportunities, in line with the regulatory and stakeholder expectations.

The number of newly launched niche specialist banks, together with an increase in the non-banking participation in the asset finance market, has over the past few years also had a significant effect on lending margins. This has inevitably put pressure on our gross lending margins. We continue to ensure that our customers interest rates compare well with those that are on offer in the market. Margin compression is expected to continue, although we remain confident that following the expansion of our geographic footprint across the country, and investing in our relationships with our broker introducers, we can continue to meet our growth appetite at margins commensurate with the Board's Credit Risk Appetite.

Other non-financial disclosures

The Bank has a moral, legal, and regulatory duty to prevent, detect and deter financial crime and maintains a Financial Crime Framework. This framework is supported and reinforced by the Bank's systems and behaviours which put the customer at the heart of every interaction. The Bank promotes an environment that protects its customers, employees, and communities from financial crime, and continues to invest in its Anti-Money Laundering (AML) and Know Your Customer (KYC) financial control system enhancements. The Bank's compliance with the requirements of the Financial Crime Framework is monitored through ongoing control testing, assurance, internal audit, and the provision of management information at senior governance committees. The Bank's Modern Slavery Statement (which is available on our website) sets out the policies we apply and actions we take to ensure that our employees and customers are treated with dignity and respect. This includes raising awareness of issues that could put the people the Bank encounters at risk such as vulnerability and exploitation. The statement also explains how we ensure that the Bank's values are applied within our supply chain including the due diligence we carry out on our suppliers.

The Bank is committed to being a responsible user of resources.

Environmental, Social and Governance

Introduction

The Environmental, Social and Governance (ESG) agenda remains a key focus for the Board, with regular debate and reports received from the Executive relating to environmental, community, and wider industry issues. The Bank's governance policies and processes are set out in detail on pages 42 to 67.

The Board also recognises the importance of culture to the Bank's health and creates the tone from the top so that the Board delivers on its responsibilities to all its various stakeholders, especially our customers.

The Bank achieved B Corp certification in 2023, joining a global movement of businesses that use their power for good. B Corp certification is a rigorous assessment of a company's social and environmental performance, transparency, and accountability. By becoming a B Corp, the Bank demonstrated its commitment to creating positive impact for its stakeholders, including its customers, employees, suppliers, community, and the environment along with shareholders. Cambridge & Counties Bank is one of 1,500 UK businesses that have earned this prestigious recognition and one of the few in the financial sector.

The Bank believes that being a B Corp aligns with its vision of building a more inclusive, equitable and regenerative economy for all people and the planet.

In 2024 the Bank produced its first B Corp impact assessment which can be found at ccbank.co.uk/about-us/environmental-social-governance.

Reducing our environmental impact

Climate change is a significant challenge facing society, with a growing focus for all stakeholders, and the Bank continues to maintain a proactive approach to its environmental responsibilities.

In 2024, the Bank continued with its hybrid working pattern, supporting remote working for up to 50% of the working week. This has led to new considerations of the impact upon the environment of a hybrid working pattern, and how to mitigate the environmental impact of both maintaining an office environment on a full-time basis and supporting remote working. We continue to assess the environmental impact of remote working, changes to travel patterns of employees, and more limited use of office space. All of the Bank's offices have maintained their carbon neutral plus status which was first achieved in 2021.

The Bank is currently focusing on understanding the potential impact on its loan security values and customers' investments from increased flooding, as well as potential new legislation and changing behaviours relating to minimum Energy Performance Certificate (EPC) gradings and the energy efficiency of buildings. Through 2024, the Bank has continued its analysis on properties subject to a high flood risk and has identified 128 properties out of a total of over 2,682 properties where the Bank has exposure to a property in a high flood risk area. Work continues to understand the potential impact of that risk and how it might materialise. Properties financed by the Bank have a range of EPC gradings, with 95% having an EPC rating at E or better. The Bank has a programme underway to understand customer proposals for property graded EPC F and G.

The Board is proud of the engagement and commitment of our people in reducing the Bank's environmental impact and achieving carbon neutrality. Core to our colleague engagement is the active "Green Team", which is a cross-function team of Bank employees who volunteer to internally promote the green agenda facilitating numerous communications, initiatives and activities focusing on upcycling, recycling, and health and wellness, to help protect the wider ecosystem.

Environmental information

The Bank is committed to being a responsible user of resources and continues to consider ways in which it can reduce its environmental impact. This section reflects the Bank's emissions as required by the UK Streamlined Energy and Carbon Reporting (SECR) Regulations for a 'large unquoted organisation'.

The Bank has appointed Carbon Footprint Ltd, a leading carbon and energy management company, to independently assess its Greenhouse Gas (GHG) emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.

The GHG emissions have been assessed following the ISO 14064-1:2018 standard and has used the 2024 emission conversion factors published by Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage.

Total emissions in 2024 were 107.79 tonnes of CO_2e 16.1% higher than in 2023 due to homeworking and grey fleet emissions, which have increased as a result of business activity. Emissions over the past 5 years (2019 is our baseline) have increased by 135.7% due to the scope of reported emissions, which now includes home workers, water and waste. Emissions from our regional offices reduce during the year. The Bank continues to refine its data collection processes in respect of scope 3 activities.

During the last year we also completed a detailed Energy Savings Opportunity Scheme (ESOS) energy audit of our energy use and have a number of recommendations we are implementing.

Cambridge & Counties Bank has qualified for the Carbon Neutral Plus status for the fifth year due to offsetting 140 tonnes of CO_2e through the UK Tree Planting project, buddied with the Gold Standard projects around the world. The Bank has in total offset 580 tonnes of CO_2e over the past 5 years.

This year we are choosing to obtain our carbon offset through Lowther Estate regenerative agriculture, a project located in Cumbria, UK, managed by Beyond Zero and aligned with Carbon standard UKCCC.

The table below summarises the GHG emissions for the reporting year 1 January 2024 to 31 December 2024, we have also included the three prior years for comparison. We have defined our intensity ratio as scope 1, 2 and 3 emissions in tonnes of CO_2e per £m of income as this is a common business metric across the banking sector. For completeness, we have also provided the ratio of scope 1, 2 and 3 emissions in tonnes of CO_2e per employee.

All of the Bank's offices have maintained their carbon neutral plus status.

Unaudited

Scope	Activity	2021 tCO_2e[1]	2022 tCO_2e	2023 tCO_2e	2024 tCO_2e
Scope 1	No operations	–	–	–	–
Scope 2	Leicester – electricity generation and transmission & distribution[2]	7.34	8.45	9.54	9.40
Scope 2 Sub Total		**7.34**	**8.45**	**9.54**	**9.40**
	Home-workers	44.36	15.75	35.63	47.94
	Grey Fleet	16.67	32.33	36.90	41.18
Scope 3	Regional offices	11.28	11.06	10.34	8.81
	Water (and wastewater)	n/a	0.29	0.43	0.42
	Waste	n/a	n/a	n/a	0.04
Scope 3 Sub Total		**72.31**	**59.43**	**83.30**	**98.39**
Total emissions as tonnes of CO_2e		79.65	67.88	92.84	107.79
Tonnes of CO_2e per employee[3]		0.40	0.32	0.42	0.44
Tonnes of CO_2e per £m		1.61	0.89	0.80	0.83
Total Energy Consumption (kWh)		96,507	178,058	253,742	252,702
Carbon Offsetting					
Verified Carbon Offsets		(100)	(100)	(140)	(140)

1 Tonnes of carbon dioxide equivalent
2 This includes a small amount of Scope 3 emissions from transmission and distribution.
3 This assumes homes are solely occupied by colleagues 66% of the time, with the remaining 33% multi-occupancy. There is a high (50%) error margin with this category of emissions.
4 Based on employee headcount as at the end of each financial year

Supporting our local communities

The Bank remains committed to focusing its efforts on supporting local communities through a blend of monetary donations and practical help through colleagues' time and energy. In 2024, the Bank donated a total of £64,000 to charities and good causes, including matched funding in support of colleagues fundraising efforts.

Our contributions to our local community included:

- Continued support of the IGNITE programme, which is run by the National Space Centre and inspires children and families in Leicester by getting them excited about space and creating related pathways through education and into employment;
- Sponsorship of awards with both the East Midlands Chamber of Commerce, where we continued our sponsorship of the Leicestershire Environmental Impact award for the third consecutive year, and Investors in the Environment, where it was our inaugural year as sponsor of the Sustainability Influencer Award;
- Enabling the Green Gym with The Conservation Volunteers (TCV), which is part of Rolleston Primary School in Glen Parva;
- Ongoing work with Leicestershire Cares supporting a number of initiatives from interview techniques, Christmas initiatives including; wrapping of gifts for less privileged children as well as funding and volunteering for a local Food Hub and gathering donations of food items and blankets to hand out to the local Leicester communities;
- Setting up of new relationship with Leicestershire Education Business Company (LEBC) which saw many colleagues volunteer in schools for mock interviews and guess my job activities to help them understand more about Financial Services;
- Continued work with the Leicestershire and Rutland Community Foundation, which has included funding for Soft Touch Arts, where the Bank's support has funded an Enterprise Project to help young adults find a way of putting their passion for arts into related employment;

To encourage community activity, the Bank committed to colleagues in 2024 that they could have up to two working days per annum that can be used for volunteering or other charitable activities. This has allowed our colleagues to provide even more support for local charities and we have achieved c450 hours of volunteering from colleagues.

Treating businesses fairly and helping our customers grow

The Bank is committed to treating businesses fairly and helping them grow through prompt payment of invoices. 97% of suppliers were paid within 30 days for the year ending 31 December 2024 (2023: 93%).

Developing a Diverse and Inclusive workplace

Diversity and inclusion remain at the heart of the Bank's culture. We are committed to creating an inclusive environment where all colleagues thrive and reach their full potential, whatever their identity or background.

We believe that individual differences and the contributions of everyone in our teams enables us to work effectively together to deliver a great customer experience. In 2024, we evolved our mission, vision and values focussing on customer, colleagues, and community – we actively embrace our differences to enable a more effective experience for customers and ensure we make a positive difference in the communities in which we serve. The Board believes that greater diversity leads to wider thinking and skill sets, creating increased innovation and ultimately to better customer service.

Our employee proposition is to actively attract, develop and retain a diverse and adaptable team. Our aim is that our workforce will be truly representative of all sections of society and that each employee feels respected and able to give their best.

The Bank remains committed to focusing its efforts on supporting local communities.

We have 5 core pillars:

- **Data & Reporting** – Our focus has been to ensure colleagues understand the benefits of self-disclosure; ensuring we have a robust data set so we can focus on priority areas and where we can add further value. At end of 2024, our voluntary DE&I self-disclosure was 93% up 10% vs. the end of 2023, covering a wider range of characteristics including experiences, education, and socio-economic backgrounds as well as protected characteristics. We have also developed a Diversity Equality & Inclusion dashboard which on a quarterly basis we use to report aspects of our employee lifecycle to the Board and EXCO. We focus on input data through the employee lifecycle to report and measure our progress across our diversity strategy, this informs our plans to become even more inclusive as we continue to grow.
- **Recruitment & Selection** – A key part of our strategy is widening our recruitment sources and attracting people who are under-represented in Financial Services. The focus on increasing direct recruitment, actively considering the wording of our adverts and sourcing from non- traditional paths is beginning to increase the diversity of candidates at application stage. We know that including the need for banking experience excludes capable and skilled candidates who have diverse thinking and experience, and therefore our focus has been on defining required skills and behaviours to attract candidates with transferable skills rather than seeking only people with Financial Services experience. As a result, in 2024, 66% of roles have been filled from our own direct recruitment advertising. We are actively working to build relationships with organisations that support and represent under-represented groups in Financial Services as well as liaising with local schools and colleges to attract apprentices straight from secondary education.
- **Colleague Insights** – Here at Cambridge & Counties Bank, having an inclusive workplace culture helps us attract and retain diverse talent. We recognise the importance of increasing opportunity for everyone. We have continued with our annual colleague survey, frequent 'pulse' surveys, as well as our Bank-wide All Colleague Meetings including quarterly Townhall in-person meetings. These forums provide the opportunity for colleagues to ask questions as well as share ideas and experiences. The Bank continues to record consistently high participation rates and strong scores in its recent survey. In October 2024, our response rate to the annual survey was over 86% and positivity across all themes was strong/very strong – scoring between 70-95% on all questions. In 2024, we evolved the, now four, colleague working groups and the Colleague Forum, providing more colleagues with opportunities to get involved with shaping how the Bank develops and operates. We have plans in place for our Social, Charities, Wellbeing and Green teams with events happening throughout the forthcoming year. Last year we rebranded our monthly newsletter – the Compass – to focus on key business updates, plans for various events and activities and market insights. The rebrand has been well received with colleagues providing a range of updates.
- **Talent & Development** – The Bank's 'grow our own' strategy supports our diversity and inclusion ambitions, advocating all colleagues have a development plan that supports them to be successful in their role and achieve their full potential whilst enabling the Bank to have strong internal succession in place. Gender diversity is one element of our inclusivity strategy. In 2024, we delivered against our pledge to increase women in Senior Management – we now have 40% female representation at Senior Management levels. We are proud of this evolution. In 2024, our Gender Pay Gap is 25% and we have committed to increasing our ethnicity at senior levels within the Bank and reducing our Ethnicity Pay Gap over the next 3 years. We have developed our learning and development proposition for the forthcoming year, a key focus in 2024, was diversity and inclusion with a variety of different webinars held for all colleagues, including 'women in leadership,' 'mens' health,' 'menopause' and 'neurodiversity.' In addition, our 2024 learning and development plan focussed on technical, managerial and leadership capabilities with activities running throughout the calendar year, strong colleague feedback was obtained for a variety of different courses and learning interventions.
- **Policies and procedures** – Throughout 2024, we have continued to review our people policies and procedures to ensure they promote our beliefs and stance on inclusivity. Our hybrid working arrangements continue to operate effectively across the business, and we have continued to develop the infrastructure and management practices required to effectively support this way of working. This approach is welcomed by colleagues who provided very positive feedback in our internal colleague surveys. We continue to promote flexible working to ensure we continue to attract and retain the right candidates.

Diversity and inclusion remain at the heart of Cambridge and Counties' culture.

There has been no change to our variable pay schemes during the year, and most colleagues benefitted from the Bank's discretionary profit-share scheme capped at 10% of basic salary. The Board pays close attention to the Bank's culture and key people measures, including turnover rates, sickness levels and time taken to fill vacancies. All measures remain positively low. We have evolved our mental health support proposition and worked with the business on colleague wellbeing. We now have an established wellbeing group with activities, webinars and health sessions in place throughout the year.

Financial Performance

Macroeconomics

The UK's economic environment remained uncertain in 2024 with the Bank of England base rate reducing to 4.75% as inflation eased from 4% towards the Bank of England's 2% target. The outlook for 2025 is dependent on the success of the UK Government's economic growth initiatives. The Bank is supportive of the Government's growth agenda and remains committed to supporting and growing its own presence in the UK SME market.

Prudential framework

The prudential framework has remained unchanged during 2024, with the next significant change being the implementation of the Basel 3.1 and Capital SDDT regimes in 2027.

Financial review

The Bank has delivered a strong financial performance in 2024 despite the economic environment.

- Net Interest income totalled £73.5m, £2.4m lower than in 2023 due to an increase in the cost of deposit balances. Interest receivable increased by 11% in line with customer loans and advances. This was more than offset by a 36% increase in interest payable. Pricing in both the lending and deposit markets remains competitive. The Bank continues to fund its lending activities using customer deposit balances. The reduction in net interest income is evident in the Bank's net interest margin which reduced from 5.4% in 2023 to 4.9% in 2024 driven by increased deposit pricing.
- The Bank's lending to customers increased by 11% during the year with the value of arrears remaining stable and defaults reducing. The Bank considers its impairment coverage ratio of 1.7% (2023: 2.1%) to be appropriate for its mix of loans and current level of defaults.
- The Board continues to invest in infrastructure, capacity, and capability as the Bank further develops the processes and people skills required to support both the current business demands and future growth aspirations. The average number of employees increased by 8% to 243 during the year. The reduction in income as a result of a reducing bank base rate environment as well as the increased headcount and a provision cost of £750k resulted in the cost income ratio increasing from 37% to 45% in 2024.
- The Board are pleased with the Bank's performance delivering Profit after tax of £27.7m (2023: £31.3m) and ROCE of 12.2% (2023: 15.7%).
- The Bank continues to maintain strong liquidity and capital positions. At the end of December 2024, the Bank held liquid assets of over £370m with an LCR of 521%, significantly above the regulatory requirement of 100%. The Bank's total capital ratio was 24.6% at the end of December with a CET1 ratio of 21.8%.
- The Board are committed to continuing to support our customers and the SME market. The Bank is planning for continued growth in balance sheet assets as well as ongoing investment in its people, products and systems.

The Bank's performance is presented on a statutory basis and structured consistently with the key elements of the business model explained on page 13. The 2024 Financial Statements have been prepared under UK-adopted international financial reporting standards (IFRS). The Bank's primary Financial Statements are reported on pages 80 to 83, with a summary of these shown below. There have been no changes in the Bank's accounting policies in 2024.

Summary Income Statement £'000	2024	2023
Interest income	128,313	116,023
Interest expense	(54,838)	(40,172)
Net interest income	73,475	75,851
Other income	126	553
Total Operating Income	**73,601**	**76,404**
Operating expenses (including depreciation)	(32,849)	(28,231)
Impairment charge	(4,932)	(7,263)
Profit Before Tax	**35,820**	**40,910**
Taxation charge	(8,157)	(9,620)
Profit After Tax	**27,663**	**31,290**

Summary Balance Sheet £'000	2024	2023
Liquid assets	370,126	360,302
Loans and advances to customers	1,204,444	1,083,278
Derivative financial assets	149	-
Other assets and prepayments	7,016	7,142
Total Assets	**1,581,735**	**1,450,722**
Customer deposits	1,271,824	1,155,224
Central Bank facilities	55,000	65,000
Derivative financial liabilities	-	652
Other liabilities and accruals	9,277	10,317
Provisions	750	-
Subordinated debt	4,800	4,751
Shareholders' funds	240,084	214,778
Total Liabilities and Equity	**1,581,735**	**1,450,722**

Key Performance Metrics	2024	2023
Gross new lending	£376m	£328m
Net interest margin	4.9%	5.4%
Cost : income ratio	45%	37%
Cost of risk	42bps	67bps
Common Equity Tier 1 capital ratio	21.8%	22.7%
Total capital ratio	24.6%	26.0%
Liquidity Coverage Ratio	521%	718%
Return On Capital Employed (ROCE)	12.2%	15.7%

Definitions:

Gross new lending – new loans drawn down during the period

Net interest margin – net interest income/average interest earning assets (at the start and end of the period)

Cost : income ratio – total operating costs/total operating income

Cost of risk – loan loss impairment charge/average gross lending balance (at the start and end of the period)

Impairment coverage – impairment provisions/gross loans and advances to customers

Common equity tier 1 capital ratio – ordinary shares and reserves (common equity)/risk weighted assets (at the reporting date)

Total capital ratio – all forms of capital (CET 1 and AT1)/ risk weighted assets (at the reporting date)

All capital ratios include IFRS9 transitional relief

Liquidity Coverage Ratio – calculated by dividing a bank's high-quality liquid assets by its total net cash flows, over a 30-day stress period.

Return On Capital Employed (ROCE) – Profit after tax/ average Total equity (Retained Earnings+ Fair value through other comprehensive income reserve (FVOCI) +Ordinary Shares+AT1 capital) (at the start and end of the period). 2023 previously reported 15.6% excluding FVOCI reserve.

Loans and liquid assets

The Bank continued to grow its loans and advances to customers in 2024 with total gross and loans increasing by 11% to over £1.2bn. The Bank's balance sheet reflects growth in each of its Real Estate Finance, Asset Finance and Classic Cars & Sports Vehicle loan portfolios in 2024.

The Bank's portfolio of £1,059m (2023: £972m) commercial loans is secured on property, lending to experienced commercial and residential property investors as well as to owner occupied businesses to invest in their own commercial premises.

The Bank is making good progress in growing its Asset Finance business. The Asset Finance business provides finance for businesses to acquire essential assets such as equipment, plant, machinery, or vehicles using hire purchase and finance lease facilities. The Bank's Asset Finance customer exposures increased by 14% from £83m to £95m during 2024. The Bank also provides finance for the purchase of classic cars and sports vehicles using hire purchase and finance lease products which increased from £51m to £72m.

The majority of the Bank's Real Estate loans continue to be base rate linked although the Bank has continued to record a growing proportion of 3 and 5 year fixed rate loans. All the Bank's Asset Finance and Classic Car & Sports Vehicle loans are set at a fixed rate.

The Bank holds a portfolio of highly liquid assets which are available and accessible to meet cash outflows. The Bank's liquid assets are held as cash reserves at the Bank of England and bonds issued by supra-national bodies such as the European Investment Bank and the Asian Development Bank and other well-known European and UK based banks.

The Bank monitors its liquidity daily using a broad range of performance metrics. A key regulatory measure of liquidity adequacy is the LCR (Liquidity Coverage Ratio), which is designed to assess the short-term resilience of the Bank's liquidity risk profile. The Bank's LCR was 521% (2023: 718%) significantly higher than the regulatory requirement of 100%. The LCR reduced during the year reflecting an increasing proportion of the Bank's HQLA being invested in Level 2 assets as the Bank seeks to optimise its HQLA yield.

Sources of funding

The Bank's lending continues to be primarily funded by the acquisition of UK savings balances through a range of deposit products available direct to business customers and available to retail customers through a network of Deposit Intermediaries. Business customers include organisations such as charities, clubs, societies, and associations.

The Bank's customer deposit balances totalled £1.3bn (2023: £1.2bn) at the end of 2024. These balances are held across a mix of fixed term bonds and a range of notice accounts, with only a very small proportion of balances held in easy (next day) access accounts.

The Bank continued to grow the proportion of balances acquired through its direct channels in 2024 reducing its reliance on the Deposit Intermediary market. During 2024 the Bank repaid £10m of the funds drawn through the Bank of England TFSME facility. The Bank has a remaining £55m to be repaid by the end of September 2025.

The cost of funds increased during the year reflecting increases in the deposit rates offered across the market.

Operating income

Total operating income for the year was £73.6m (2023: £76.4m).

The growth in the Bank's lending balances is reflected in a 11% increase in interest receivable. This increase was however more than offset by a 37% in interest payable resulting in net Interest income reducing by £2.4m.

Interest payable increased by £14.7m as a result of higher interest rates on the Bank's deposit accounts. The higher cost of funds in 2024 reflects the cost of balances acquired over 12 months ago which matured in the year and been reinvested at current higher market rates.

The Bank continues to generate a strong asset yield of 8.5% (2023: 8.2%) driven by the level of Bank base rate. The Bank's liability yield was 3.63%, up from 2.9% in 2023. In total, the Bank's Net Interest Margin decreased from 5.4% in 2023 to 4.9% in 2024.

Expenditure

Total operating expenses (including depreciation) increased from £28.2m in 2023 to £32.8m in 2024.

A key driver of the increase in costs was the increase in the Bank's employees. The average number of people employed during the year increased from 225 in 2023 to 243 in 2024 increasing payroll costs by £2.3m.

The Bank also continued to invest in developing its IT systems and processes to deliver both an efficient service proposition to both new and existing customers.

The increase in operating costs is higher than the growth in income resulting in the Bank's cost : income ratio increasing from 37% in 2023 to 45% in 2024.

Impairment

£'000	2024	2023
Value of loans past due – Up to 3 payments missed	23,867	23,012
Value of loans in default – inc. credit impaired and IFRS 9 stage 3 loans	30,764	35,877
Impairment loan provisions	21,123	22,777

The Bank has continued to successfully manage customers who have been unable to meet the terms and conditions of their loans with the value of loans in default reducing during the year from £35.9m to £30.8m and the value of accounts in arrears remaining stable at £23m. The Bank's average loan to value (LTV) has remained at 55% with the average loan exposure being c.£600k.

The Bank's balance sheet impairment provision reduced from £22.8m to £21.1m in 2024 as result of the release of the stage 1 Commercial property valuation Post Model adjustment (PMA) and the utilisation of several large stage 3 provisions. The Bank had applied an Expected Credit Loss Post Model Adjustment (PMA) in December 2022 to reflect the risk that the significant reductions reported in commercial property prices in the final quarter of 2022 had not been fully captured within its models for the loans drawn in the first three quarters of that year. During 2024, commercial property prices have stabilised and the loans drawn in 2022 have been reviewed as part of the Bank's business as usual annual review process. These reviews have not highlighted any

valuation concerns and therefore the Bank no longer considers it necessary to include this adjustment in its Expected Credit Loss. The PMA which totalled £611k at December 2023 has therefore been released.

The IFRS 9 income statement impairment charge was £4.9m in 2024, a reduction of £2.3m compared to 2023 (£7.3m). The charge reflects net write-offs of balances totalling £2.9m, an increase in balance sheet provisions of £2.6m partially offset by a credit of £0.6m reflecting earnings on the net carrying amount of impaired stage 3 assets. The impairment charge is calculated using the Bank's granular credit grading and IFRS9 impairment models. The models include forward looking economic scenarios which together with the related weightings, provided in Note 29, are reviewed and updated on a regular basis to ensure they reflect actual performance as well as Management's future expectations.

The Bank has recorded an annual cost of risk of 42bps (2023: 67bps) with the reduction in the loan impairment charge being partially offset by the growth in total loan balances. The Bank's loan loss provision coverage ratio was 1.7% at the end of 2024, lower than the 2.1% reported in 2023 but in line with the 1.6% at the end of 2022.

Subordinated debt liability – Tier 2 Capital

The Bank has drawn £5m of its £20m Tier 2 capital facility with British Business Bank Investments ("BBI") – a subsidiary of British Business Bank ("BBB"). The loan notes have an initial coupon rate of 11.5% for the first 5 years and mature after 10 years. The Bank paid the coupon in August 2024.

Taxation

The taxation charge of £8.2m (2023: £9.6m), reflects a corporation tax rate of 25.0% (2023: 23.5%). The taxation charge includes a £141k credit (2023: £101k charge) in respect of deferred tax, and a credit of £244k in respect of the Bank's convertible loan note interest payment (2023: £516k).

Dividends and convertible loan note payments

The Bank paid a £2.5m coupon on 30 September 2024 (2023: £2.2m) in interest payments on the convertible loan notes to Cambridgeshire County Council Pension Fund, the holder of the loan notes.

The Board did not pay an ordinary share dividend in 2024. The Bank remained focused on reinvesting retained earnings to maintain a strong, well-capitalised balance sheet to support strategic growth aspirations.

Shareholders' funds

£'000	2024	2023
Share capital	44,955	44,955
Convertible loan notes	22,900	22,900
Retained earnings	172,503	147,299
Fair value through other comprehensive income reserve	(274)	(376)
Total Shareholders' Funds	**240,084**	**214,778**

Unaudited	31 December 2024		31 December 2023	
	Before transitional relief	After transitional relief	Before transitional relief	After transitional relief
Risk weighted assets (RWA) £m	980.3	980.3	835.7	841.6
Common Equity Tier 1 ratio (CET1)	21.6%	21.8%	22.5%	22.7%
Tier 1 capital ratio	24.0%	24.1%	25.2%	25.4%
Total capital ratio	24.5%	24.6%	25.8%	26.0%

The Bank has a strong, high quality capital base. All the Bank's shareholder funds qualify as Tier 1 capital, with its share capital and reserves qualifying as Common Equity Tier 1 capital.

Total shareholders' funds increased during the year from £214.8m to £240.1m, driven by growth in the Bank's retained earnings.

The Bank elected to adopt the June 2020 extension to the IFRS 9 capital transitional relief arrangement announced within the CRR Quick Fix regulations. This relief ended on 1 January 2025. IFRS 9 transitional relief in 2024 was £1m.

The Bank continues to benefit from its British Business Bank 'Enable' Guarantee facility. As at the 31 December, £60.5m of loans were included within the guarantee facility (2023: £44m). The guarantee, which for regulatory reporting purposes is treated as a synthetic securitisation, enables the Bank to risk weight the loans within the guarantee at zero percent. This benefit is partially offset by the cost of the first loss tranche which is reported as a capital deduction of £2.6m.

The Bank's capital ratios exceeded its regulatory requirements throughout the year.

The Bank's Common Equity Tier 1 capital ratio (including the impact of the transitional arrangements) at the 31 December 2024 was 21.8% (2023: 22.7%). The Bank's total capital ratio (including the impact of the transitional arrangements) at 31 December 2024 was 24.6% (2023: 26.0%). The Bank's Common Equity Tier 1 capital ratio and total capital excluding the transitional arrangements were 21.6% and 24.5% at 31 December 2024 respectively (2023: 22.5%,25.8%).

Risk Management

Approach to risk, Enterprise Risk Management Framework and accountability

The Enterprise Risk Management Framework (ERMF) articulates the Bank's approach to risk management, the risks the Bank is willing to take, and the inherent risks, in pursuit of its strategy.

The framework ensures that from the top down there is effective identification, assessment, control, management, reporting and escalation of risk, to operate within the appetite set by the Board resulting in a transparent and robust risk culture. The key principles, tools, documentation, governance structure, roles, and responsibilities for risk management, across all risk categories, are confirmed in the framework along with the methodologies used to measure and monitor the 'Risk Management Cycle'. In addition, the internal and external oversight, assurance, and approvals provided by Board, Executive, Second Line and Third Line control functions is confirmed.

A Risk and Control Self-Assessment programme and a Top and Emerging Risk reporting process exist to support monitoring and management of the Bank's risk profile.

A forward-looking risk management approach is adopted using quarterly stress testing and scenario analysis, feeding into the annual Internal Capital and Liquidity Adequacy Assessment processes (ICAAP and ILAAP) to ensure there is sufficient capital and liquidity to cover the risks to the Bank.

Governance of Risk Management

The Chief Risk Officer has operational responsibility for the management of the Bank's ERMF. The Board has responsibility for the setting and approval of the Bank's Risk Appetite and ERMF, as well as ongoing oversight, principally through the Board Risk and Compliance Committee. The Bank's corporate governance framework and Committee structure is outlined in the Corporate Governance section.

Three lines of defence model

The Bank adopts a 'three lines of defence' model to provide robust risk management, oversight and assurance with clear responsibilities established for all colleagues in relation to risk management, including Executive and Non-Executive responsibilities documented as applicable under the Senior Managers and Certification Regime. The Bank outsources its Internal Audit function to Deloitte LLP, who report directly into the Bank's Audit Committee.

Risk Appetite

The Risk Appetite articulates the type and level of risks the Board is willing to take in pursuit of its strategy and objectives. The overall objective is to protect the Bank from unacceptable levels of risk while supporting and enabling overall business strategy (including the assessment of new business opportunities). The Bank's Risk Appetite Statements (RAS) outline a mixture of qualitative and quantitative measures (Principal Risk Statements and Key Risk Indicators (KRIs). An annual review of the Bank's RAS and KRIs is facilitated and challenged by Second Line Risk, driven by the recommendations of the appropriate Executives and subject matter experts. This process includes ensuring that the key risks identified remain appropriate against the strategic plan, current business, macroeconomic, geopolitical, regulatory, and legal environment, and experience of risk throughout the preceding year. The Board reviews and approves the Bank's Risk Appetite on an annual basis.

The Bank's performance against Risk Appetite is monitored via reporting to the Executive Risk Committee. This is summarised within the Chief Risk Officer Risk Report, presented monthly to the Risk Management Committee and bi-monthly to the Board Risk Committee. The reporting shows status against each KRI and overall rating, based on parameters set within the ERMF, using a Red/Amber/Yellow/Green scale and the expert judgement of the First and Second lines. These KRIs detail the Bank's Risk Appetite and are reviewed at least annually, or in the event of a major change to strategy and/or environment within which the Bank operates.

The Bank's principal risks:

Total Risk		
Description	Total exposure to all types of risk in aggregate.	
Governance	Board Strategic Plan Board Risk & Compliance Committee	Assets & Liabilities Committee Risk Management Committee Enterprise Risk Management Framework.
Risk Appetite Statement	The Bank takes a conservative approach to risk management, having a low Risk Appetite for all risk types, apart from Credit Risk, for which the appetite is moderate, operating within strict parameters/protocols. There are certain types of risk to which the Bank has no appetite (e.g., fraud), however recognises that instances can and do occur. The Bank takes active steps to minimise the possibilities of such events arising and strives to mitigate the impact when they occur, learning from mistakes.	
Key Mitigants	Monthly assessment by the Chief Risk Officer of the Bank's overall risk profile, based on performance against appetite in all risk categories.	
Comments	The Bank monitors its overall risk profile closely via its governance structure to ensure that it remains within Risk Appetite, and that it is aligned to delivery of its strategy.	

Strategic		
Description	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 expectations of our stakeholders.	
Governance	Board Strategic Plan Board Risk & Compliance Committee	Executive Committee Risk Management Committee Enterprise Risk Management Framework
Risk Appetite Statement	The Bank maintains a low appetite for Strategic Risk and aims to deliver a satisfactory return on capital to its shareholders, generating profitable returns and building gross lending balances, whilst retaining stable asset quality and maintaining a satisfactory cost of risk. The Bank plans to achieve this within the stated Risk Appetite and regulatory guidelines and deliver high standards of customer service, demonstrated by above average new business margins and positive customer experience. The Bank aims to be an employer of choice, ensuring there is the right mix of skills and experience to grow the business. The Bank works hard to protect its brand, minimising reputational risk and play an active and responsible part in its local communities.	
Key Mitigants	Strategy debated at the Board's Strategy Day, including Second line challenge. Ongoing discussion at Risk and Compliance Committee and Board. Regular employee, broker, and customer surveys.	Ongoing review of financial performance against budget. Media monitoring/engagement. ESG Framework and activities.
Comments	The Bank has a clear strategy, which is monitored effectively.	

Environmental, Social and Governance Risk			
Description	The risk that the Bank doesn't meet its environmental, social or governance objectives, which could cause an actual or a potential material negative impact on the Bank.		
Governance	Board Executive Committee ESG Committee		
Risk Appetite Statement	**Environmental:** The Bank has a low appetite for Environmental Risk overall. The Bank aims to deliver the strategic plan set by the Board whilst internally minimising the Bank's environmental impact, and externally supporting its customers to ensure they remain compliant with the prevailing minimum energy efficiency standards set by the Government. The Bank will proactively manage the Loan Book to minimise the physical and transitional risks to the Bank from climate change.	**Social:** The Bank has a low appetite for Social Risk overall and aims to create a positive impact on the local community and to be an employer of choice for its colleagues. The Bank will demonstrate positive inclusive and diverse behaviours to create and maintain a workplace that attracts, retains and rewards talented and committed people, who feel a belonging to the firm. The Bank also engages in the local community through a mix of sponsorship and volunteering.	**Governance:** The Bank has a low appetite for Governance Risk overall and aims to deliver the strategic plan set by the Board whilst adhering to the guidelines established by the Task Force on Climate-related Financial Disclosures. The Bank will achieve this within its stated Risk Appetite and regulatory guidelines and deliver positive ESG behaviours whilst managing any potential conflicts of interest, such as the prevention of greenwashing.
Key Mitigants	The commercial property finance annual review process includes consideration to revalue property held as security every three years, and to ensure adequate insurance is in place for commercial and residential premises, subject to qualifying criteria. Assets purchased on hire purchase or finance lease are generally financed over a short term (3-5 years) & legislative changes can be promptly accommodated within Lending Protocols to address transition risk. The Bank monitors its exposure to properties that may cease to be compliant with minimum energy efficiency standards or are at a high risk of flood. The Bank has created a DE&I strategy and action plan to ensure the continued focus of the Board and Management on delivering a positive inclusive culture. We have also an employee-led Charities Group, which is responsible for engagement with the local community. The Bank's status as a certified B Corp provides a governance framework for the Bank to manage ESG impact. We are further enhancing this with our own internal ESG framework focussed on creating a series of metrics, targets and actions in alignment with the various regulatory reporting initiatives, including TCFD.		
Comments	The Bank continues to enhance its ESG strategies and uses the support of external firms.		

The Bank's principal risks (continued):

Capital Adequacy		
Description	The risk that the Bank fails to hold sufficient capital to meet its regulatory obligations, support its growth plans or to absorb shocks.	
Governance	Board Board Risk & Compliance Committee Executive Committee	Asset & Liabilities Committee ICAAP Capital Management Policy
Risk Appetite Statement	The Bank maintains a low appetite for Capital Adequacy Risk. The priority is to maintain (via retained earnings) a capital surplus above CET1 and Total Capital Requirements sufficient to deliver the growth plans as well as absorb any unexpected losses and costs without using regulatory buffers, noting the position may change in times of significant macro-economic stress.	
Key Mitigants	Maintaining a capital surplus buffer exceeding the Bank's minimum regulatory requirements. Ongoing forecasting of capital requirements reported to risk committees. Quarterly stress testing. Annual ICAAP, incorporating regular stress testing of the Bank's capital base in 'severe yet plausible' scenarios. Horizon scanning to ensure continued compliance with regulatory requirements.	
Comments	The Bank monitors and maintains a robust capital base, including a management buffer above the Bank's regulatory requirements. An initial evaluation of the potential impact of Basel 3.1 on the Bank's risk weighted assets and capital requirements has been completed.	

Liquidity & Funding		
Description	The risk of being unable to fund assets and meet obligations as they fall due, without incurring unacceptable losses.	
Governance	Board Risk & Compliance Committee Asset & Liabilities Committee Weekly Trading meeting ILAAP	Liquidity Contingency Plan Asset-Liability Management Policy Savings Protocols
Risk Appetite Statement	The Bank maintains a low Risk Appetite for Liquidity & Funding Risk and will maintain sufficient liquid assets to meet its liabilities as they fall due in a stressed scenario as well as a buffer above minimum regulatory requirements at all times, including satisfactory liquidity coverage and loan to deposit ratios. The Bank will ensure that it is not overly reliant upon any single Deposit Intermediary to raise deposits and continues to grow deposits raised directly from customers.	
Key Mitigants	Measuring, managing, and monitoring the risk over appropriate time horizons, including intra-day. Regular re-forecasting of the liquidity positions. Monitoring strict criteria over the use of High-Quality Liquid Assets. Annual ILAAP, including stress testing of the liquidity base in 'severe yet plausible' scenarios. Horizon scanning to ensure continued compliance with regulatory requirements.	
Comments	The Bank monitors and maintains its liquidity and funding requirements on a regular basis, including intra-day risk and maintains sufficient liquidity headroom to ensure that the Board's Risk Appetite and regulatory requirements are always met.	

Market		
Description	The risk that changes in market rates negatively impact the earnings or market value of the Bank's assets or liabilities.	
Governance	Board Risk & Compliance Committee Asset & Liabilities Committee	Interest Rate Risk in the Bank Book Policy Hedging Policy
Risk Appetite Statement	The Bank has no appetite for Foreign Currency Risk and a low appetite for Interest Risk and Basis Risk and aims to minimise these risks by keeping all assets, liabilities and off-balance sheet exposures in sterling and carefully managing mismatches between tenors of loans and deposits, hedging exposures where necessary within pre-determined limits.	
Key Mitigants	Scenario analysis. Use of natural balance sheet hedges arising from matched re-pricing tenors of assets and liabilities. Transaction of derivative instruments (interest rate swaps), when residual exposure positions require hedging. Monitoring of pipeline, repayment profiles and product maturities.	Modelling a variety of different yield curves/ interest rate paths to determine potential exposure positions under different rate paths. Product structure and pricing determined to deliver expected outcomes that align to the Bank's Risk Appetite.
Comments	Market Risk is limited to Interest Rate Risk in the Banking Book (IRRBB), which is monitored by the Bank's ALCO and a suite of Key Risk Indicators and tested via scenario analysis. The Bank does not have any exposure to foreign exchange (FX) risk or transact in markets such as commodities or equities which can create Market Risk. The Bank recognises the increasing probability of more changes in UK bank base rate and the growth in its fixed rate assets and liabilities. It will continue to manage the Interest Rate Risk that this can generate using natural balance sheet hedges as well as interest rate derivatives.	

The Bank's principal risks (continued):

Credit	
Description	The risk that counterparties fail to meet, in a timely manner, the commitments into which they have entered. Credit Risk represents a principal risk for Bank.
Governance	Board Risk & Compliance Committee Credit Committee Environmental, Social & Governance (ESG) Committee Credit Approvals Committee Model Risk Oversight Committee Credit Risk Management Framework Lending Protocols
Risk Appetite Statement	The Bank has a moderate appetite for Credit Risk overall, maintaining conservative parameters that reflect the prevailing external environment, including a maximum LTV and DSCR, focusing on relationship management, including annual reviews. The Bank will maintain lending distribution and product offering within parameters agreed by the Board, diversified by sector and UK region, with a minimal appetite for 'speculative' lending. These ensure that the Bank concentrates its lending on areas where there are experienced subject matter experts in both the first and second line of defence, with the necessary operational capacity, systems, and infrastructure to manage and monitor the loans through their life cycle in an effective manner. The Bank will operate within protocols, underwriting guidelines, exception limits and regulatory guidelines and manage the Early Warning Report and Watch List proactively to ensure that asset quality remains satisfactory. The Bank will not pursue growth at the expense of credit and asset quality. Although it recognises that through the full range of the economic cycle, some credit losses are inevitable, the robust underwriting standards aim to minimise them, with close monitoring of Risk Appetite via the comprehensive suite of KRIs set out below.
Key Mitigants	Compliance with detailed Risk Appetite and Lending Protocol parameters. Quarterly Stress Testing of the loan portfolio. Segregation of responsibility for the management of loans and a program of underwriting from business development and sales. Use of seasoned professionals with deep subject matter expertise, experience, and ongoing training of experienced underwriting staff. Independent Quality Assurance checks to ensure adherence to policies and procedures provided by external consultant firm. Use of the Credit Grading Models as part of the approval process, refreshed monthly, allowing the portfolio to be monitored on an ongoing basis. Conducting annual reviews on borrowers to ensure monitoring throughout the facility lifecycle as well as regular sector analysis. Close monitoring of non-performing loans, including Early Warning Report, Watch List, Forbearance, and management of arrears. Detailed provisioning requirements and procedures. New ECL model launched in H1 2024. During the year Management agreed and progressed membership of the Lending Standards Board.
Comments	Credit Risk is one of the principal risks that the Bank faces, given the nature of its business. The lending portfolio is closely monitored via a suite of detailed metrics, including concentration, breaches and exceptions, asset quality and treasury counterparty indicators, and via the use of credit grading models. Stress testing is employed to ensure that sufficient capital is maintained. The Bank continues to assess the potential impact of climate change and the environmental factors across its loan portfolio as well as undertaking appropriate stress testing. Lessons learned review undertaken on larger credit loss cases. The Bank assesses and discusses all individual customer loans in arrears at the monthly Impairment & Provisions Committee meeting chaired by the CFO. All cases that are in arrears at month-end or are on the watch list are reviewed.

Legal, Compliance & Regulatory	
Description	The risk that non-compliance with laws or regulations could give rise to fines, litigation, sanctions, reputational damage, or financial loss
Governance	Board Audit Committee Board Risk & Compliance Committee Risk Management Committee Compliance & Legal Framework Data Protection Framework Compliance Monitoring Framework
Risk Appetite Statement	The Bank maintains a low appetite for Legal, Compliance and Regulatory Risk. Whilst the Bank recognises that operational errors can occur, it maintains zero tolerance for breaches of regulations, relevant legislation, late responses to regulatory requests or gifts/hospitality policy breaches. The Bank strives to ensure that it always remains within the law and regulation. All material breaches are investigated and reported to the Risk & Compliance Committee in a timely manner, rule changes are implemented within the applicable regulatory timelines and staff operate within the Bank's documented policies and controls and, where applicable, industry guidelines.
Key Mitigants	Compliance monitoring of the Bank's activities through an approved annual plan. Undertaking detailed and regular reviews of key activities and processes via the second line oversight programme. Provision of guidance in relation to business, product, and change management requests. Ensuring appropriate registrations under the Senior Management and Certification Regime, second line oversight. Maintaining logs of internal compliance breaches, regulatory breaches & conflicts of interest. Maintaining a Whistleblowing procedure for staff to self-report. Horizon scanning to ensure continued adherence to regulatory requirements & developments involvement with relevant trade bodies and other industry professionals. Regular reviews of training content & oversight of the training & development of staff to ensure up to date knowledge base.
Comments	Ensuring compliance with all applicable regulatory requirements in a complex and fast-changing landscape is a challenge to which the Bank devotes considerable resources, and the Compliance and Data Protection Frameworks are continually under review to ensure that they meet all requirements and is in line with industry practices. Annual submission of the Data Protection Officers Report. Approval of the Annual Compliance Monitoring Plan. Annual Whistleblowing report. Supporting the Whistleblowing Champion regarding annual reporting.

The Bank's principal risks (continued):

Financial Crime		
Description	The risk that inadequate controls relating to financial crime could give rise to fines, litigation, sanctions, reputational damage, or financial loss.	
Governance	Board Risk & Compliance Committee Risk Management Committee	First Line Risk team Financial Crime Framework (Policy & Standards)
Risk Appetite Statement	The Bank maintains a low appetite for Financial Crime risk and strives to ensure that it always remains within the law and regulation. Whilst the Bank recognises that operational errors can occur, it maintains zero tolerance for breaches of compliance with applicable anti-money laundering laws, regulations and guidance, deliberate facilitation of tax evasion, bribery and facilitation payments and internal fraud. All material breaches are investigated and reported to the Board Risk & Compliance Committee in a timely manner. Financial Crime regulation changes are implemented within the applicable regulatory timelines and staff operate within the Bank's documented policies and controls and, where applicable, industry guidelines.	
Key Mitigants	Adherence to the Financial Crime Framework. Undertaking business wide risk assessments. Customer onboarding incorporating standard and enhanced due diligence activities. Function Source of Funds & Source of Wealth checks. Individual customer risk assessments which determine a customer's risk profile. Third-party due diligence. Ongoing automated transaction monitoring and screening. Receiving internal suspicious activity reports from any employee in the business.	High risk customers are approved by the MLRO and subject to annual review. Obtaining and using intelligence and national and international findings. Receiving reports of suspicious activity from any employee in the business. Evaluating any suspicions of money laundering/terrorist financing. Horizon scanning to ensure continued adherence to regulatory requirements. Regular reviews of training content and training and oversight of the development of staff to ensure up to date knowledge base. Executive Committee owned KRIs.
Comments	Ensuring compliance with all applicable regulatory requirements in a fast-changing landscape is a challenge to which the Bank devotes considerable resources. The Financial Crime Framework is continually reviewed to ensure it meets all requirements and is in line with industry practices. Annual submission of the MLRO Report to the Board. The Bank has in 2024 engaged with a new third party provider for the provision of AML/KYC data and ongoing customer monitoring.	

Operational		
Description	The risk that events arising from inadequate or failed internal processes, people, and systems, including Fraud, or from external events cause regulatory censure, reputational damage, financial loss, service disruption and/or customer detriment. Operational resilience metrics are included within Operational Risk reporting.	
Governance	Board Risk & Compliance Committee Risk Management Committee Operational Risk Policy & Standard	
Risk Appetite Statement	The Bank maintains a low appetite for Operational Risk and aims to minimise incidents and losses arising from operational risk issues by maintaining a resilient infrastructure, including robust systems, employing, and training the right people, minimising the impact of external events, and having a framework in place to ensure operational risks are captured, monitored, and mitigated, with root cause understood and lessons learned. This includes clear first line ownership of operational risks and controls, with oversight, review, challenge, and assessment by the second line. The third line Internal Audit Function provide independent assurance to the Board over operational risk management. Focus is maintained on key risks and the associated control environment, including outsourcing and third-party suppliers, operational resilience, people, cyber and technology risks, noting that the Bank has a lower appetite for risks associated with material outsourcing and critical non-outsourcing arrangements. The Bank ensures that its systems and operational capabilities are stable and resilient, with preventative measures in place to enable the Bank to meet its agreed impact tolerances, and effective business continuity and disaster recovery plans maintained to limit the impact of disruption events. A suite of KRIs enable escalation of issues to Senior Management and the Board, periodic reviews are undertaken via Risk and Control Self Assessments and Operational Risk Events are captured, recorded, reviewed, and reported on, with root cause identified, trends reviewed, and actions taken to avoid recurrence.	
Key Mitigants	Risk and Control Self Assessments and Risk Registers. Scenario Analysis. Monitoring of Operational Risk Events and 'deep dive' analysis, where appropriate. Review and challenge on projects and change management requests. Monitoring of the risk posed using critical and outsourced suppliers. Horizon scanning to ensure continued adherence to regulatory requirements and practices.	Maintaining knowledge of industry standards and changes Regular training and development of staff to ensure up to date knowledge base and embedded Risk and Control Self-Assessment process. Important business services identified, and resilience/tolerances set (see separate Operational Resilience section).
Comments	Operational Risk is a key risk for the Bank. Operational Risk related losses have historically been low. The framework has been strengthened during recent years with the introduction of an Operational Risk Policy and Standards, a Risk Management System and enhancements continually under review to ensure that the Bank's Risk Framework is in line with its regulatory requirements and practices.	

The Bank's principal risks (continued):

Conduct		
Description	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.	
Governance	Board Risk & Compliance Committee Risk Management Committee	Customer & Product Committee Conduct Risk Framework
Risk Appetite Statement	The Bank maintains a low appetite for Conduct Risk, employing a strategy that is customer-centric, transparent, and built on integrity, professionalism, and fairness, ensuring that all our employees understand and fully operate within regulatory requirements (including the FCA Conduct Rules and Consumer Duty requirements). Furthermore, the Bank's Strategic Priorities (including 'maintaining a culture of 'doing the right thing' for our customers and staff' and 'delivering clear and simple products') ensure all staff take responsibility for proactively managing Conduct Risk, maintaining customer interests as the highest priority.	
Key Mitigants	Monitoring of the Conduct Risk KPIs. Complaints monitoring and analysis. Customer surveys. Independent review of customer calls. Annual product reviews. Analysis of the 'customer journey'.	Annual report from the Chief Risk Officer on Conduct issues, feeding into the remuneration policy and practice. Linkage of all variables pay schemes to customer satisfaction measures. Embedding the Consumer Duty Regulatory requirements and enhanced reporting.
Comments	The Bank prides itself on its strong risk culture and focus on customer outcomes. A Conduct Risk Framework is in place to ensure continued compliance with all requirements in this regard, including detailed reporting to the risk committees, incorporating Consumer Duty requirements.	

Financial Models		
Description	The risk that the Bank incurs financial loss because of decisions that are principally based on the output of (internal) models, due to errors in the development, implementation, or use of such models.	
Governance	Board Audit Committee Board Risk & Compliance Committee Executive Committee Impairment & Provisions Committee Asset Liability Committee	Credit Committee Risk Management Committee Model Risk Governance Committee Model Risk Governance Framework & Policy End User Computing Framework
Risk Appetite Statement	The Bank maintains a low appetite for Model Risk and aims to maintain compliance with regulatory requirements and standards, minimising incidents and losses arising from model risk issues by maintaining and operating within an appropriate governance framework, supported by a governance policy. There is a clear definition of a model, and an inventory of all models is maintained within the Bank. The Bank adopts a proportionate risk-based approach according to the materiality of each model, with specific requirements regarding model development, independent validation, approval, implementation, monitoring, and recommended enhancement. The Bank requires that independent oversight is provided by the Second Line of defence and the monthly Model Risk Governance Committee.	
Key Mitigants	Materiality assessment for models at inception, and annually thereafter. Regular independent model validation for high/medium rated models. Regular model self-validation for low rated models. Ongoing model monitoring for key models.	End User Computing (EUCs) framework enhancements – requiring minimum standards for databases. The Bank has recently enhanced its expected credit losses and impairment modelling capabilities. Part of annual Audit plan.
Comments	The Bank's Model Risk Governance Policy articulates the principles and standards for model use at each stage of its life cycle, with control and assurance requirements commensurate with the model's materiality and level of risk.	

Operational Resilience	
Description	The risk that events arising from inadequately identified or managed Important Business Services cause regulatory censure, reputational damage, financial loss, service disruption and/or customer detriment. Operational resilience metrics are included within Operational Risk reporting.
Governance	Maintaining Operational Resilience is a key regulatory and operational requirement to ensure the Bank can prevent, respond to, recover, and learn from operational disruptions. As several key IT services are outsourced, including the Bank's core platform, satisfactory performance of its service providers is an ongoing part of ensuring continued Operational Resilience.
Risk Appetite Statement	Operational resilience and supplier risk management arrangements were significantly enhanced during 2022, including Board approval of Important Business Services (IBSs) and Impact tolerances along with workshops held to assess continuity of business services for the critical scenarios. Continual developments have been made during 2024 and are subject to Board and Executive level oversight.
Key Mitigants	The Bank completes annual testing of its Important Business Services and continues to complete the required review cycle all of which is Board approved. Testing includes the mapping, identification of vulnerabilities and stress testing. Resiliency is also tested via IT disaster recovery, crisis management planning (both desktop & simulated scenario) and business continuity. Our third party's resiliency forms part of the Bank's internal testing.
Comments	The Bank's resiliency remains strong with continued review of supplier relationship management and Line 1 and 2 oversight of critical suppliers. All actions from test activity are logged and reviewed.

Emerging Risks and Uncertainties

The Bank regularly reassesses the key risks to which it is exposed including any which are emerging, within the environment in which it operates. The Bank's emerging risks during 2024 and at the time of the preparation of this document are assessed to be:

Emerging Risk	Definition	The Bank's Response
Global Macro-economic outlook	The current geopolitical events in the world, including several international conflicts and the recent elections in the UK and US, continue to cause ongoing uncertainties. Additionally, these conflicts could lead to increased commodity and supply costs, as well as supply-chain disruption, which could cause additional economic headwinds for the UK economy, noting that UK interest rates remain high compared to recent times.	The Bank monitors a range of current and forward-looking measures covering all risk types (primarily operational, conduct, strategic, and credit). These are reviewed by Management and oversight forums on an ongoing basis, and appropriate responsive action undertaken. In mitigation to more severe scenarios, documented arrangements are in place for each of the Bank's 'Important Business Services', and for each business area, identifying key points of failure and Management's contingency arrangements.
UK Macro-economic Risk	The geopolitical events and other economic challenges, such as cost of living/inflationary pressures, continued higher interest rates and reduced levels of investment continue. There remains some risk of ongoing economic uncertainties, impacting the Bank and its customer base, resulting in the potential for the Bank being unable to achieve its business targets – both growth as well as increased Credit Risk, as borrowers see continued higher interest rates.	Macro-economic risk is considered as part of the Strategic Planning process and monitored via reporting to Board and executive level committees. The Bank continues to support its customers and develop its lending policy to ensure it remains appropriate to changing circumstances. The Bank has recently joined the Lending Standards Board.
Delivery of the 2024+ Growth Plan	The risk that pursuing the business growth targets outlined in the current Strategic Plan will bring additional operational pressures and create increased risk, either Credit Risk or Operational/Fulfilment Risk.	The Bank made significant investment in process capability during 2023 and 2024 and continues to monitor external events to ensure its credit policy remains appropriate. Regular reporting of Key Risk Indicators is provided to both Management and the Board, to ensure it remains within Risk Appetite using its Risk Management Framework. Significant resource is dedicated to operational management and oversight. Resource planning helps the Bank ensure it recruits sufficient resources/skills to manage the risk and quarterly reforecasting is undertaken.
Climate Change	Climate Change is a growing risk, and ongoing consideration needs to be given to the longer-term impacts, particularly in relation to the property loan portfolio. If left unchecked, it could lead to a medium/long term risk to the credit quality of the book because of extreme climate events such as flood risk and poor preparedness and lack of attention given to this risk by the property industry (which continues to see weaker EPC ratings), as the UK Economy works towards Net Zero by 2050. Consideration has also been given to the Asset Finance and Classic Vehicles and Sports Cars (CV&S) portfolios albeit this is currently considered less material.	Both physical and transitional risks are being factored into Risk Appetite, Key Risk Indicators, and broader lending activity. This is a topic that the Bank takes very seriously and has conducted a detailed report in response to the PRA's Climate Change Requirements and plans for firms to manage these risks. The Environmental, Social & Governance (ESG) Steering Committee, chaired by the Bank's General Counsel and supported by the Chief Risk Officer, continues to develop action plans, in addition to working with external bodies, such as UK Finance, to assess sector preparedness, planning and actions to ensure the Bank's initiatives remain appropriate and relevant, keeping a watching eye on new legislation. Regular progress reports are provided to key stakeholders, including the Board and Management plan to hold several scenario planning workshops in the next 12 months.

Emerging Risk	Definition	The Bank's Response
Cyber Threat	The nature of cyber-attacks across the industry continues to change with the use of more sophisticated unseen malware and other methods, as well as increased volumes. The Bank's operations are inherently reliant upon its technology infrastructure, and the performance of third-party technology firms to maintain cyber security defences.	The Bank's technology infrastructure is UK-based and has a very small external facing footprint. The Bank's websites are outside its perimeter, greatly reducing the inherent exposure. Furthermore, the Bank's profile, suppliers, and customer-base does not make it an obvious target for state-sponsored or other hackers. The Bank's technology perimeter has been reviewed without issue, and patching timescales are as responsive as possible. Technology arrangements have been reviewed against the NCSC guidance, and no material deficiencies or areas for improvement were identified. A Cyber Strategy and linked programme of focused work, including obtaining a NIST Level 3 status, has continued throughout 2024 which included strengthening Board, Executive and colleagues understanding and ownership of Cyber Risk and the actions they need to take. Board and Executive cyber and information security training has been provided in 2024 using external providers.
Legal, Compliance & Regulatory.	The UK has an extensive regulatory environment which applies to all UK firms, particularly the financial services sector. Changes in regulation because of the implementation of new frameworks such as Basel 3.1 and the Small Deposit Takers regime could have an impact on bank's financial ratios. The Bank's regulatory bodies frequently review market regulations to ensure that the rules are enabling all banks are meeting customer needs. These reviews are a combination of responses to both banking industry requests as well as external legal and Government intervention.	The Bank has a dedicated Compliance, Prudential Risk and Legal Function along with a dedicated horizon scanning process which monitors regulations to help inform Management of any changes. The Bank assesses the financial impacts of proposed changes in regulations and operating processes and will where appropriate update its financial statements to reflect any financial risk from proposed changes. The Bank also engages with the relevant trade bodies and other industry professionals to help ensure that it meets its legal and regulatory requirements. Where appropriate, Management will also contribute to various regulatory consultations, as part of a wider industry response to proposed regulatory changes.

The Strategic Report on pages 6 to 39 was approved, by order of the Board.

Richard Bryan
Company Secretary
27 March 2025

CORPORATE GOVERNANCE STATEMENT

CORPORATE GOVERNANCE STATEMENT

How the business is managed

Design and operation of a robust corporate governance framework is critical to meeting the needs of all the Bank's stakeholders. The Bank has a well-established corporate governance structure, and the Board supports the principles of good corporate governance as set out in the UK Corporate Governance Code. Whilst the Bank is exempt from several of the provisions due to it not being a listed entity, and its overall size in terms of employee numbers, it has reviewed the requirements and ensures that its governance processes continue to have regard to best practice. The Board believes that its existing governance processes are appropriate for the current size and structure of the Bank.

Structure of the Board and Board Committees

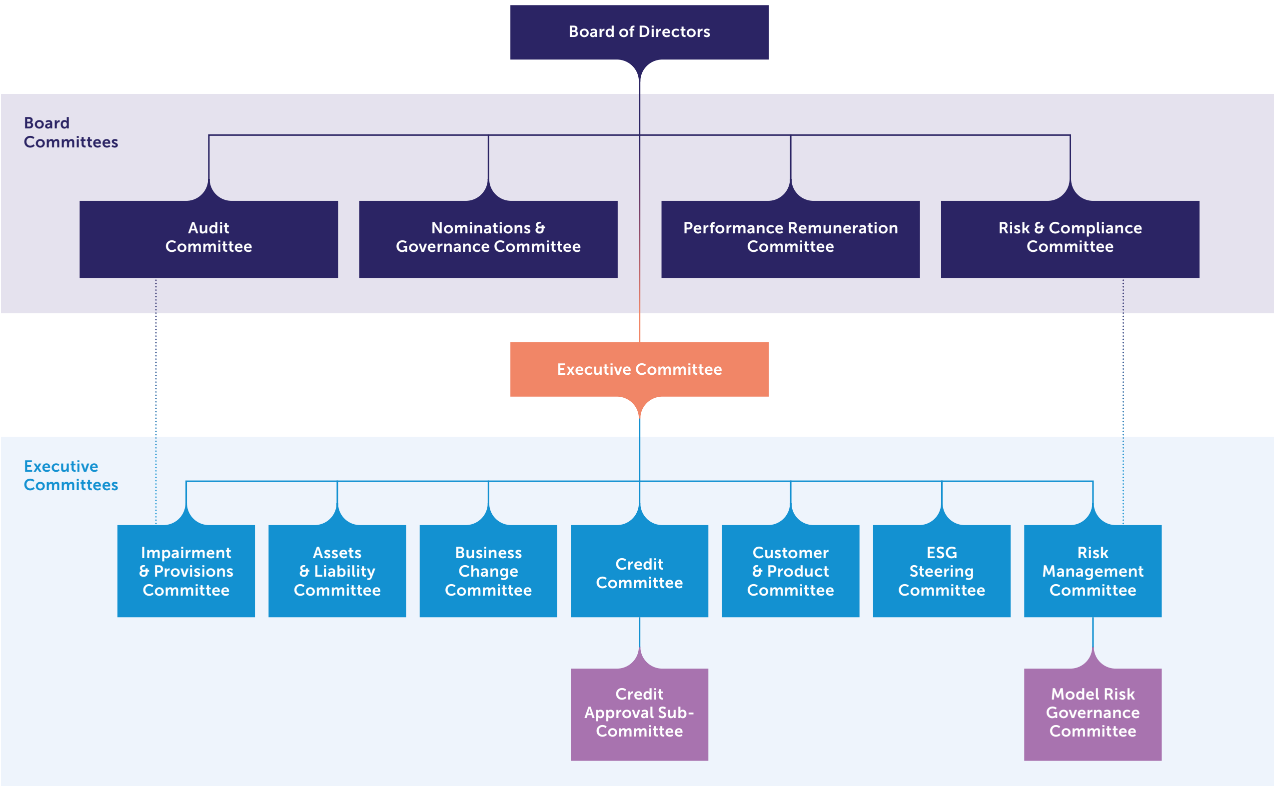
The Board has overall responsibility for the operations of the Bank and is comprised of four independent Non-Executive Directors and two Non-Executive Directors representing the interests of the owners. The Non-Executives were in 2024 complemented by the following Executive Director (ED) Board members – the Chief Executive Officer, the Chief Financial Officer, and Chief Risk Officer.

The Board has its own terms of reference and has specific committees appointed by it for the purposes of Nominations & Governance, Audit, Risk & Compliance, Performance & Remuneration, and Executive Management. Each committee has its own terms of reference.

To ensure independence, and reduce the potential for conflict of interest, the sub-committees (excluding the Executive Committee) are each comprised entirely of Non-Executive Directors (NEDs), although individual Executive Directors and others attend either as a matter of course or when requested to provide advice and guidance. A NED chairs each of the Board Committees except the Executive Committee which is chaired by the CEO.

The Bank experienced changes to its Chief Financial Officer during the year, with Andrea Hodgson resigning on 30 September 2024 after 7 years as the Bank's Chief Financial Officer and Richard Hanrahan was appointed as her successor on 26 September 2024.

The diagram below sets out the Bank's Committee structure (as at 31 December 2024):



Primary responsibilities of the Board

While the day-to-day operation of the Bank is delegated to specific individual Executives as Senior 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. Although the Board does not manage the Bank, one of its foremost duties is to recruit and retain suitable management. The Chief Executive Officer is the key position, and the Board appraises him and provides oversight and agreement to the appointment of other Executive Directors and senior managers. In conjunction with the Bank's Senior Management team, the Board is responsible for formulating priorities, goals, and strategies for the Bank. The formulation of clear objectives and policies provides a framework for the Chief Executive Officer to work within.

The Board both lays out the Bank's goals and monitors the progress against these. One of its main duties in this capacity is to limit the Bank's exposure to excessive risk of all kinds, including legal, reputational, and financial. By managing risk judiciously, the Board tries to maintain a balance between enterprise and caution. The Board also ensures that the Bank complies with all applicable statutes and regulations. This is achieved by monitoring compliance with regulatory and policy requirements via the Bank's compliance and audit functions, which inform the Board of how the Bank is being run. The audit operations are not limited to financial purposes and encompass the Bank's structure and operations. The Board is also responsible for commissioning audits, to provide independent assessment and assurance of the Bank.

The Board is responsible for monitoring conflicts of interests, both in the Bank's Executives, and on the Board itself. If a person in a position of leadership has compromised motives, the Board must step in and resolve the conflict.

Chair and Chief Executive Officer

The offices of Chair and Chief Executive Officer are distinct and held by different people. The main role of the Chair is to lead the Board and to ensure that it operates effectively. The Chief Executive's role is to put into effect the strategies agreed by the Board and the general operational management of the Bank.

The Bank has a well-established corporate governance structure.

Responsibilities and requirements of Executive Directors

The Executive Directors are responsible for the day-to-day operation of the Bank, supported by the Senior Management team. This is in part effected via policies and procedures developed with the approval of the Board (directly or indirectly through committees and sub-committees), partly through the Executive Committee, and partly by the discharge of duties as specified within individual job descriptions.

Responsibilities and requirements of Non-Executive Directors

The essential role of the Non-Executive Directors (NEDs) is to provide independent assurance to the Bank's shareholders that the business is being conducted in such a manner as to protect the interests of the Bank's depositors, and to comply with the Principles for Business of the Regulator. This responsibility is discharged via oversight of, and appropriate challenge to, the Bank's Senior Management via the structure of the Bank's sub-committees. Part of the process for selection and training of the NEDs is to ensure they are familiar with the regulatory principles and practices, and to maintain their knowledge of them.

Compliance with the UK Corporate Governance Code

The Bank seeks to comply with the UK Corporate Governance Code (Code) to the extent that it is applicable or considered appropriate for its business. The following areas are those where the Bank has considered the Code not applicable or appropriate:

- As a non-listed, privately owned entity the Bank has no requirement to re-elect Directors or hold formal general meetings. Consequently, the sections of the Code regarding re-election of Directors and general meetings have been considered not applicable;
- Whilst over half of the Board members are NEDs (six out of nine), only four of them are independent. The Board has considered this appropriate on the basis that the Bank is privately owned, and the remaining two NEDs represent the Bank's shareholders, and are independent from the Executive;

- The remuneration of the NEDs is set by the Chair and the Shareholders, and not by the Board. This is considered appropriate on the basis that the Bank is privately owned. No remuneration for the NEDs includes share options or variable elements;
- The Code introduced principles for ensuring that the Board understood the views of its stakeholders, including its workforce, suggesting one or a combination of a director appointed from the workforce, a formal workforce advisory panel, or a designated NED. Whilst the Bank recognises the need for workforce engagement, the suggestions were considered disproportionate for an organisation the size of the Bank. In 2023, we launched our new Colleague Forum with attendees from across the Bank representing their business functions and updates from our colleague groups – Charities, Green and Social. The Colleague Forum, attended by the CEO and CPO, is held on a quarterly basis. The Forum is also consulted with in advance of any material organisational change. Further, the Bank undertakes an annual staff engagement survey to understand the views of its workforce. This is a proportionate approach for the Bank in adopting the principles of the Code.

The Bank is, with oversight from the Audit Committee, considering the impact of the UK Corporate Governance Code reform with the intention of adjusting its governance proportionately for a privately owned Bank of its size.

Compliance with the Senior Managers Regime

The Prudential Regulatory Authority (PRA) defines a set of Prescribed Responsibilities and Overall Responsibilities, which must be allocated to a senior manager performing a Senior Management Function. The following tables show the composition of the Bank's Board, the Management Organisation and the PRA defined Senior Management Functions allocated across the Bank. The table below shows those individuals covered by the Senior Management Function regime and the Bank's governance structure as of 1 January 2025.

Function	Description	Role	Person
1 & 3	Chief Executive Function and Executive Director	CEO	Donald Kerr
2 & 3	Chief Finance Function and Executive Director	CFO	Richard Hanrahan
4 & 3	Chief Risk Function and Executive Director	CRO	Mike Hudson
6	Head of Key Business Area	CLO	David Monks
6	Head of Key Business Area	CCO	Sarah Barker
9	Chair of Board	Chair	Patrick Newberry
10	Chair of Risk & Compliance Committee	Independent NED	Elizabeth Lockwood
11	Chair of Audit Committee	Independent NED	Mike Peck
12	Chair of Performance Committee and Remuneration	Independent NED	Caroline Fawcett
13	Chair of Nomination and Governance Committee	Chair	Patrick Newberry
14	Senior Independent Director (SID)	Independent NED	Caroline Fawcett
16	Compliance Oversight	Head of Compliance & MLRO	Elizabeth Mullins
17	Money Laundering reporting function	Head of Compliance & MLRO	Elizabeth Mullins
18	Other overall responsibility function	CPO	Lynsey Harrell
18	Other overall responsibility function	CTO	David Holton
24	Chief Operations Function	COO	Tina Hayton-Banks

NB: Senior Management Functions 7–8, 15, 19–23 and 25–27 stipulated by the FCA and PRA do not currently apply to the Bank's operating model, or the Bank is not of a size to meet the requirement to have the function. The Bank's Internal Audit is outsourced to Deloitte LLP and therefore SMF 5 is not applicable.

Board and Committee attendance

The following table sets out individual Director's attendance at the scheduled Board, Risk & Compliance, Audit, Performance & Remuneration and Nominations & Governance Committees meetings during 2024 (attendance is shown only where a director is a member of the Committee and includes any meeting where a director is appointed or retired).

Director	Board	Risk & Compliance Committee	Audit Committee	Performance & Remuneration Committee	Nominations & Governance Committee
No. of meetings in 2024	**8**	**9**	**6**	**4**	**3**
Caroline Fawcett	6	N/M	5	4	3
Richard Hanrahan*	4	N/M	N/M	N/M	N/M
Tim Harvey-Samuel	8	8	5	4	2
Andrea Hodgson**	4	N/M	N/M	N/M	N/M
Michael Hudson	8	N/M	N/M	N/M	N/M
Michele Ibbs	8	9	6	4	2
Donald Kerr	8	N/M	N/M	N/M	N/M
Elizabeth Lockwood	8	9	6	3	N/M
Patrick Newberry	8	9	N/M	4	3
Mike Peck	8	9	6	N/M	3

* appointed on 26 September 2024
** resigned on 30 September 2024
N/M not a member of this Committee

Performance evaluation and professional development

Each year all the Directors are subject to a formal appraisal. The Chief Executive Officer carries out appraisals of the Chief Financial Officer and the Chief Risk Officer based on a range of agreed personal and business objectives. The Chair of the Board completes the Chief Executive Officer's appraisal, performance also being assessed against a range of agreed personal and business objectives.

The Chair conducts appraisals of the independent Non-Executive Directors, basing the assessment of each Director's contribution to the Board's performance using criteria such as attendance, performance at meetings, and additional training and development requirements. The Senior Independent Director conducts the annual appraisal of the Chair, soliciting input from all the Directors.

The Board conducts an annual review of its effectiveness, as do each of the Board committees.

Company Secretary and independent professional advice

Richard Bryan, the Bank's General Counsel, has served as the Company Secretary throughout the year ended 31 December 2024. This appointment has been supported during 2024 by an Assistant Company Secretary.

The Company Secretary is responsible to the Board for ensuring compliance with corporate governance requirements. The Board has access to the Company Secretary, or the Assistant Company Secretary individually and collectively during 2024. As well as the support of the Company Secretary, any Director may take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

Principal accountant fees and services

An analysis of fees for professional services provided by PricewaterhouseCoopers LLP, the Company's external auditors for the year ended 31 December 2024, are set out in Note 8 to the Bank's Financial Statements.

Internal control and governance framework

Risk management is governed within the corporate governance structure detailed on page 42, with ultimate ownership at Board level via the Board Risk & Compliance Committee. In addition, the Board Audit Committee oversees third line review of all aspects of risk management, and the Nominations & Governance and Performance & Remuneration Committees have a role in the management of conduct risk, including risk culture.

An explanation of the Bank's committees and sub-committees is set out below:

Executive Committee

The Executive Committee is chaired by the CEO and its members include all the Bank's Executive officers and General Counsel. The Executive Committee is the Bank's principal Executive Committee and collectively supports the Chief Executive in developing and implementing the Bank's strategy as agreed by the Board, monitoring the Bank's performance, and agreeing any actions that are required to manage issues that affect the Bank.

Other Executive Committee sub-committees include:

- Asset & Liability Committee
- Business Change Committee
- Credit Committee
- Credit Approvals Committee
- Customer and Product Committee
- ESG Steering Committee
- Impairment & Provisions Committee
- Risk Management Committee
- Model Governance Committee

Asset and Liability Committee

The Asset and Liability Committee is chaired by the CFO and is responsible for reviewing and managing all aspects of the Bank's exposure to financial risks, including strategic risk, capital adequacy, liquidity and funding, tax, and market risks.

Business Change Committee

The Business Change Committee is chaired by the CTO (Chief Transformation Officer) and is responsible for managing effective delivery of the Bank's change agenda, assessing all new business investment cases and change request and ensuring benefits realisation.

Credit Committee

The Credit Committee is chaired by the CLO (Chief Lending Officer) and is responsible for reviewing and managing all aspects of the Bank's exposure to Credit Risk.

The Credit Approval Sub-Committee reports to the Credit Committee and is responsible for the review, challenge, and approval of loan terms (at origination and subsequent amendment), including pricing, within limits delegated by the Board Risk & Compliance Committee.

Customer & Product Committee

The Customer & Product Committee is chaired by the Chief Commercial Officer and is responsible for overseeing customer outcomes and the suite of products offered, including the design, performance, conduct risk and customer suitability of our products.

ESG Steering Committee

The ESG Steering Committee is chaired by the General Counsel and is responsible for leading the Bank's response to the risks, challenges and opportunities presented by environmental, social and governance factors.

Impairment & Provisions Committee

The Impairment & Provision Committee is chaired by the CFO and is responsible for monitoring current and potential non-performing lending on an ongoing basis for the purposes of identifying and agreeing provisions for under recovery across the Bank's loan portfolios.

Risk Management Committees

The Risk Management Committee is chaired by the CRO and is responsible for reviewing and managing all aspects of the Bank's exposure to non-financial risks, including legal, compliance and regulatory, financial crime, operational, conduct and operational resilience risks.

The Model Risk Governance Committee is a sub-committee reporting to the Risk Management Committee. It is chaired by the CRO and is responsible for the management and oversight of financial models used within the Bank.

Board activity

The Board leads the setting of the Bank's strategy and oversees the implementation of that strategy by the Executive. At each Board meeting, the Board receives a performance report and a report from the Chief Officers.

A key area of focus for the Board has been business performance particularly given the impact of the continuously changing base rate environment upon customers. The Board has, during the year, received regular updates from the Bank's Chief Commercial Officer upon activity, products and propositions.

Our capital base remained robust and resilient. The Board conducted comprehensive reviews of the Bank's ICAAP and ILAAP, analysis of the impact of Basel 3.1 and the Small Domestic Deposit Taker regime and worked to ensure the full Board understood and were able to oversee our Risk Management Framework.

The Board continues to develop and refine our ESG strategy, which reflects our commitment to sustainability and social responsibility. Having completed our first year as an accredited B Corp, we published our Impact Report that set out how we had made a positive impact upon the world around us. The Board continued its practice of receiving regular updates on ESG, championing the desire to be a growing, successful Bank supporting SMEs as well as a force for good.

The Bank has delivered a strong financial performance in 2024 despite the economic environment.

Underpinning the purpose of the Bank, is our culture, which the Board has continued to oversee and develop. During 2024 we have placed a greater emphasis on our people and culture driven by refined colleague engagement surveys. This has enabled us to continue to enhance how culture is embedded in the business and how it promotes a diverse and inclusive workplace.

We also kept abreast of the regulatory changes that affected our business and our stakeholders and ensured our compliance and readiness for them. One of the recent key regulatory changes was the introduction of the Consumer Duty by the FCA, which set higher and clearer standards of consumer protection across financial services, and required firms to put their customers' needs first. The Board welcomed this new duty and received its first report in 2024, highlighting how it has been embedded within the business together with recommendations for further enhancements.

Finally, the Board approved pursuing further transformation projects to optimise our models and product propositions. These projects aim to improve our regulatory reporting and IT infrastructure, enhancing our capacity for scale and automation and readying the Bank for its next stage of growth.

Nominations & Governance Committee report

Membership and operation of the Committee

Since September 2022, the Nominations & Governance Committee has been chaired by Patrick Newberry. In addition to Patrick (Chair of Board), the Committee members in 2024 included Tim Harvey-Samuel (Shareholder Representative), Michele Ibbs (Shareholder Representative), Mike Peck (Chair of Audit Committee), and Caroline Fawcett (SID and Chair of Performance and Remuneration Committee). Elizabeth Lockwood as Chair of Risk & Compliance Committee attends occasionally, in line with the responsibilities of her role. The Chief Executive Officer, Chief People Officer and General Counsel (Committee Secretary) also attend committee meetings.

The Committee is responsible for making recommendations for appointments to the Board, including Board Committee membership and chair, monitoring the governance arrangements of the Bank, including recommending changes to ensure consistency with best practice and corporate governance standards. This Committee is also responsible for overseeing that Directors fulfil their responsibilities under the Senior Management Regime. The Senior Independent Director also conducts a similar appraisal of the Chair's performance.

Appointment of directors and succession planning

The principal activity of the Committee has been the continued succession and evolution of the Board. It leads the process for Board appointments and renewals, in line with the Board succession plan. There were no changes in Non-Executive Directors in 2024.

Executive succession planning

The Committee also considered the Executive succession plan, which covered Executive Committee members, heads of department and key specialist roles within the Bank. It overseas the Executive succession plan, taking account of the skills and expertise that will be needed in the future to achieve the Bank's strategic goals and business plan. Following Andrea Hodgson's – Chief Financial Officer's – intention to retire in September 2024, the Committee supported the plan to replace the position. In August 2024, Richard Hanrahan was appointed to the role of CFO. In addition, in the latter part of 2024 Mike Hudson confirmed his intention to retire in April 2025, again, the Committee supported the plan and process to replace the position. Our new CRO James Royle commences with the Bank at the end of March 2025.

Diversity, Equity and Inclusion

The Bank is committed to ensuring it is truly representative of all sections of society and our customers, and for all colleagues to feel respected and able to give their best. The Bank opposes and avoids all forms of discrimination and is actively working to get wider diversity within both the Bank and Financial Services as a whole.

The Board promotes the Bank's signatory to the Women in Finance Charter; we are proud to have achieved our target of 30% of Board positions being held by women and 40% representation on our senior leadership team in 2024. The Bank continues to progress its Diversity and Inclusion plan, as demonstrated through its commitment to increasing diversity within its apprenticeship and graduate training programmes as well as management development programmes.

Audit Committee report

Membership and operation of the Committee

The Audit Committee has continued to be chaired by Mike Peck in 2024. Caroline Fawcett (Chair of Performance & Remuneration Committee), Tim Harvey-Samuel (Shareholder Representative), Michele Ibbs (Shareholder Representative), and Elizabeth Lockwood (Chair of Risk & Compliance Committee) all continued to serve as members of the Committee in 2024. Further details on the Committee members' experience are set out in the Non-Executive Director biographies. Committee meetings are also attended by members of the Executive Committee including the Chief Executive Officer, the Chief Financial Officer, and the Chief Risk Officer. The Bank's outsourced internal audit provider, Deloitte, and external auditors, PwC, attend each meeting of the Committee which typically includes a private session with the NEDs without the presence of the Executives. The Company Secretary, or an appropriate delegate, acts as the secretary to the Committee.

Audit Committee responsibilities and activity in 2024

The Audit Committee met five times during 2024. The Committee's principal responsibility is to assist the Board in carrying out its responsibilities relating to accounting policies, financial governance & control framework, and financial reporting functions.

The Committee reviews the effectiveness of the Bank's internal controls, approves the internal audit programme, and examines internal and external audit reports. Members receive and consider the recommendations of the internal and external audit function and ensures via Management, that recommendations are implemented where necessary. Annually, the Committee receives a conclusion as to the adequacy of the governance, risk, and control framework from the Bank's Second Line and from Deloitte in their role as outsourced internal auditors. The Committee completed its annual review of the Bank's annual Whistleblowing Report.

The Committee ensures the Financial Statements give a fair, balanced and understandable assessment of the Bank's performance. To achieve this, it reviews and challenges the Bank's annual financial information and in particular the significant financial reporting estimates and judgements. During 2024, the following matters have been considered:

The consistency and appropriateness of the Bank's significant accounting policies. There have been no material changes in 2024.

Viability and going concern assessments in uncertain macroeconomic circumstances. The Committee has considered Management's approach to, and the conclusions of, the assessment of the Bank's ability to remain a going concern, taking into account the Bank's capital and liquidity position. The Committee considered and, after taking the Bank's strategy and external market developments into account, supported Management's conclusion that it remained appropriate to adopt the going concern basis in preparing the Financial Statements. The Committee also considered Management's approach to, and the conclusions of, the assessment of the Bank's viability. After consideration, the Committee recommended the Board approve the approach adopted by Management as described on page 56.

A review of the Annual Report to ensure it is fair, balanced, and understandable. The Committee considered Management's approach to, and governance arrangements over, the preparation of this Annual Report and recommended to the Board that, taken as a whole, it was considered to be fair, balanced and understandable. The approach and results of the assessment are set out in the Directors' report on page 55.

Whether the Bank has made appropriate accounting estimates and judgements. The Committee has assessed the basis for, and appropriateness of, estimates and judgements proposed by Management in the Financial Statements related to going concern, effective interest rate, IFRS 9, fair value and leased, intangible and tangible assets. After challenge, the Committee supported Management's proposals. During 2024, the Committee reviewed regular reports from Management assessing the adequacy of the allowance for credit impaired losses. The reports assessed the adequacy of historic provisions against subsequent recoveries, the planned recovery strategies for individual bad debt cases, reviewed Management's governance arrangements over the adequacy of provisions as well as updates to individual model assumptions based on actual performance data. The Committee also reviewed the governance over impairment models and the need for any post model adjustments. The Committee also reviewed and challenged the Bank's effective interest rate assumptions and model outputs considering the Bank's approach to early repayment charges, the growth in its fixed rate lending as well reviewing historic performance against future forecasts.

Regular updates and assurance on the development of the Bank's hedging policies and processes reflecting the increased use of interest rate derivatives to manage Interest Rate Risk.

The adequacy and appropriateness of the Bank's provision in respect of the future outcome of a regulatory review.

Assurance from Management in respect of the Bank's compliance with its regulatory reporting requirements. The Committee has also considered the processes and policies required to ensure it remains aligned with future market-wide corporate governance reforms.

The internal and external audit strategies are reviewed by the Committee which also approves the auditors fees. The internal and external auditor's provided confirmation that they continued to meet their independence requirements. The Committee appraises the performance of the Internal Audit Function outsourced to Deloitte LLP as well as reviewing the effectiveness of the external audit process.

The internal audit plan was reviewed and challenged, ensuring its focus addressed key risks and developments whilst ensuring that the Bank and Deloitte had the appropriate resources to deliver the proposed activity.

The Committee approved the engagement of PwC to verify the Bank's 2024 interim earnings and provide an opinion on the country-by-country reporting. Approval is required for these non-audit services to ensure that PwC's audit independence is maintained.

Performance & Remuneration Committee report

Membership and operation of the Committee

The Performance & Remuneration Committee is chaired by Caroline Fawcett (Senior Independent Non-Executive Director) and its members in 2024 included Patrick Newberry (Chair of Board), Tim Harvey-Samuel (Shareholder Representative), Michele Ibbs (Shareholder Representative) and Elizabeth Lockwood (Chair of Risk Committee). The Chair of the Audit Committee attends meetings of the Performance & Remuneration Committee from time to time to ensure alignment between the work of the Performance & Remuneration Committee and the Audit Committee. Performance & Remuneration Committee meetings are also attended by the Chief Executive Officer, the Chief People Officer, and the Company Secretary. The Chief Risk Officer attends annually to present his views on the Executives' management of risk and performance against the Senior Management Regime requirements and company framework. No members or attendees participate in the discussion of issues directly affecting their own remuneration. The Committee invites specialist external advisors to attend at least annually to support their work and educate on best practice.

Committee responsibilities and activity in 2024

The Performance & Remuneration Committee met five times during 2024. The Committee is responsible for reviewing and approving the remuneration and performance arrangements at the Bank, including reviewing the Bank's remuneration policy to ensure that it remains up to date and consistent with the relevant requirements of the Financial Conduct Authority (FCA) remuneration code (SYSC 19D) and the Prudential Regulation Authority (PRA) rulebook, as well as supporting the business strategy and values of the Bank. In doing this, it oversees the performance and remuneration of the Chair and members of the Executive. Remuneration of NEDs

is the responsibility of the Shareholders in consultation with the Chair of Board.

The Performance & Remuneration Committee:

- exercises independent judgment on remuneration policies, practices, and recommendations of the Executive;
- ensures compliance with this policy, regulations, and statutory duties;
- advises on remuneration policies and practices generally;
- provides specific recommendations on remuneration packages and other terms of employment for Executive Directors; and
- considers the implications of remuneration policy and practices on the management of risk, capital, and liquidity.

The Performance & Remuneration Committee engages Deloitte LLP (Deloitte) to provide independent advice on remuneration matters. Deloitte is a member of the Remuneration Consultants Group and, as such, voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. Deloitte has provided independent advice on matters under consideration by the Performance & Remuneration Committee including compliance with regulations, advice on market trends and data, remuneration policy and implementation of remuneration arrangements, including support in remuneration arrangements for departing Executives. The Performance & Remuneration Committee is satisfied that the advice it has received has been objective and independent.

In addition, Management received external advice, including market data and legal counsel, from several other providers which is not considered to be material in assisting the Performance & Remuneration Committee to consider Directors' remuneration.

A summary of the Bank's remuneration policy and remuneration policy for Directors is included on pages 59 to 62.

Reward outcomes in 2024

The Performance & Remuneration Committee has reviewed the business performance in 2024 and considered risk events in conjunction with the Board Risk & Compliance Committee, the affordability of paying variable pay, and the associated risk of low variable pay. After assessment of performance, the Committee has agreed to a payout of £2.6m (2023 £2.8m).

Highest paid Director – 2024 remuneration disclosure

The total remuneration paid to the Bank's highest paid Director for qualifying services as a director in the period from 1 January to 31 December 2024 is included in Note 11 to the Financial Statements.

Risk & Compliance Committee report

Membership and operation of the Committee

The Risk & Compliance Committee is chaired by Elizabeth Lockwood. Its members include the Chair, Patrick Newberry, Michele Ibbs (Shareholder Representative), Tim Harvey-Samuel (Shareholder Representative), and the Chair of the Audit Committee, Mike Peck. Committee meetings are attended by members of the Executive including the Chief Executive Officer, the Chief Risk Officer, the Chief Financial Officer and with other members of the Executive attending as required. The Company Secretary, or an appropriate delegate, acts as the secretary to the Committee.

The committee oversees and monitors risk management within the firm, across all the risk categories (including compliance related risk), as well as reviewing and recommending the Bank's Risk Appetite to the full Board. This includes receiving reports from Management detailing performance, including the Key Risk Indicators and their outcomes, along with relevant Internal Audit reports from Deloitte, providers of the Bank's outsourced Internal Audit Function. In addition, the Committee provide review and approval

of Risk Frameworks and Policies including Enterprise Risk, Credit Risk, Interest Rate Risk, Regulatory, Conduct and Operational Resilience as well as Model Governance. The Committee provides oversight on risk strategy and risk exposures, stress and scenario testing, identification and management of principal/emerging risks to the Bank, as well as challenging ongoing risk management and oversighting the ability of Second Line, in terms of capacity and capability, to support a robust risk culture.

Risk & Compliance Committee responsibilities and activity in 2024

During 2024 the Committee continued to receive this regular management information, including receiving the Chief Risk Officer's reports, reviewing and approving the Bank's Risk Appetite including statements and risk indicators, its Internal Liquidity Adequacy Assessment Process, and Internal Capital Adequacy Assessment Process, Recovery and Resolution Plans, along with reviewing the credit protocols, lending policies and approving the Bank's Liquidity Funding Plan. Additionally, part of the work for the year has also been in improving the Bank's approach to cyber and technology risk, as well as providing oversight and challenge in areas like Interest Rate Risk, model management and climate change.

More specifically, the Committee monitored the Bank's Liquidity & Funding Risk, considering recent industry developments, as well as providing additional oversight and challenge regarding Credit Risk, given the more uncertain economic conditions.

Part of the work for the year has also been in improving the Bank's approach to Cyber Risk. As part of the review and challenge of the Chief Risk Officer's report, the Committee assessed and challenged the potential impacts of the uncertain economic environment, various conflicts around the world as well as other economic headwinds, part of its ongoing consideration of Top and Emerging Risks.

The Committee is also responsible for oversight of the Bank's compliance monitoring and financial crime programmes and completed its annual review of the Bank's annual MLRO Reports.

The Bank's Important Business Services are also overseen by the Risk & Compliance Committee and the work during the year has included reviewing its approach to identifying important business services, setting the appropriate impact tolerances, and concluding its self-assessment. Additionally, the Committee provides oversight and challenge in other key areas like Technology/Cyber Risk, Interest Rate Risk and climate change.

The Committee met nine times in 2024 including two dedicated workshops which focused on the ICAAP/ILAAP and the Bank's 3 Year Strategic Plan.

Finally, the Committee considered the role of Second Line in regulatory reporting and the output of initial work in this regard.

Directors' report

Introduction

The Directors of Cambridge & Counties Bank Limited present their report and audited Financial Statements for the year ended 31 December 2024, in accordance with Section 415 of the Companies Act 2006.

The following information is incorporated into this Directors' Report:

- The information in the Section 172 statement on page 13 on employee engagement and relationships with customers, suppliers, and others;
- The internal control and financial risk management systems described in 'How the business is managed' section of the Corporate Governance Statement on page 42; and
- The diversity and inclusion section of the Nominations & Governance Committee report on page 49.

Results and dividends

The Statement of Comprehensive Income and Statement of Financial Position for the Bank can be found on pages 80 and 81. The Directors do not propose to pay a dividend in respect of ordinary shares for the year ended 31 December 2024 (2023: Nil).

Directors

The Directors of the Company who were in office during the year, or from the date of their appointment, and up to the date of signing the Financial Statements were:

Director	Board
Patrick Newberry	Chair & Independent Non-Executive Director
Caroline Fawcett	Senior Independent Non-Executive Director
Mike Peck	Independent Non-Executive Director
Elizabeth Lockwood	Independent Non-Executive Director
Tim Harvey-Samuel	Non-Executive Director
Michele Ibbs	Non-Executive Director
Donald Kerr	Chief Executive Officer
Richard Hanrahan[1]	Chief Financial Officer
Andrea Hodgson[2]	Chief Financial Officer
Mike Hudson	Chief Risk Officer

1 – Appointed on 26 September 2024
2 – Resigned on 30 September 2024

The biographies of the Bank's Directors are set out on page 63.

Power of Directors

The Directors are responsible for managing the business of the Bank and may exercise all the powers of the Bank so long as the Articles or applicable legislation do not stipulate that any such powers must be exercised by the shareholders.

Directors' indemnities

Each Director has the benefit of a deed of indemnity which constitutes a 'qualifying third party indemnity provision'. This indemnification for Directors provided by the Bank has been arranged in accordance with the Articles and the Companies Act 2006. The indemnities remain in force at the date of signing these Financial Statements and are available for inspection at the Company's registered office.

Directors' emoluments waiver

We confirm that during the financial year ended 31 December 2024, there were no waivers of emoluments by any of the Directors of the Company.

Governance arrangements

The Board has chosen to voluntarily adopt the principles of the UK Corporate Governance Code (Code) to the extent that they are applicable or considered appropriate for the Bank. Details of the aspects of the Code not applicable or considered appropriate for the Bank, together with the areas where the Bank has deviated from the recommendations of the Code and the rationale for this, are set out within 'How the business is managed' in the Bank's Corporate Governance Statement on pages 42 to 48.

Share capital

Details of the Bank's shareholders and share capital at 31 December 2024 are provided in Notes 27 and 34 to the Financial Statements.

Future developments

The future developments of the Bank are set out in the Chief Executive Officer's statement on pages 10 to 12.

Political donations and expenditure

No amounts were given for political purposes during the year (2023: Nil)

Financial risk management and hedging policies

Details of the use of financial instruments, together with risk management disclosures can be found in the Managing Financial Risk section of the Financial Statements in Note 21 and the Risk Management section in the Strategic Report on pages 27 to 39.

Post balance sheet events

There have been no significant quantifiable events between 31 December 2024 and the date of approval of the Financial Statements which would require a change to, or additional disclosure, in the Financial Statements. Management and the Board continue to monitor the economic outlook across the UK and globally on a regular basis. As part of this monitoring the Bank aims to identify and address the likelihood of any financial impacts materialising.

Research and development activities

The Bank develops new products and services during the ordinary course of its business.

Overseas branches

The Bank does not have any branches outside of the United Kingdom.

Corporate headquarters and registered office

The corporate headquarters and registered offices address for Cambridge & Counties Bank Limited is Charnwood Court, 5B New Walk, Leicester, LE1 6TE.

Environmental information

The Bank is committed to being a responsible user of resources and continues to consider ways it can reduce its environmental impact.

The Bank's environmental and emissions information is reported on pages 16 to 18.

Going concern

The Directors recognise their responsibility to assess the Bank's ability to continue as a going concern, for a period of at least 12 months from the date the Financial Statements are approved. The Directors' assessment of going concern is integrated with the assessment of the viability of the Bank. The Directors, having considered the matters noted in Note 4, are satisfied that adequate funding, liquidity, and capital resources will be in place to allow the Financial Statements to continue to be prepared on a going concern basis, and are not aware of any material uncertainties that may cast doubt upon the Bank's ability to continue as a going concern.

Viability statement

As more fully explained in the Corporate Governance Statement on page 42, the Bank has committed to voluntarily adopt the principles of the Code, to the extent that they are applicable or considered appropriate for the Bank, which includes provisions that require the Directors to confirm that the Bank will be able to continue in operation, and to meet its financial liabilities as they fall due over a specified period taking account of the current position, and principal risks of the Bank.

The Directors have assessed the Bank's viability to December 2026. Key capital and leverage ratios have been forecast, and regulatory and internal stress testing of the Bank's profit, capital and funding forecasts has been completed. In doing so, the Directors considered the increasing uncertainty of forecasts in the outer years of the planning period from developments in the economic environment, competition, and regulatory developments. The Directors confirm that they have carried out a robust assessment of the emerging and principal risks facing the Bank, the procedures in place to identify emerging risks, and how such risks are managed or mitigated, and, cognisant of the capital and funding resources, they have a reasonable expectation that the Bank will be able to continue in operation and meet its liabilities as they fall due in the period to December 2026.

In making this assessment, the Directors has considered a wide range of information. Central to this assessment is the detailed 2024 business plan within the Bank's 3 Year Strategic Plan. The Board have continued to conduct several internal capital adequacy and liquidity adequacy stress tests on the operating model, most particularly those effecting the Bank's property lending concentrations to provide insights into the Bank's financial stability. The stress testing analysis helps Management understand the nature and extent of vulnerabilities to which the Bank is exposed. As a result, the Directors remain confident that the Bank holds sufficient capital to withstand severe contractions in both the number of transactions in the market, and a significant fall in capital values across both residential and commercial property, as well as the capacity to absorb a material increase in impairment provision.

In addition, the Directors have assessed the key strategic risks that could threaten the Bank's prospects and business model more broadly. 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 that it has the skills and capabilities to support the business through 2024 and beyond.

Statement of Directors' responsibilities in respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Financial Statements for each financial year. Under that law they have elected to prepare the Financial Statements in accordance with UK-adopted international accounting standards and applicable law.

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

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

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

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

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

Fair, balanced, and understandable

The Board has ultimate responsibility for reviewing and approving the Annual Report. In voluntarily adopting the principles of the Code that are considered appropriate for the Bank, the Directors confirm that they consider that the Annual Report, taken as a whole, is fair, balanced, and understandable and provides the information necessary for the shareholders to assess the Company's position, performance, business model and strategy. When arriving at this conclusion the Board was assisted by several processes including:

The Annual Report is drafted and comprehensively reviewed by appropriate Senior Management with overall coordination by the CFO.

A verification process is undertaken to ensure factual accuracy, with additional review of compliance with content and disclosure requirements by the Bank's General Counsel; and

The Annual Report is reviewed by the Bank's Senior Management including the CFO, CRO, the Bank's Executive Committee and the Audit Committee prior to approval by the Board.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed, and PricewaterhouseCoopers LLP will therefore continue in office.

R. Bryan

Richard Bryan
Company Secretary
27 March 2025

Remuneration policy

Purpose & Objective

The Board is committed to ensuring that the Bank has risk-focused remuneration policies, which are consistent with and promote effective risk management and do not expose the Bank to excessive risk. The Remuneration Policy clearly documents the policies, practices and procedures linked to salary, compensation and reward of employees and is reviewed the Committee.

The Bank's policy is to:

1. Attract, develop, and retain high performing people with the ability, experience, and skill to deliver the business strategy and objectives.
2. Offer competitive and market aligned remuneration packages in which fixed salaries are the significant component.
3. Encourage and incentivise employees to create sustainable results, which are consistent with strategic goals and appropriate risk management, and align the interests of the Bank's shareholders, customers, employees, and other key stakeholders; and
4. Drive behaviour consistent with the Bank's values so that employees do what is right for the customer, for colleagues, the Bank, and other stakeholders.

The remuneration policy and structure are consistent with the Bank's long-term strategy including the overall business strategy, the risk strategy, and the Risk Appetite across all types of risk such as credit, market, operational, capital and liquidity, reputational and other risks identified by the Bank.

Remuneration Components

Remuneration at the Bank consists of two elements: fixed and variable payments.

a) Fixed Remuneration

The fixed element of remuneration is determined by the job performed, its level of complexity and responsibility, the level of expertise and experiences required, and the remuneration paid in the market for that type of job. It is assessed on appointment and is reviewed annually. Ad hoc reviews of salary may occur if there is a major change in responsibilities or benchmarking shows salary is significantly lower than market rate. In all cases, any ad hoc review must be supported with a business case.

Non-Executive Directors receive a fixed fee for their services, which is made up of a basic fee and an additional amount for chairing committees. They are not entitled to any elements of variable pay, or other employee benefits such as pension provision, except for private medical insurance. Their fees are reviewed regularly in line with market benchmarking.

b) Variable Remuneration

The Bank has a maximum fixed to variable remuneration ratio of 1:1. There are three schemes that make up variable remuneration:

i. *Annual Profit Share & Performance Bonus schemes:* The profit share/performance bonus structure is for all employees up to and including Executive Directors and comprises of three schemes:

- Profit Share;
- Sales' Bonus; and
- Senior Leadership Plan.

The purpose of these schemes is to motivate and reward high performers who significantly contribute to sustainable results and perform according to set personal objectives and behavioural expectations. The Senior Leadership Plan contains a four-year deferred payment clause.

ii. *Additional Bonus Schemes:* As part of the Bank's attract and retain strategy, Performance & Remuneration Committee occasionally grant one-off bonus schemes. These are always linked to achievement of business plans and are discretionary based on achievement of pre-agreed objectives and criteria.

Malus and Clawback Provisions

The Board has the discretion to reduce and/or cancel variable remuneration in appropriate circumstances. Appropriate circumstance could include but are not limited to:

- a material misstatement of the financial results;
- error in the assessment of any performance metric or condition;
- the fact that any information used to determine the quantum of a variable remuneration amount based on error, or inaccurate or misleading information;
- action or conduct of an individual which amounts to serious misconduct or gross negligence; and/or
- events or behaviours which led to the censure of the Bank or reputational damage to the Bank.

Executive Director Remuneration

The table below summarises the Executive Directors' remuneration policy for 2025:

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
Salary	• The Performance & Remuneration Committee is committed to adhering to the Financial Services Remuneration Code, thus ensuring that the Bank has risk-focused remuneration policies • Reflects skills and experience over time • Reflects the value of the individual and their role • Provides an appropriate level of basic fixed income • Avoids excessive risk taking from over reliance on variable income	• Reviewed annually • Takes periodic account of practices of financial institutions of similar size, characteristics, and sector comparators	• There is no prescribed maximum annual increase. • The Performance & Remuneration Committee is guided by the general increase for the broader employee population and on occasions may need to recognise, for example, an increase in the scale, scope, or responsibility of a role.	• An element of performance-related pay applies
Benefits	• To aid retention and recruitment	• Company car allowance, provision of private medical insurance, life assurance and permanent health insurance	Not applicable	Not applicable
Pension	• Provides retirement benefits • Opportunity for Executives to contribute to their own retirement plan	• Defined contribution	• Bank contribute 10% of salary provided Executives contribute a min 3% of salary. • Executives may request a salary sacrifice for the equivalent of their personal pension contribution. This arrangement is also available for other staff. • For EDs who have exceeded their lifetime allowance and/or tapered allowance, there is the option of taking a 10% pension allowance in cash (taxable allowance).	Not applicable
Bonus	• Incentivises annual delivery of financial and strategic goals • Maximum bonus only payable for achieving business and personal target	• Paid in cash • Not pensionable • Recovery provisions apply in line with the Bank's Remuneration Policy	• 50% of salary	• A combination of 50% company and 50% individual performance measures with a deferred element for the amounts exceeding 20% of salary paid over 3 years

The choice of the performance metrics applicable to the annual bonus scheme reflects the Board's belief that any incentive compensation should be appropriately challenging and tied to the delivery of the defined financial and risk management objectives, along with specific individual objectives. An element of deferral applies to the Executive Directors' bonus scheme.

Benefits offered to Executive Directors apply from the commencement of employment.

Remuneration policy for Non-Executive Directors

All Non-Executive Directors are appointed for an initial term of 36 months and may be terminated by either party upon 3 months' written notice. Non-Executive fees are set in line with the policy in the table below. Non-Executive Directors are not eligible to participate in any of the benefits provided to employees or Executive Directors except for private medical insurance.

Element of Remuneration	Purpose and Link to Strategy	Operation	Maximum	Performance Targets
Fees	• Reflects time commitments and responsibilities of each role • Reflects fees paid by financial institutions of similar size, characteristics, and sector comparators	• Cash fee paid • Reviewed on an annual basis • NED fees are considered and approved by the Shareholders and Chair • Chair fees are approved by Performance & Remuneration Committee	• There is no prescribed maximum annual increase. All increases are guided by market rates and the general increase for the Executive Director population • NEDs who chair Board Committees receive an additional responsibility allowance of £6k • The Senior Independent Director receives an additional responsibility allowance of £6k	• Non-Executive Directors do not participate in variable pay elements

Leadership team biographies

Chair and Executive Directors

Patrick Newberry

Chair

Patrick joined Cambridge & Counties Bank as Non-Executive Director in June 2021, taking responsibility as Chair of Audit from September. He was appointed Chairman of the Bank in October 2022.

Patrick's executive career spans over 30 years with PwC, where his primary focus was on strategy, performance improvement as well as all things regulatory within the financial services and insurance sectors. During this time, he was the lead in major transformational programmes and worked with large financial institutions to set strategy and transform performance.

Over the last 10 years, Patrick has spent his time as a Non-Executive Director and Freelance Consultant for a number of financial and non-financial services organisations. He is currently on the Board as Chair of the Audit and Risk Committee at Brunel Pensions Partnership, is a Commissioner of Historic England and Chair of its Audit and Risk Committee. He is also Chair of the Cornwall College Group.

Donald Kerr

Chief Executive Officer

Donald is a career banker having joined Bank of Scotland after graduating from university. He has held leadership roles at Lloyds Banking Group, Virgin Money, and The Co-operative Bank. Experience gained in corporate and transactional banking led Donald to specialise in SME banking with customers that he believes are the backbone of the UK economy. Managing Director positions in distribution, operations, risk management and strategy culminated in his appointment as Chief Executive Officer for Cambridge & Counties Bank in November 2020.

Leadership team biographies

Chair and Executive Directors

Richard Hanrahan

Chief Financial Officer

Richard was appointed as Chief Financial Officer of Cambridge & Counties Bank in August 2024. He joined from Qatar National Bank where he held the SMF2 designate as UK CFO. Prior to this, Richard spent 14 years at Lloyds Banking Group where his final role was as Managing Director, Strategy for the Corporate and Institutional business. His career to date has been in a variety of roles and disciplines across banking with time spent in Finance, Treasury, Debt Sales, Consumer Finance, Commercial Banking and Strategy. Richard is also a Non-Executive Director at Watford Community Housing and a member of both the Audit and Compliance Committee and Treasury Working Group, positions he has held since 2023. Richard is a chartered accountant as well as a chartered banker, he holds the CFA designate and has completed the Capital Markets Programme from the Chartered Institute for Securities and Investment.

Mike Hudson

Chief Risk Officer

Mike joined Cambridge & Counties Bank in January 2020, before having served as CRO at another firm for the previous 7 years. He has over 40 years' experience in Financial Services working across all the risk categories and has spent most of his career within banking and lending, helping ensure firms have the appropriate risk and control environment.

At Cambridge & Counties Bank, he is responsible for the management and oversight of the Bank's credit risk and control framework which also includes helping the Bank meet its regulatory obligations, as well as its legal and company secretarial accountabilities. Mike also oversees the Bank's approach to climate change, which is part of the broader environmental, social and governance activities.

He's passionate about ensuring the broader Risk Management team provide the appropriate support to the Bank, allowing it to continue to grow securely.

Leadership team biographies

Non-Executive Directors

Caroline Fawcett

Senior Independent Non-Executive Director
and
Chair of Performance & Remuneration Committee

Caroline has over 30 years' experience in financial services, specialising in marketing and customer experience in both the UK and US. After a decade as Marketing Director of the Legal & General Group, Caroline progressed to become one of the first Customer Experience Directors within the UK 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 fifteen years. She is currently on the Board of Lifesight Ltd (the Trustee for Willis Towers Watson's Master Trust pension scheme) as Chair of the Discretions Committee and on the Board of Alzheimer's Society as Chair of the Policy, Research and Communications Committee.

Tim Harvey-Samuel

Non-Executive Director

Tim is the Shareholder Representative for Trinity Hall, Cambridge where he has been Bursar since March 2020. Prior to that, he was Bursar of Corpus Christi College, Cambridge for seven years.

Tim has 26 years' banking experience, mainly at Schroders and Citigroup, where he led the Equity Capital Markets Group for Europe, the Middle East and Africa. Tim's speciality for 20 years was in financial institutions where he oversaw Citigroup's equity underwriting activity, recapitalising a wide range of European banks in the aftermath of the global financial crisis. He is also the Treasurer of Gates Cambridge, the charity founded by the Bill and Melinda Gates Foundation, to support outstanding graduate students' study at Cambridge University.

Contents
Strategic Report
Corporate Governance Statement
Independent Auditors' Report
Financial Statements
Notes to the Financial Statements

Leadership team biographies

Non-Executive Directors

Mike Peck

Independent Non-Executive Director
and
Chair of Audit Committee

Mike joined Cambridge & Counties Bank as Non-Executive Director in August 2022 and was appointed Chair of the Audit Committee in October that year.

Starting his executive career in 1984 at a predecessor firm of KPMG, Mike became a partner in 1996 specialising in retail, commercial and wholesale banking, wealth management, leasing, and asset finance. During this period, Mike led multi-disciplinary teams delivering assurance, regulatory and capital markets in these sectors, as well as acting as Reporting Accountant on several Bank IPOs. He also acted as Interim CFO (on secondment) at Gerrard Plc, the UK's largest private client stockbroker. Mike retired from KPMG in 2020.

From 2017-2023, Mike held the position of Finance & Operations Committee Chair and Trustee at the Design Museum, responsible for overseeing Finance, IT, Facilities and HR. Mike recently joined the Audit & Risk Committee of the Courtauld Institute. Mike also consults as a risk and assurance expert.

Elizabeth Lockwood

Independent Non-Executive Director
and
Chair of Risk & Compliance Committee

Elizabeth Lockwood joined as a Non-Executive Director in May 2023 and is Chair of the Risk & Compliance Committee. She has over 25 years' experience as a risk management specialist, and previously held a variety of senior and executive roles at NatWest – including as Deputy Chief Risk Officer for NatWest Holdings. Elizabeth also holds non-executive roles at Melton Building Society and its subsidiary Nexa Finance Limited. She sits as an external expert member of the Audit and Risk Committee at Samaritans and is a qualified coach and therapeutic counsellor.

Michele Ibbs

Non-Executive Director

Michele is the Shareholder Representative for Cambridgeshire County Pension Fund. An experienced Non-Executive Director, Michele is currently Chair of the Board at Connexus Homes Limited and Non-Executive Director of Melton Building Society. She joined the Cambridge & Counties Bank Board in April 2023 and previously was Senior Independent Director and Chair of Board Committees at the Marsden Building Society, a Non-Executive Director of The Ombudsman Service Limited and Blackpool Teaching Hospitals NHS Foundation Trust. Her executive career spans both private and public sectors; including senior and executive roles within higher education, food and drink, luxury consumer goods, manufacturing, and retailing.

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Cambridge & Counties Bank Limited

Report on the audit of the financial statements

Opinion

In our opinion, Cambridge & Counties Bank Limited's financial statements:

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

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2024; the Statement of Profit or Loss and Other Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the audit committee of Cambridge & Counties Bank Limited.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 8, we have provided no non-audit services to the Company in the period under audit.

Our audit approach

Overview

Audit scope

- We performed audit procedures over all material account balances and financial information of the Company
- We performed the audit using one team based in Birmingham

Key audit matters

- The application of key judgements and assumptions in relation to applying expected credit loss provisioning on loans and advances to customers
- The appropriateness of assumptions used in the accounting for the effective interest rate of loans and advances to customers

Materiality

- Overall materiality: £1,790,000 (2023: £2,000,000) based on 5% of profit before tax.
- Performance materiality: £1,343,000 (2023: £1,500,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

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

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
The application of key judgements and assumptions in relation to applying expected credit loss provisioning on loans and advances to customers The Company holds £21,123k of expected credit loss ('ECL') provisions against loans and advances to customers in accordance with IFRS 9 (2023: £22,777k) against total outstanding balances of £1,225,716k (2023: £1,106,055k). The Company divides its lending activities into two sub-portfolios, being real estate finance and asset finance. ECL provisions recorded over each of these portfolios are £18,667k and £2,456k respectively (2023: £20,350k and £2,427k). The calculation of expected credit losses requires the use of forward looking information, reflecting management's view of potential future economic scenarios. This can give rise to increased estimation uncertainty. The standard also requires management to make judgements regarding when a loan has experienced a 'significant increase in credit risk'. Uncertainty also arises in respect of calculating ECL provisions for defaulted 'Stage 3' exposures due to the Company pursuing individual work out strategies for each exposure, due to the potential impacts on customer behaviour in the rising inflationary and interest rate environment in the UK. We focussed our work on provisioning for the real estate finance portfolio because there is a larger degree of estimation uncertainty in respect of this portfolio due to this portfolio constituting 86% of total lending (2023: 88%) and the individual assets in this portfolio are generally larger. In particular we focused on: • The appropriateness of the 'staging' thresholds selected by management to determine whether a significant increase in credit risk had arisen on customer loans, and hence whether a 12 month or a lifetime loss provision is recorded; • The application of forward-looking economic assumptions used in the models and the weightings assigned to those scenarios, particularly in respect of assumptions relating to the hazard rate and undrawn equity since these have the largest impact on the ECL calculation; and • Valuation of the provisions for defaulted 'Stage 3' exposures where a significant degree of management judgement is applied. The Company's disclosures are given in Note 16. Management's associated accounting policies are detailed in Note 30. Management's judgements in the application of accounting policy and material estimates are disclosed in Note 5 and the considerations of the effect of the future economic environment are given in Note 30. The Audit Committees' consideration of the matter is set out in the Audit Committee Report.	With the support of our credit risk modelling specialists and economic experts, we performed the following procedures. We assessed the reasonableness and likelihood of the forward looking economic assumptions and weightings assigned to the scenarios using a benchmarking tool developed by our economic experts. The severity and magnitude of the scenarios, specifically the real estate forecasts, were compared to external forecasts and data from historical economic downturns. Sensitivities of the ECL provision to the chosen scenarios was considered. We separately engaged our economic experts to consider the reasonableness of the Company's hazard rate and undrawn equity forecasts, which the real estate finance ECL is most sensitive to. We assessed the reasonableness of management's selection of staging criteria and their definition of a 'significant increase in credit risk'. We engaged our risk modelling specialists to re-perform the application of these staging thresholds. We tested the complete capture of defaulted exposures by ensuring loans meeting the operational definition of default are included in the portfolio of Stage 3 loans. We challenged management on the judgements used in determining the provisions for Stage 3 exposures. We engaged our modelling specialists to test the collateral haircuts used by management. We obtained and reviewed a sample of credit files and other evidence considered by management when determining the ECL provisions to derive our own independent view in respect of recovery prospects and the level of provisioning required. We read the ECL disclosures made by management to ensure compliance with accounting standards and to ensure that there is disclosure of the effect of estimation uncertainty on the reported results.
The appropriateness of assumptions used in the accounting for the effective interest rate of loans and advances to customers Accounting standards required interest receivable and similar income to be recognised on an effective interest rate ('EIR') basis. The EIR approach has the effect of recognising interest at a single constant rate that takes into account integral fees and charges across the expected life of loans and advances to customers. The loans and advances to customers balance is reduced by effective interest rate accounting adjustments of £2,658k at the balance sheet date (2023: reduced by £3,245k). This adjustment primarily relates to deferred fees and charges in respect of the Company's real estate finance loan portfolio. This adjustment is released to interest income in accordance with the forecast behavioural life of the Company's loan balance, which is the main area of estimation uncertainty. The forecast behavioural life depends on management's estimate of the future early redemption behaviour of loans and advances to customers. This estimate is derived using observable data and management judgement due to the nascent nature of the Company's loan portfolio. As such we focussed our work on this area. The Company's disclosures are given in Notes 5 and 6. Management's associated accounting policies are detailed in Note 6. Management's judgements in the application of accounting policy and material estimates are disclosed in Note 5 and the considerations of the effect of the future economic environment are given in Note 30. The Audit Committees' consideration of the matter is set out in the Audit Committee Report.	We performed a walkthrough of the EIR model logic, methodology and associated calculations and tested their accuracy and validity. We confirmed that all fees and charges included within the EIR calculation are in line with accounting standards and are complete and accurate. We critically assessed the assumptions relating to forecast future early redemption behaviours, particularly because the Company writes variable rate real estate finance loans and the high interest rate environment in the UK may accelerate redemption behaviour. We performed sensitivity analysis on a range of possible alternative outcomes to determine whether the overall estimate lies within a reasonable range of best estimates. We performed substantive testing over the completeness and accuracy of the critical data elements from the Company's lending system to the EIR model and supporting evidence. We tested the reconciliation of the accounting model to the general ledger to ensure accurate recording in the financial statements. We read the disclosures made by management to ensure that they disclosed the effect of estimation uncertainty on the reported results.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Company, the accounting processes and controls, and the industry in which it operates.

All of the Company's activities are administered in the United Kingdom. The principal activity of the Company is the provision of SME lending finance and saving products to customers. The Company's portfolio is predominately real estate finance secured on UK residential and commercial properties and the provision of asset finance loans to SME's. Based on the Company's materiality we performed audit procedures over all material account balances and financial information. Our audit procedures provided us with sufficient audit evidence as a basis for our audit opinion on the financial statements as a whole.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Company's financial statements and support the disclosures made in relation to climate change in the Annual report and financial statements. In addition to enquiries with management, we also:

- Read the materials considered by the ESG Steering Committee during the year to consider the impact on our audit risk assessment;
- Considered the exposure of the Company's secured property portfolio to physical and transition risks by examining the output of assessments performed by management during the year; and
- Considered the consistency of the disclosures in relation to climate change within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters for the year ended 31 December 2024.

Materiality

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

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall Company materiality	£1,790,000 (2023: £2,000,000).
How we determined it	5% of profit before tax
Rationale for benchmark applied	Profit before tax is one of the principal considerations when assessing the Company's performance, and is a generally accepted auditing benchmark.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2023: 75%) of overall materiality, amounting to £1,343,000 (2023: £1,500,000) for the Company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the audit committee of Cambridge & Counties Bank Limited that we would report to them misstatements identified during our audit above £90,000 (2023: £100,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed and challenged the key assumptions used by the directors in their determination of the going concern of the Company.
- We reviewed management's stress test scenarios and considered whether the Company would continue to operate above required regulatory capital and liquidity minima during times of stress.
- We considered as to whether our audit work had identified events or conditions which may give rise to uncertainty of the Company's future ability to trade; and
- We reviewed legal and regulatory correspondence to ensure that any compliance issues which may impact the going concern of the Company had not been identified.

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect to the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to the Financial Conduct Authority's regulations, the Prudential Regulation Authority's regulations and UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate manual journal entries to manipulate financial performance and management bias in significant accounting estimates. Audit procedures performed by the engagement team included:

- Review of internal audit and compliance monitoring findings throughout the year;
- Reading key correspondence with the Financial Conduct Authority and Prudential Regulation Authority;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted by senior management, posted with descriptions indicating a higher level of risk, posted to unusual account combinations based on our understanding of usual business operations, and material late adjustments.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee of Cambridge & Counties Bank Limited, we were appointed by the directors on 6 May 2022 to audit the financial statements for the year ended 31 December 2022 and subsequent financial periods. The period of total uninterrupted engagement is three years, covering the years ended 31 December 2022 to 31 December 2024.

Chris Shepherd.

Chris Shepherd (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
27 March 2025

FINANCIAL STATEMENTS

FINANCIAL STATEMENTS

Income Statement and Statement of Comprehensive Income

For the year ended 31 December 2024

Income Statement

£'000	Note	2024	2023
Interest income calculated using the effective interest rate	6	128,313	116,023
Interest expense	6	(54,838)	(40,172)
Net interest income		73,475	75,851
Other income	7	126	553
Total operating income		**73,601**	**76,404**
Administrative expenses	9	(31,772)	(27,287)
Depreciation and amortisation	18,19	(1,077)	(944)
Operating profit before impairment losses		**40,752**	**48,173**
Impairment losses on loans and advances to customers	16	(4,932)	(7,263)
Profit before tax		35,820	**40,910**
Taxation charge	12	(8,157)	(9,620)
Profit after tax		**27,663**	**31,290**

Statement of Comprehensive Income

£'000	Note	2024	2023
Other comprehensive income			
Items that are or may be reclassified subsequently to the income statement			
Fair value through other comprehensive income			
Fair value movements taken to reserves	27	150	1,111
Taxation	27	(48)	(278)
Total other comprehensive income, net of tax		**102**	**833**
Total comprehensive income attributable to owners of the Bank		**27,765**	**32,123**

All profit for the year arises from continuing operations.
The Notes on pages 86 to 123 are an integral part of these Financial Statements.

Balance Sheet

As at 31 December 2024

£'000	Note	2024	2023
Assets			
Cash and balances at central banks	13	292,850	302,473
Loans and advances to banks	14	12,139	10,420
Debt securities	17	65,137	47,409
Loans and advances to customers	15	1,204,444	1,083,278
Derivative financial assets	21	149	–
Other assets and prepayments	20	1,443	2,526
Property plant and equipment	18	1,700	2,026
Intangible assets	19	2,277	1,869
Current tax asset	20	689	–
Deferred tax asset	12	907	721
Total assets		**1,581,735**	**1,450,722**
Liabilities			
Customers' accounts	22	1,271,824	1,155,224
Central Bank facilities	23	55,000	65,000
Subordinated Debt liability	24	4,800	4,751
Derivative financial liabilities	21	–	652
Provisions	26	750	–
Other liabilities and accruals	25	9,277	9,628
Current tax liability	25	–	689
Total liabilities		**1,341,651**	**1,235,944**
Equity			
Share capital	27	44,955	44,955
Convertible loan notes	27	22,900	22,900
Fair value through other comprehensive income reserve	27	(274)	(376)
Retained earnings		172,503	147,299
Total equity		**240,084**	**214,778**
Total liabilities and equity		**1,581,735**	**1,450,722**

The Financial Statements on pages 80 to 83 were approved by the Board of Directors on 27 March 2025 and signed on its behalf by:

Donald Kerr
Chief Executive Officer

Richard Hanrahan
Chief Financial Officer

Company registered number: 07972522.

Statement of Changes in Equity

For year ended 31 December 2024

£'000	Share capital	Contingent convertible loan notes	Fair value through other comprehensive income reserve	Retained earnings	Total equity
Balance at 1 January 2024	**44,955**	**22,900**	**(376)**	**147,299**	**214,778**
Profit for the year	–	–	–	27,663	27,663
Other comprehensive income	–	–	102	–	102
Total comprehensive income for the period	–	–	102	27,663	27,765
Transactions with owners, recorded directly in equity	–	–	–	–	–
Convertible loan note interest	–	–	–	(2,459)	(2,459)
Total contributions by and distributions to owners	–	–	–	(2,459)	(2,459)
Balance at 31 December 2024	–	–	**(274)**	**172,503**	**240,084**

£'000	Share capital	Contingent convertible loan notes	Fair value through other comprehensive income reserve	Retained earnings	Total equity
Balance at 1 January 2023	**44,955**	**22,900**	**(1,209)**	**118,200**	**184,846**
Profit for the year	–	–	–	31,290	31,290
Other comprehensive expense	–	–	833	–	833
Total comprehensive income for the period	–	–	833	31,290	32,123
Transactions with owners, recorded directly in equity					
Convertible loan note interest	–	–	–	(2,191)	(2,191)
Total contributions by and distributions to owners	–	–	–	(2,191)	(2,191)
Balance at 31 December 2023	**44,955**	**22,900**	**(376)**	**147,299**	**214,778**

The Notes on pages 86 to 123 are an integral part of these Financial Statements.

Statement of Cash Flows

For year ended 31 December 2024

£'000	Note	2024	2023
Cash flows from operating activities			
Profit after tax		27,663	31,290
Adjustments for:			
Subordinated debt liability interest and fee accrual		196	147
Depreciation and amortisation		1,077	944
(Decrease)/Increase in allowance for Impairment losses		(1,654)	5,849
Taxation charge		8,157	9,620
Other non-cash items		243	(112)
		35,682	47,738
Net increase in other assets/liabilities			
Net (increase) in loans and advances to customers	15	(119,661)	(51,418)
Net increase in customers' accounts	22	116,329	51,968
Net (decrease) in central bank facilities	23	(10,000)	(13,000)
Net (increase) in derivatives	21	(475)	(358)
Net increase in other liabilities and provisions	25, 26	399	520
Net decrease in other assets and prepayments	20	1,083	46
Income tax paid		(9,815)	(9,154)
		(21,140)	(21,396)
Net cash generated from operating activities		**13,542**	**26,342**
Cash flows from investing activities			
Proceeds from debt securities sales/maturity	17	6,609	20,000
Acquisition of debt securities	17	(24,437)	(35,774)
Acquisition of property, plant & equipment and intangible assets	18,19	(1,159)	(700)
Net cash used in investing activities		**(18,987)**	**(16,474)**
Cash flows from financing activities			
Issue of subordinated debt liability	24	–	4,604
Convertible loan note interest paid	27	(2,459)	(2,191)
Net cash (used in)/generated from investing activities		**(2,459)**	**2,413**
Net (decrease)/increase in cash and cash equivalents	13	(7,904)	12,282
Cash and cash equivalents at 1 January	13	312,893	300,611
Cash and cash equivalents at 31 December		**304,989**	**312,893**

Cash and cash equivalents comprise of:

- Cash and balances at central banks (including any accrued interest).
- Loans and advances to banks (including any accrued interest) all of which have a maturity of less than 3 months.

NOTES TO THE FINANCIAL STATEMENTS

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

Cambridge & Counties Bank Limited (referred to as 'the Bank') is a company incorporated and domiciled in the United Kingdom. The Bank is registered in England and Wales and has the registered number 07972522. The registered address of the Bank is Charnwood Court, 5B New Walk, Leicester, England, LE1 6TE. Cambridge & Counties Bank is a UK Bank that specialises in providing lending and deposit products to Small and Medium Enterprises (SMEs). The Bank is a private company limited by shares.

2 Basis of accounting

The Bank's Financial Statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. They have been prepared under the historical cost convention as modified by the revaluation of financial instruments through the Income Statement, and the revaluation of financial instruments through other comprehensive income. The Financial Statements are presented in pounds sterling, which is the functional and presentational currency of the Bank.

Judgements made by the Directors in the application of these accounting policies that have significant effect on the Financial Statements and estimates with a significant risk of material adjustment are discussed in Note 5 to the Financial Statements.

3 Changes in accounting policies

There have been no changes to the Bank's accounting policies during 2024.

The Bank's accounting policies are set out within the relevant note to the Financial Statements.

4 Going concern

The Financial Statements are prepared on a going concern basis, as the Directors are satisfied that the Bank has the resources to continue in business for a period of at least 12 months from the date of signing these Financial Statements. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, impairment, cash flows and capital resources.

The Board remains confident that the offering to the market remains relevant and attractive, and that 2025 will present further opportunities to continue to grow customer assets without strain on the Bank's capital or liquidity measures. The Bank's 3-year strategic plan is updated periodically throughout the year to produce a forward-looking assessment.

The Directors have a reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future. The projections for the Bank's future performance, capital strength and liquidity, for a period more than 12 months from the date of approval of these accounts, all show that the Bank has adequate resources to meet its regulatory and operational requirements. Therefore, the going concern basis of accounting has been used to prepare the financial statements.

The Directors recognise that the current UK macroeconomic outlook will continue to evolve with the timing of reductions in bank base rate the greatest uncertainty. The Bank has considered these events within its going concern assessment. The scenarios modelled consider the following events in particular:

- A faster and deeper reduction in property prices than already considered in the bank's base case;
- Lower new business volumes as investors withdraw from the property market; and
- Increased losses as customers are unable to repay loans due to higher monthly instalments and increased rental voids

The Bank's provisions and loss absorbing capacity will continue to be assessed as part of the Bank's regular stress testing exercises. The Bank models a range of stress scenarios which include PRA published stressed scenarios. Lower interest rates could reduce the Bank's income growth rate outlook (even after reduced impairment losses), whilst a lower rate of inflation could reduce cost growth.

The Bank expects bank base rate to reduce during 2025 although the rate of reduction is uncertain. Based on the forecasts and stresses performed, the Directors are satisfied that the Bank will have sufficient regulatory capital and liquidity for a period of at least 12 months from the date of approval of these Financial Statements-

- Management has already incorporated a continued period of economic uncertainty into the Bank's business plan. This uncertainty includes modelling the impact of the Bank of England's stressed scenario which tests the resilience of the UK banking system to deep simultaneous recessions in the UK and global economies;
- The Bank maintains a strong liquidity position with its Liquidity Coverage Ratio (LCR) around 5 times higher than the regulatory minimum at the end of 2024.

5 Accounting estimates and judgements

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed below. For each area of management judgement, along with any others which are considered material, Management prepare a paper for review and approval by the Bank's Audit Committee at least once a year.

- **Loan loss provisioning**

The Bank's provisioning methodology uses an expected credit loss basis complying with the requirements of IFRS 9.

The Bank has made key judgements and estimates in its loan loss provisions.

- The key judgements are:
  - The Bank uses four unbiased probability weighted forward looking economic scenarios in its calculation of loan loss provisions being the base case, downside, severe downside, and upside. These scenarios and their application in the calculation of loan loss provisions are described further in Note 30; and
  - Significant Increase in Credit Risk ('SICR') – The criteria selected to identify a significant increase in Credit Risk is a key area of judgement within the Bank's ECL calculation as these criteria determine whether a 12 month or lifetime provision is recorded.
  - It has reviewed whether any post model adjustments are required to its expected loss model outputs.
- The two key estimates are:
  - the Probability of Default (PD)
  - and the Loss Given Default (LGD).

All the Bank's loans and advances are allocated to a stage under IFRS 9. Stage 1 loans are loans which are performing as expected with the expected credit loss calculation based on a 12-month probability of default. Loans which have seen a significant increase in Credit Risk since original inception, or are over 30 days in arrears, are held in Stage 2 with the expected credit loss based on a lifetime probability of default. Loans which are considered credit impaired or in default are placed in Stage 3 with the expected credit loss calculation assuming a 100% probability of default and a lifetime loss given default applied.

For loans in stage 1 and 2 the Bank estimates the probability of default and the loss given default. The PD is calculated using both quantitative and qualitative data including character, property type and location. The LGD is calculated using the expected realisable collateral value and associated sales costs.

The Bank's 2024 Expected Credit Loss includes the benefit of the release of a Post Model Adjustment (PMA) of £611k. The PMA had been applied to reflect risks not fully captured by the REF IFRS 9 model. Commercial property prices recorded significant reductions in the final quarter of 2022 and Management did not consider these to have been fully captured within its model at the time. Commercial property prices have in 2024 remained broadly stable and the accounts drawn in the above period have been reviewed as part of business-as-usual annual review processes. These reviews have not highlighted any valuation concerns and therefore the PMA adjustment has been released.

The expected credit losses on loans in stage 3 are estimated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows across a range of scenarios are considered. These considerations can be particularly subjective and can include the business prospects for the customer, the realisable value of collateral, the reliability of customer information and the likely cost and duration of the work-out process. The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and the carrying amount. Furthermore, estimates change with time as new information becomes available or as work-out strategies evolve, resulting in regular updates to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge.

The expected credit losses across all stages are adjusted for the impact of the forward-looking economic scenarios outlined above. See Note 30 for the sensitivity analysis regarding this.

- **Revenue recognition – effective interest rate**

  The Bank has made a key estimate in relation to the effective interest rate. The key estimate relates to the expected life of each type of instrument and hence the expected cash flows relating to it. A critical estimate in determining the effective interest rate is the expected life to maturity of the Bank's commercial loans, as a change in the expected life will have an impact on the period over which the directly attributable costs and fees are recognised. See Note 6 for the sensitivity analysis regarding this.

6 Interest income and expense

In accordance with IFRS 9, interest income and expense are recognised in the Income Statement and the Statement of Comprehensive Income for all instruments measured at amortised cost using the Effective Interest Rate method (EIR).

The EIR is a method of calculating the amortised cost of a financial asset or financial liability, and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash flows through the expected life of the instrument, or where appropriate a shorter period, to the net carrying amount of the financial asset or the financial liability. When calculating the EIR, the Bank considers all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs and all other premiums or discounts.

In accordance with IFRS 9, the application of EIR has been applied to the gross carrying amount of non-credit impaired financial assets and to the amortised cost of credit impaired financial assets. Early Repayment Charges (ERC) are reported within the EIR expected cashflows and reported within net interest income.

Interest income and expense presented in the Income Statement and Statement of Comprehensive Income includes:

– Interest on financial assets and liabilities measured at amortised cost calculated on an EIR basis;

– Interest on fair value through other comprehensive income investment securities; and

– Income from finance leases and instalment credit agreements.

£'000	2024	2023
Interest income		
Loans and advances to banks	15,878	12,293
Loans and advances to customers	111,041	102,909
Investment securities	1,432	1,157
Net income (expense) on other financial instruments	(38)	(336)
Total interest income	**128,313**	**116,023**
Interest expense		
Deposits from customers	(51,026)	(36,484)
Other (including TFSME fees)	(3,812)	(3,688)
Total interest expense	**(54,838)**	**(40,172)**
Net interest income	**73,475**	**75,851**

Interest income for the year ended 31 December 2024 excludes £909k (2023: £550k) relating to interest on impaired financial assets

Management uses its judgement to estimate the expected life of each type of instrument and hence the expected cash flows relating to it. A critical estimate in determining the effective interest rate is the expected life to maturity of the Bank's commercial loans, as a change in the expected life will have an impact on the period over which the directly attributable costs and fees are recognised.

The Bank's effective interest rate is sensitive to changes in customer redemptions and the value of new lending drawn in the year. If customer redemptions increase this is likely to result in increased fee income being received in the form of early repayment charges and the acceleration of the recognition of arrangement fee income. New lending values will impact the value of loan arrangement fees to be recognised in future periods as well as being a key driver of the value of fees expected to be generated in future years from subsequent early redemptions.

The following sensitivities have been calculated to show the sensitivity of the EIR income to changes in these items:

– If the period of time over which the Bank amortises its REF arrangement and broker fees was to reduce by 24 months the EIR liability would reduce by £0.8m (2023: £0.2m);

– If the proportion of REF redemptions paying early repayment fees increased by 20% the Bank's EIR liability would reduce by £0.2m (2023: £0.1m).

7 Other income

Other income includes lending related fees and commissions in respect of services provided to customers, which do not meet the criteria for inclusion within interest income. The income is recognised as the service is provided.

£'000	2024	2023
Lending related fee income	126	553
Total other income	**126**	**553**

8 Auditors' remuneration

The profit on ordinary activities is arrived at after charging:

£'000	2024	2023
The remuneration of the Bank's external auditors:		
Audit services		
Audit of these Financial Statements*	560	595
Audit related assurance services		
Amounts receivable by the Company's auditor and its associates in respect of:		
All other services	42	40
Total remuneration payable to the Bank's external auditors (ex. VAT)	602	635

* The 2024 Audit costs reported include £30k related to the 2023 audit (2023: £75k related to 2022)

All services undertaken by the Bank's external auditors are subject to approval by the Bank's Audit Committee. The Bank has a non-audit services policy, which states that non-audit related services provided by the Bank's external auditors should not exceed 70% of the average of the fees paid in the previous three consecutive financial years. The Bank has complied with the non-audit services policy in 2024 and 2023. Other Services undertaken by the current auditors relate to profit verification and Country by Country reporting.

9 Administrative expenses

£'000	2024	2023
Staff costs (see Note 10)	21,190	18,940
IT related costs	2,527	2,377
Premises costs	582	438
Provisions (see Note 26)	750	–
Other costs including marketing, legal and professional services	5,411	4,328
VAT paid on the above purchases	1,312	1,204
Total	**31,772**	**27,287**

10 Staff numbers and costs

The average number of persons employed (including Executive and Non-Executive Directors) during the year was 243 (2023: 225). The aggregate payroll costs of these persons, including Executive and Non-Executive Directors, were as follows, (Directors' remuneration is separately disclosed in Note 11).

£'000	2024	2023
Wages and salaries	16,903	15,165
Social security costs	2,134	1,929
Employer pension costs	2,153	1,846
Total	**21,190**	**18,940**

11 Directors' remuneration

£'000	2024	2023
Directors' remuneration*	2,559	2,473
Social security costs	302	316
Total	**2,861**	**2,789**

* Director's remuneration includes employer pension costs totalling £14k in 2024 (2023:£9k)

The emoluments of the highest paid Director were £1,012k (2023: £693k). No Directors received any shares as part of their remuneration (2023: nil). There were no Directors' loans in 2024 (2023: nil).

12 Taxation Charge

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted, or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

The UK corporation tax rate of 25% (2023: 23.5%) has been used in the preparation of these accounts. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The Bank's deferred tax balances on timing differences at 31 December 2024 have been measured at 25% (2023: 25%).

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is has become probable that future taxable profits will be available against which they can be used. The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Bank expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

£'000	2024	2023
Current tax expense		
In respect of the current year	8,462	9,313
In respect of prior years	(52)	206
	8,410	**9,519**
Deferred tax expense		
Origination and reversal of temporary differences	114	82
Adjustments in respect of prior periods	(367)	19
Effect of tax rate change on opening balance	–	–
	(253)	**101**
Total income tax expense	**8,157**	**9,620**

The income tax expense for the year can be reconciled to the accounting profit as follows:

£'000	2024	2023
Profit before tax	35,820	40,910
Tax on profit at standard CT rate 25% (2023: 23.52%)	8,973	9,622
Effects of:		
Fixed asset differences	7	8
Expenses not deductible for tax purposes	211	10
Bank surcharge	–	266
Adjustments to tax charge in respect of previous periods	(52)	206
Adjustments to tax charge in respect of previous periods – deferred tax	(367)	19
Re-measurement of deferred tax for changes in tax rates	–	5
Convertible loan note interest payments	(615)	(516)
Total tax charge	**8,157**	**9,620**

13 Cash and cash balances at Central banks

Cash and cash balances at Central banks include notes and coins in hand, unrestricted balances held with central banks, and highly liquid financial assets with original maturities of three months or less from the date of acquisition, that are subject to an insignificant risk of change in their fair value and are used by the Bank in the management of its short-term commitments. Cash and cash balances at Central banks are carried at amortised cost in the statement of financial position.

£'000	2024	2023
Unrestricted balances with central banks*	292,850	302,473
Cash and balances with other banks	12,139	10,420
Total	**304,989**	**312,893**

* Included within the unrestricted balances with central banks is £475k of accrued interest for 2024 (2023: £768k)

14 Loans and advances to banks

Loans and advances to banks are measured at amortised cost as the Bank holds these assets for the objective of collecting contractual cash flows, and the cash flows associated with the assets include only payments of principal and interest (SPPI). As with loans and advances to customers (Note 15), the Bank has assessed whether there are any contractual terms which may cause the financial assets to fail the SPPI test. The Bank has noted no such terms. The Bank does not incur any transactional or other such integral fees which require an effective interest rate to be specifically calculated for these assets. Income is recognised at the contractual interest rate on an accruals basis.

£'000	2024	2023
Net loans and advances to banks	**12,139**	**10,420**

* Included within the unrestricted balances with central banks is £475k of accrued interest for 2024 (2023: £768k)

15 Loans and Advances to customers

Loans and advances to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortised cost, using the effective interest method.

The Bank has measured its loans and advances to customers at amortised cost on the basis that the Bank holds these assets for the objective of collecting contractual cash flows, and the cash flows associated with the assets include only payments of principal and interest.

In making this assessment the Bank has considered whether the financial asset contains a contractual term that could change the timing or amount of contractual cashflows such that it would not meet this condition. All the Bank's loans contain prepayment features. A prepayment feature is consistent with the SPPI criteria if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Gross loans and advances is net of an EIR liability of £2.7m (2023: £3.2m).

£'000	2024	2023
Gross loans and advances	1,225,716	1,106,055
Less: allowance for impairment losses (see Note 16)	(21,123)	(22,777)
Net loan receivables	**1,204,593**	**1,083,278**
Fair value hedge accounting adjustment for hedged risk	(149)	–
Total loans and advances to customers	**1,204,444**	**1,083,278**

Gross loans and advances to customers includes Hire Purchase and Finance Lease agreements. The table below shows the timing of the expected undiscounted cashflows on these agreements.

£'000	2024	2023
Gross investment in finance lease receivables*:		
Less than one year	53,799	42,197
1–2 years	65,500	41,589
2–3 years	37,831	36,376
3–4 years	20,089	19,816
4–5 years	7,386	8,149
More than five years	4,350	4,110
Total	**188,955**	**152,237**
Unearned future finance income on finance charges	(23,965)	(19,859)
Net investment in finance leases	**164,990**	**132,378**
The net investment in finance leases may be analysed as follows:		
Less than one year	43,172	34,053
Between one and five years	117,688	94,512
More than five years	4,130	3,813
	164,990	**132,378**

* Excludes effective interest rate asset of £2,084k

16 Allowance for impairment losses

A description of the Bank's Credit Risk management and methodology in respect of allowances for impairment losses is provided below in Note 29. This Note also includes the sensitivity of the Bank's impairment losses to changes in its forward-looking economic scenarios. The tables below set out the Bank's provisions by IFRS 9 stage as well as a reconciliation of the opening to the closing allowance for impairment losses on loans and advances to customers.

	Not credit impaired		Credit impaired	
£'000	Stage 1: subject to 12-month ECL	Stage 2: subject to lifetime ECL	Stage 3: subject to lifetime ECL	Total
Real Estate Finance	1,656	8,512	10,182	20,350
Asset Finance (including Classic Vehicles & Sports)	1,632	395	400	2,427
At 31 December 2023	**3,288**	**8,907**	**10,582**	**22,777**
Real Estate Finance	868	7,902	9,897	18,667
Asset Finance (including Classic Vehicles & Sports)	1,777	306	373	2,456
At 31 December 2024	**2,645**	**8,208**	**10,270**	**21,123**

Impairment provision movement 2024 £'000	Stage 1: subject to 12-month ECL	Stage 2: subject to lifetime ECL	Stage 3: subject to lifetime ECL	Total
Closing Balance at 31 December 2024	2,645	8,208	10,270	21,123
Opening Balance at 1 January 2024	3,288	8,907	10,582	22,777
Increase (decrease) in provision	**(643)**	**(699)**	**(312)**	**(1,654)**
Increase (decrease) in provision				
New loans originated	1,966			1,966
Derecognised loans	(490)	(2,036)	(139)	(2,665)
Allowance utilised in respect of write-offs	–	–	(4,499)	(4,499)
Transfers between Stages and increase (decrease) in Credit Risk				
– Transfers from Stage 1	(173)	147	26	–
– Transfers from Stage 2	1,745	(2,500)	755	–
– Transfers from Stage 3	–	5	(5)	–
– Increase in Credit Risk	(3,691)	3,685	3,550	3,544
	(643)	(699)	(312)	(1,654)
P&L charge				
Increase (decrease) in provision on drawn loans	(643)	(699)	4,187	2,845
Increase (decrease) in provision on undrawn commitments	59	–	–	59
Write-Offs (net of prior year provisions)	–	–	2,938	2,938
Income Adjustment*	–	–	(909)	(909)
Total P&L impairment charge	**(584)**	**(699)**	**6,216**	**4,933**

* Interest originally charged on the gross carrying amount for credit impaired stage 3 assets which has subsequently been recalculated on the net carrying amount. This resulted in a reduced interest income and impairment charge in the income statement of £909k.

Impairment provision movement 2023 £'000	Stage 1: subject to 12-month ECL	Stage 2: subject to lifetime ECL	Stage 3: subject to lifetime ECL	Total
Closing Balance at 31 December 2023	3,288	8,907	10,582	22,777
Opening Balance at 1 January 2023	3,008	8,283	5,563	16,854
Increase (decrease) in provision	**280**	**624**	**5,019**	**5,923**
Increase (decrease) in provision				
New loans originated	1,347	–	–	1,347
Derecognised loans	(459)	(1,198)	(262)	(1,919)
Allowance utilised in respect of write-offs	–	–	(2,174)	(2,174)
Transfers between Stages and increase (decrease) in Credit Risk				
– Transfers from Stage 1	(500)	434	66	–
– Transfers from Stage 2	1,199	(2,783)	1,584	–
– Transfers from Stage 3	155	650	(805)	–
– Increase in Credit Risk	(1,462)	3,521	6,610	8,669
	280	**624**	**5,019**	**5,923**
P&L charge				
Increase (decrease) in provision on drawn loans	280	624	7,193	8,097
Increase (decrease) in provision on undrawn commitments	(10)	–	–	(10)
Write-back (net of prior year provisions)		–	(274)	(274)
Income Adjustment*			(550)	(550)
Total P&L impairment charge	**270**	**624**	**6,369**	**7,263**

* Interest originally charged on the gross carrying amount for credit impaired stage 3 assets which has subsequently been recalculated on the net carrying amount. This resulted in a reduced interest income and impairment charge in the income statement of £550k.

Gross loan balances by Stage 2024 £'000	Stage 1: subject to 12-month ECL	Stage 2: subject to lifetime ECL	Stage 3: subject to lifetime ECL	Total
Closing Balance at 31 December 2024	1,039,360	155,592	30,764	1,225,716
Opening Balance at 1 January 2024	891,581	178,597	35,877	1,106,055
Increase (decrease) in loan balances	**147,779**	**(23,005)**	**(5,113)**	**119,661**
New loans originated	359,920	–	–	359,920
Derecognised loans	(127,707)	(38,512)	(3,308)	(169,527)
Loans written-off	–	–	(14,061)	(14,061)
Transfers between Stages				
– Transfers from Stage 1	(88,011)	85,412	2,599	–
– Transfers from Stage 2	53,921	(67,230)	13,309	–
– Transfers from Stage 3	–	264	(264)	–
– Capital repayments/ Arrears accumulation	(50,344)	(2,939)	(3,388)	(56,671)
	147,779	**(23,005)**	**(5,113)**	**119,661**

Gross loan balances by Stage 2023 £'000	Stage 1: subject to 12-month ECL	Stage 2: subject to lifetime ECL	Stage 3: subject to lifetime ECL	Total
Closing Balance at 31 December 2023	891,581	178,597	35,877	1,106,055
Opening Balance at 1 January 2023	865,661	161,554	27,423	1,054,638
Increase (decrease) in loan balances	**25,920**	**17,043**	**8,454**	**51,417**
New loans originated	308,488	5,747	–	314,235
Derecognised loans	(162,076)	(45,656)	(3,407)	(211,139)
Loans written-off	–	–	(10,153)	(10,153)
Transfers between Stages				
– Transfers from Stage 1	(121,985)	111,057	10,928	–
– Transfers from Stage 2	40,428	(53,978)	13,550	–
– Transfers from Stage 3	567	2,970	(3,537)	–
– Capital repayments/ Arrears accumulation	(39,502)	(3,097)	1,073	(41,526)
	25,920	**17,043**	**8,454**	**51,417**

	Gross loan balance			Expected Credit Loss (ECL)			Net balance			
£'000	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Total
Real Estate Finance	763,420	173,359	35,244	1,656	8,512	10,182	761,764	164,847	25,062	951,673
Asset Finance (including Classic Vehicles & Sports)	128,161	5,238	633	1,632	395	400	126,529	4,843	233	131,605
At 31 December 2023	**891,581**	**178,597**	**35,877**	**3,288**	**8,907**	**10,582**	**888,293**	**169,690**	**25,295**	**1,083,278**
Real Estate Finance	877,312	151,600	30,309	868	7,902	9,897	876,444	143,698	20,412	1,040,554
Asset Finance (including Classic Vehicles & Sports)	162,048	3,992	455	1,777	306	373	160,271	3,686	82	164,039
At 31 December 2024*	**1,039,360**	**155,592**	**30,764**	**2,645**	**8,208**	**10,270**	**1,036,715**	**147,384**	**20,494**	**1,204,593**

* Excludes fair value hedge accounting adjustment of £149k

	2024				2023			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan loss coverage ratio %	0.3%	5.3%	33.4%	1.7%	0.4%	5.0%	29.5%	2.1%

17 Debt securities

The Bank's debt securities are initially recognised at fair value and subsequently measured at fair value through other comprehensive income. The instruments meet the SPPI criteria but as the assets are in a Held To Collect and Sell Business Model, they are recorded at Fair Value with changes recorded through Other Comprehensive Income (OCI).

Changes in the fair value of debt securities are recognised in other comprehensive income and presented in the fair value through other comprehensive income reserve. When the debt security is sold or matures, the gain or loss accumulated in equity, together with the tax thereon, is reclassified to the income statement.

£'000	2024	2023
Debt securities as at 1 January	47,409	30,412
Purchases/fair value movements during the year	24,337	36,997
Securities sold/redeemed during the year	(6,609)	(20,000)
Debt securities as at 31 December	**65,137**	**47,409**

18 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant, and equipment.

Leases in which the Bank assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases and are stated at the amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item. The estimated useful lives are as follows:

- Property leases 2 to 15 years
- Computer hardware 1 to 5 years
- Fixtures and fittings 3 to 10 years

The Bank's depreciation methods, useful lives, and residual values are reviewed at each balance sheet date.

2024 £'000	Property lease	Computer hardware	Fixtures and fittings	Total
Cost				
Balance at 1 January 2024	2,152	456	1,060	3,668
Additions	–	98	–	98
Disposals	(52)	(132)	–	(184)
Balance at 31 December 2024	**2,100**	**422**	**1,060**	**3,582**
Accumulated Depreciation				
Balance at 1 January 2024	648	264	730	1,642
Charge for the year	156	117	151	424
Eliminated on disposals	(52)	(132)	–	(184)
Balance at 31 December 2024	**752**	**249**	**881**	**1,882**
At 1 January 2024	1,504	192	331	2,026
At 31 December 2024	**1,348**	**173**	**179**	**1,700**

2023 £'000	Property lease	Computer hardware	Fixtures and fittings	Total
Cost				
Balance at 1 January 2023	2,152	799	1,060	4,011
Additions	–	121	–	121
Disposals	–	(464)	–	(464)
Balance at 31 December 2023	**2,152**	**456**	**1,060**	**3,668**
Accumulated Depreciation				
Balance at 1 January 2023	482	585	578	1,645
Charge for the year	166	113	151	430
Eliminated on disposals	–	(434)	–	(434)
Balance at 31 December 2023	**648**	**264**	**729**	**1,641**
At 1 January 2023	1,670	214	482	2,366
At 31 December 2023	**1,504**	**192**	**331**	**2,026**

19 Intangible assets

Intangible assets that are generated are stated at cost less accumulated amortisation and impairment losses. Expenditure on computer software development is capitalised if the product or process is technically and commercially feasible, future economic benefits are probable, and the Bank can reliably measure the expenditure attributable to the intangible asset during its development. The capitalised expenditure includes the cost of direct labour and software licence costs. Capitalised developments are stated at cost less accumulated amortisation.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use. The estimated useful life of capitalised computer software development costs is 3 to 5 years.

Intangible assets include assets totalling £397k which were in the course of construction at the 31 December 2024 (2023: £515k).

2024 £'000	Computer software
Cost	
Balance at 1 January 2024	4,769
Additions	1,061
Disposals	(140)
Balance at 31 December 2024	**5,690**
Accumulated Amortisation	
Balance at 1 January 2024	2,900
Amortisation for the year	653
Eliminated on disposals	(140)
Balance at 31 December 2024	**3,413**
Net book value	
At 1 January 2024	1,869
At 31 December 2024	**2,277**

2023 £'000	Computer software
Cost	
Balance at 1 January 2023	4,366
Additions	609
Disposals	(206)
Balance at 31 December 2023	**4,769**
Accumulated Amortisation	
Balance at 1 January 2023	2,592
Amortisation for the year	514
Eliminated on disposals	(206)
Balance at 31 December 2023	**2,900**
Net book value	
At 1 January 2023	1,774
At 31 December 2023	**1,869**

20 Other assets and prepayments

£'000	2024	2023
Other debtors	173	184
Cash Ratio Deposit*	–	1,311
Prepayments	1,270	1,031
Corporation tax	689	–
Total	2,132	2,526

* The cash ratio deposit is no longer required

21 Derivatives

Derivatives include all derivative assets and liabilities that are not classified as trading assets or liabilities. The Bank has designated its derivatives as fair value hedges to reduce volatility in the income statement. Where a derivative financial instrument meets the requirements of a fair value hedge, changes in the fair value of the hedged item are taken to the income statement offsetting the effect of the related movements in the fair value of the derivative. As at 31 December 2024, the Bank had £64.8m nominal value of derivatives (2023: £9m), all related to the hedging of fixed rate loans (2023: fixed rate deposit balances).

	Nominal value		Fair value	
£'000	2024	2023	2024	2023
Instrument type				
Interest rate derivatives	64,798	9,000	149	(652)
Designated in fair value hedges				
Total interest rate derivatives	**64,798**	**9,000**	**149**	**(652)**

Under IFRS 9 the Bank is not required to undertake a monthly retrospective test for hedge effectiveness as it can demonstrate the critical terms of the hedge instrument and the hedged item are matched. On initial designation of the hedge, the Bank documents the relationship between the hedging instruments and the hedged items, including the risk management objective, together with the method that will be used to assess the effectiveness of the hedging relationship. The Bank makes an assessment, at inception of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the hedged items during the period in which the hedge is designated. On a monthly basis the Bank must be able to continue to demonstrate that the critical terms of the derivative and the hedged item continue to be closely aligned to conclude that the relationship remains highly effective. All the Bank's hedging relationships are currently fair value hedges.

- **Fair value hedges**

  Where a derivative financial instrument is designated as a hedge of the variability in fair value of a recognised asset or liability, or an unrecognised firm commitment, all changes in the fair value of the derivative are recognised immediately in the income statement. To the extent to which the hedge is effective, the carrying value of the hedged item is adjusted by the change in fair value that is attributable to the risk being hedged (even if it is normally carried at cost or amortised cost) and any gains or losses on measurement are recognised immediately in the income statement (even if those gains would normally be recognised directly in reserves).

  On the discontinuance of a hedge, any adjustment made to the carrying amount of the hedged item because of the fair value hedge relationship, is recognised in the income statement over the remaining life of the hedged item.

  The Bank uses interest rate swaps to minimise Interest Rate Risk exposure in specific periods by hedging the Interest Rate Risk associated with fixed rate loans and in prior periods fixed rate deposit balances. The terms of the hedged items and hedging instrument are aligned to minimise hedge ineffectiveness arising. Hedge ineffectiveness, the difference between the hedging gains or losses of the hedging instrument and the hedged item recognised in the income statement was £nil (2023: £nil charge).

Fair value hedges of Interest Rate Risk £'000 Instrument type:	2024 Assets	2024 Liabilities	2023 Assets	2023 Liabilities
Interest rate	149	–	–	652
Total	149	–	–	652

The fair value of the Bank's derivatives in place at the year-end was an asset of £149k (2023: liability £652k).

- **Credit Risk derivative risk management**

The Bank mitigates the Credit Risk of derivatives by entering transactions under International Swaps and Derivatives (ISDA) master netting agreements. The Bank has executed a Credit Support Annex (CSA) in conjunction with the ISDA agreement, which requires the Bank and its counterparty (NatWest Markets PLC) to post collateral to mitigate counterparty Credit Risk in the event of specific triggers being met.

Type of credit exposure	% of exposure that is subject to collateral requirements 2024	2023	Principal type of collateral	Collateral (received)/given
Derivatives held for risk management	100%	100%	Cash	(£310k)

The following table sets out the Bank's financial assets and financial liabilities that are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position. The values reflect the instruments fair value. The Bank's ISDA does not meet the criteria for offsetting in the statement of financial position. This is because it creates a right of set-off of recognised amounts that is only enforceable following a predetermined event.

Cash is pledged and received as collateral against derivative contracts which are used by the Bank to manage its exposure to Market Risk. Collateral is pledged to derivative contract counterparties where there is a net amount outstanding to the counterparty, and collateral is received from derivative contract counterparties where there is a net amount due to the Bank. All derivatives are marked to market on a daily basis, with collateral pledged or received if the aggregate mark to market valuation exceeds the CSA variation margin threshold. The Bank's derivative contracts have an outstanding contractual period of up to 5 years (2023: 2.5 years).

At 31 December 2024 the Bank held £310k (2023: £830k pledged) of cash collateral, which is included in the total loans and advances to banks category on the balance sheet.

£'000 Type	Gross amounts of recognised financial assets	Gross amounts of financial liabilities offset in the statement of financial position	Net amounts of financial liabilities in the statement of financial position	Related amounts not offset in the statement of financial position: Financial instruments liabilities	Cash collateral received	Net amount
2024						
Derivatives held for risk management						
Assets	149	–	–	–	310	459
Liabilities	–	–	–	–	–	–
2023						
Derivatives held for risk management						
Assets	–	–	–	–	–	–
Liabilities	–	652	–	–	–	652

22 Customers' accounts

IFRS 9 stipulates that all financial liabilities be classified at amortised cost, except for those recognised at fair value through the Income Statement (including derivative contracts). This includes:

- financial liabilities which have been designated as Fair Value Though Profit & Loss (FVTPL) on the basis that this provides more relevant financial information;
- Financial liabilities which arise when a transfer of a financial asset do not qualify for derecognition (or when the continuing involvement approach applies);
- Financial guarantee contracts;
- Commitments to provide a loan at a below market rate of interest; or
- Contingent consideration recognised by an acquirer in a business combination to which IFRS 3 applies.

The Bank has assessed all financial liabilities to classify and measure them appropriately. As with financial assets, financial liabilities are initially measured at their fair value, plus or minus any transaction costs which are directly attributable to the financial liability.

In respect of Customer Deposits, the Bank classifies its customer deposits as being held at amortised cost, which is consistent with the criteria outlined above.

The Bank pays fixed commission to certain brokers in respect of its deposit accounts. The commission is charged as a percentage of the customer balance and is recognised within interest payable.

Deposits are the Bank's primary source of debt funding.

The Bank's growth in fixed rate lending in 2024 resulted in the fixed rate deposit hedges in-force at the end of 2023 no longer mitigating Interest Rate Risk. These hedged relationships were therefore closed out. The fair value adjustment in respect of the previously hedged balances at 31 December 2024 was £381k (2023: £650k). This balance is being amortised over the remaining 16 months of the previously hedged deposit balances. £95k of fair value adjustment was charged to the Income statement in 2024.

£'000	2024	2023
Easy access	33,975	33,990
Term and notice accounts		
Payable within 1 year	1,013,365	914,629
Payable after one year	224,865	207,255
Total	**1,272,205**	**1,155,874**
Fair value adjustment for hedged risk	–	(650)
Remaining fair value adjustment for previously hedged risk	(381)	–
Total deposits from customers	**1,271,824**	**1,155,224**

£'000	2024	2023
Variable rate deposit balances	529,216	581,987
Fixed rate deposit balances	742,989	573,887
Total	**1,272,205**	**1,155,874**
Fair value adjustment for hedged risk	–	(650)
Remaining fair value adjustment for previously hedged risk	(381)	–
Total deposits from customers	**1,271,824**	**1,155,224**

23 Central Bank Facilities

The Bank has drawings of £55m under the Bank of England Term Funding Scheme for SMEs ('TFSME'). These funds were originally drawn in September 2021, have a maturity of four years and bear interest at bank base rate. The remaining maturity of the Bank's drawings is 9 months.

The Bank has pre-positioned loan assets with the Bank of England for future use in Sterling Monetary Schemes. More details are set out in Note 29.

£'000	2024	2023
TFSME	55,000	65,000
Total	**55,000**	**65,000**

24 Subordinated debt liability

Subordinated debt liabilities are classified as financial liabilities measured at amortised cost. Subordinated liabilities comprise notes issued by the Bank, as summarised in the following table. Amounts below include accrued interest and capitalised costs.

£'000		Issue date	Call date	Maturity date	2024	2023
11.5% fixed rate reset callable subordinated notes	British Business Bank Investments	Aug 2023	Aug 2028	Aug 2033	4,800	4,751

The principal terms of the subordinated debt liabilities are as follows:

– Interest: interest on the notes is fixed at an initial rate until the reset date. On the reset date, the interest rate will be reset and fixed based on a set margin above a defined market rate.

– Redemption: the Bank may elect to redeem all, but not part, of the notes by exercising its call option as specified in the terms of the agreement.

– The notes constitute direct, unsecured, and subordinated obligations of the Bank and rank at least pari passu, without any preference, among themselves as Tier 2 capital. The notes rank behind the claims of depositors and other unsecured and unsubordinated creditors but rank in priority to holders of Tier 1 capital and of equity in the Company.

25 Other liabilities and accruals

£'000	2024	2023
Accruals	6,273	6,727
Lease liability	1,793	1,919
Corporation tax	–	689
Other creditors	1,211	982
Total	**9,277**	**10,317**

See Note 32 for more details on the lease liability.

26 Provisions

A provision is recognised in the Statement of Financial Position when the Bank has a present legal or constructive obligation because of a past event, that can be reliably measured, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

£'000	2024	2023
Provisions	750	–

During the year the Bank has recognised a provision in respect of the future outcome of a regulatory review. This provision includes judgements and estimates for operational and legal costs and potential awards, based on various scenarios using a range of assumptions. There are currently significant uncertainties as to the possible results of the review and as such, the ultimate financial impact could be higher or lower than the amount provided. It is therefore not practicable to quantify the extent of any contingent liability.

27 Capital and reserves

- **Share capital**

	£'000		No. of shares	
	2024	2023	**2024**	2023
Ordinary shares of £1 each authorised, issued and fully paid				
1 January	44,955	44,955	44,955,000	44,955,000
Shares issued during the year	–	–	–	–
31 December	**44,955**	**44,955**	**44,955,000**	**44,955,000**
Perpetual subordinated contingent convertible loan notes				
1 January	22,900	22,900	22,900,000	22,900,000
Authorised notes issued during the year	–	–	–	–
Fully paid notes as at 31 December	**22,900**	**22,900**	**22,900,000**	**22,900,000**

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Bank. During the year there were no new shares authorised or issued (2023: nil). There were no new issues of any convertible loan notes (2023: nil).

Dividends on ordinary shares are recognised in equity in the period in which they are approved by shareholders. No ordinary share dividends were paid in 2024 (2023: nil).

Cambridgeshire Local Government Pension Fund holds the perpetual subordinated contingent convertible loan notes. Interest on these securities is due and payable only at the sole discretion of the Board.

- **Fair value through other comprehensive income reserve (FVOCI reserve)**

The FVOCI reserve includes the cumulative net change in the fair value of financial assets until the investment is derecognised or impaired.

£'000	2024	2023
FVOCI reserve as at 1 January	(376)	(1,209)
FVOCI financial assets – net change during the year	150	1,111
Related tax	(48)	(278)
FVOCI Reserve as at 31 December	**(274)**	**(376)**

- **Convertible loan note interest payments**

The following convertible loan note interest payments were recognised as distributions to owners during the year ended 31 December. The increased rate reflects the higher average bank base rate during 2024.

£'000	2024	2023
Convertible loan note interest 10.74 pence per loan note (2023: 9.57 pence per loan note)	2,459	2,191
Total	**2,459**	**2,191**

28 Employee benefits

- **Defined contribution pension plans**

The defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by employees.

The Bank operates a defined contribution Personal Pension Scheme, which is provided by Royal London Mutual Insurance Society Limited and contributes to the personal pension plans of certain employees. The pension cost for the year represents the contributions payable by the Bank under these arrangements and amounted to £2,153k (2023: £1,846k). There was an outstanding contribution due of £4k (2023: £nil) at the end of the year.

29 Financial instruments and fair values

The Bank has set out in Notes 22, 28 and 29, how it classifies financial assets and liabilities under IFRS 9. The following tables summarise the classification and carrying amounts of the Bank's financial assets and liabilities as well as the valuation basis:

2024 £'000	Amortised cost	At fair value through other comprehensive income	At fair value through Income Statement*	Liabilities at amortised cost	Total
Cash & balances at central banks	292,850	–	–	–	292,850
Loans and advances to banks	12,139	–	–	–	12,139
Debt securities		65,137	–	–	65,137
Derivatives	–	–	149	–	149
Loans and advances to customers	1,204,593	–	(149)	–	1,204,444
Total	**1,509,582**	**65,137**	**–**	**–**	**1,574,719**
Customers' accounts	–	–	(381)	1,272,205	1,271,824
Central Bank facilities	55,000	–	–	–	55,000
Subordinated debt liability	4,800	–	–	–	4,800
Total	**59,800**	**–**	**(381)**	**1,272,205**	**1,331,624**

* Fair Value adjustment in respect of hedge accounting

2023 £'000	Amortised cost	At fair value through other comprehensive income	At fair value through Income Statement*	Liabilities at amortised cost	Total
Cash & balances at central banks	302,473	–	–	–	302,473
Loans and advances to banks	10,420	–	–	–	10,420
Debt securities	–	47.409	–	–	47,409
Loans and advances to customers	1,083,278	–	–	–	1,083,278
Total	**1,396,171**	**47,409**	**–**	**–**	**1,443,580**
Customers' accounts	–	–	(650)	1,155,874	1,155,224
Derivatives	–	–	652	–	652
Central Bank facilities	65,000	–	–	–	65,000
Subordinated debt liability	4,751	–	–	–	4,751
Total	**69,751**	**–**	**2**	**1,155,874**	**1,225,627**

* Fair Value adjustment in respect of hedge accounting

2024 £'000		Carrying value	Fair value – valuation basis Level 1	Level 2	Level 3
Fair value of financial instruments carried at fair value	**Financial Assets**				
	Debt securities	65,137	65,137	–	–
	Derivatives	149	–	149	–
Fair value of financial instruments not carried at fair value	**Financial Assets**				
	Loans and advances to customers	1,204,593	–	–	1,234,573
	Financial liabilities				
	Subordinated Debt liability	4,800	–	–	4,800
	Customers' accounts	1,272,205	–	–	1,272,307

2023 £'000		Carrying value	Fair value – valuation basis Level 1	Level 2	Level 3
Fair value of financial instruments carried at fair value	**Financial Assets**				
	Debt securities	47,409	47,409	–	–
	Financial liabilities				
	Derivatives	652	–	652	–
Fair value of financial instruments not carried at fair value	**Financial Assets**				
	Loans and advances to customers	1,083,278	–	–	1,101,270
	Financial liabilities				
	Subordinated Debt liability	4,751	–	–	4,751
	Customers' accounts	1,155,874	–	–	1,149,429

- **Fair value**

For the purpose of calculating fair values, fair value is assessed as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. Far value of financial assets and financial liabilities are based on quoted market prices. If the market is not active, the Bank establishes a fair value by using appropriate valuation techniques.

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

- **Level 1:** quoted prices in active markets for identical assets or liabilities;
- **Level 2:** inputs other than quoted prices included within level 1 that are observable either directly (e.g. prices) or indirectly (e.g. derived from prices); and
- **Level 3:** inputs for the asset or liability that are not based on observable market data.

Key considerations in the calculation of the disclosed fair values for those financial assets and liabilities carried at amortised cost include the following:

- Loans and advances to customers

  In both the Bank's Real Estate and Asset Finance portfolios, each loan is individually priced based on the circumstances and credit quality of the customer. The fair value of loans and advances to customers is assessed as the value of the expected future cash flows, projected using the average behavioural life of the Bank's customers (actual experience may differ from this assumption). The estimated future cash flows are discounted at current market rates for all loan types.

- Customers' accounts

  Customers' accounts at variable rates are at current market rates and therefore the Bank regards the fair value to be equal to the carrying value. The fair value of fixed rate customers' accounts that have been designated as hedged with interest rate derivatives have been determined by discounting estimated future cash flows based on future market interest rates. The fair value of fixed rate deposits has been determined by discounting the estimated future cash flows based on the existing product rate compared to current market rates for an equivalent deposit.

– Debt securities

Where securities are actively traded in a recognised market, with available and quoted prices, these have been used to value these instruments. These securities are therefore regarded as having level 1 fair values. The Bank's debit securities and derivatives are held and recorded at fair value. The fair value of the Bank's debt securities are based on quoted bid prices in active markets.

– Derivatives

The fair value of derivative assets and liabilities are calculated based on the present value of future interest cash flows, discounted at the market rate of interest at the balance sheet date. Derivative financial assets and liabilities are classified at fair value through the income statement. Derivative assets and liabilities are determined using widely recognised valuation models for determining the fair values of interest rate swaps.

– Subordinated Debt liability

This item is fully explained in Note 24. The notes are not actively traded but were only drawn in 2023 and therefore the Bank considers the fair value of this liability to equal to the carrying amount.

There have been no transfers between levels in 2024 or 2023.

- **Derecognition**

The following sets out how the Bank derecognises assets and liabilities and fair values its assets in accordance with IFRS 9:

Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the associated cash flows expire, or the Bank transfers the financial asset, and the transfer qualifies for derecognition in accordance with the provisions set out in IFRS 9. To qualify for a transfer, the Bank must meet either of the following:

– The contractual right to receive the cash flows of the financial asset have been transferred; or

– The contractual right to receive the cash flows of the financial asset is retained by the Bank, but the Bank also assumes a contractual obligation to pay the cash flows to one or more recipients.

In respect of point 2 above, the Bank assesses whether the following three conditions are all met before treating the financial asset as having been derecognised:

– The Bank assumes no obligation to pay amounts to the eventual recipients unless those amounts have been collected from the original financial asset;

– The Bank is prohibited under the terms of the transfer contract from selling or pledging the original asset, other than as security to the recipients of the cash flows; and

– The Bank has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. The Bank may also not reinvest any such cash flows received.

Where the above criteria are met, and a transfer is deemed to have occurred, the Bank evaluates the extent to which it retains the risk and rewards of ownership of the financial asset. Where the Bank determines that the risk and reward of ownership of the assets has been transferred, the Bank derecognises the asset. If the Bank determines that the risk and reward remain with them, the asset is not derecognised and remains on the statement of financial position. On derecognition of the financial asset, the Bank recognises the difference between the carrying amount of the asset and the consideration received in the income statement.

Derecognition of financial liabilities

The Bank derecognises a financial liability only when the obligation, which is specified in the contract, has been discharged, is cancelled, or expires. The Bank may also be required to derecognise a financial liability where there has been a substantial modification. A modification is considered to be substantial where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

30 Financial risk management

A key component of the Bank's business is the effective management of risk to ensure that the Bank maintains sufficient capital, liquidity and controls at all times and acts in a reputable way, taking into account the interests of customers, Regulators and shareholders. The principal risks the Bank is exposed to include:

- **Credit Risk**
  - – loans and advances to customers;
  - – loans and advances to banks
  - – debt securities;
- **Liquidity Risk;**
- **Market Risk;**
- **Operational Risk; and**
- **Capital adequacy.**

The Bank's Enterprise Risk Management Framework and Risk Appetite are set out in the Risk Management section of the report.

- **Credit Risk** – loans and advances to customers

Credit Risk is the risk of financial loss to the Bank if a customer with a financial instrument fails to meet its contractual obligations.

The credit risks associated with lending are managed using detailed lending policies which outline the Bank's approach to lending, underwriting criteria, credit mandates, concentration limits and product terms. The Bank seeks to mitigate Credit Risk by focusing on business sectors where it has specific expertise, and through limiting concentrated exposures on larger loans, certain sectors and other factors that can represent higher risk. The Bank also seeks to obtain security cover and where appropriate, personal guarantees from borrowers. Credit Risk is principally assessed through the manual underwriting of all transactions.

The Board Risk & Compliance Committee has oversight responsibility for Credit Risk.

Credit exposure

The Bank's maximum exposure to Credit Risk after Impairment to expected credit loss is as follows:

£'000	2024	2023
Cash and balances at central banks	292,850	302,473
Loans and advances to banks	12,139	10,420
Debt securities	65,137	47,409
Loans and advances to customers*	1,225,716	1,106,055
	1,595,842	1,466,357
Commitments to lend**	150,140	67,531
Gross Credit Risk exposure	**1,745,982**	**1,533,888**
Less allowance for expected credit losses	(21,123)	(22,777)
Net Credit Risk exposure	**1,724,859**	**1,511,111**

* Net of Effective Interest Rate liability of £2.7m (2023: £3.2m) and fair value adjustment for hedged risk of £149k (2023: £nil)

** Commitments to lend represent agreements entered into but not advanced as at 31 December.

The above table represents the maximum Credit Risk exposure to the Bank at 31 December 2024, and 2023, without taking account of any underlying security. At 31 December 2024 the value of securities held as collateral against drawn loans and advances to customers is £2,246m (2023: £1,996m) of which £2,082m (2023: £1,862m) is in the form of property), £164m (2023: £134m) in the form of assets owned by the Bank and financed by customers using hire purchase and finance leases, and £0.6m (2023: £0.9m) is in the form of cash deposits.

Credit Risk management

The Bank specialises in providing lending to Small and Medium Enterprises (SMEs). Its lending is secured on property. The Bank lends to owner occupied businesses to invest in their own commercial premises, as well as to experienced commercial and residential property investors. The Bank also has a growing asset finance business providing finance to SMEs for business-critical assets and Classic and Sports Vehicles through hire purchase and finance lease facilities. At 31 December 2024, the Bank's asset finance loan portfolio totalled £164m (2023: £134m).

Credit Risk is managed in accordance with lending policies, the Board's Risk Appetite, and Risk Management Framework. Lending policies and performance against Risk Appetite are reviewed regularly. All applications are reviewed and assessed by a team of experienced underwriters.

All properties are individually valued at origination, and regular reports are produced to ensure the property continues to represent suitable security throughout the life of the loan. Affordability assessments are also performed on all loans, and other forms of security are often obtained, such as personal guarantees. Real Estate Loans are secured on properties solely located in the UK, concentration risks are monitored, and credit exposures are diversified by sector and geography. The Bank retains the ownership of all assets financed by hire purchase and finance leases.

Concentration of Credit Risk

The Bank monitors concentration of Credit Risk by product type, borrower type, geographic location and loan size.

Lending by product and type %	2024	2023
Real estate lending		
Residential	25%	27%
Commercial	60%	59%
Other	1%	1%
Asset finance	8%	8%
Classic Vehicles and Sports	6%	5%
Total	**100%**	**100%**

The Bank's lending Real Estate lending portfolio is geographically diversified across the UK:

Region	2024	2023
East Anglia	2%	2%
East Midlands	18%	18%
Greater London	5%	4%
North East	6%	6%
North West	15%	16%
Scotland	5%	6%
South East	8%	8%
South West	8%	7%
Wales	5%	6%
West Midlands	8%	7%
Yorkshire/Humberside	20%	20%
Total	**100%**	**100%**

The Bank's Real Estate lending portfolio (by number of accounts) falls into the following concentration by loan size:

Loan size	2024	2023
0 – £250k	40%	45%
£251k – £500k	26%	25%
£501k – £1,000k	18%	16%
£1,001k – £3,000k	13%	11%
£3,001k+	3%	3%
Total	**100%**	**100%**

LTV banding

The Bank's Real Estate lending balances falls into the following LTV bandings:

LTV banding	2024	2023
0 – 50%	38%	34%
51 – 60%	29%	30%
61 – 70%	30%	32%
71 – 80%	1%	2%
81%+	2%	2%
Total	**100%**	**100%**

Credit Risk – security

The Bank enters into loan agreements with customers, and where appropriate takes security. The security profile of the loan's receivable book is shown below:

	2024		2023	
£'000	£'000	%	£'000	%
Secured on property	1,059,221	86	972,023	88
Secured on other assets	166,495	14	134,032	12
Total	**1,225,716**	**100**	**1,106,055**	**100**

In addition to security over property, the Bank may also take additional security in the form of Director Guarantees and cash deposits. Collateralised deposits at the end of 2024 totalled £0.6m (2023: £0.9m).

Credit Risk – allowance for impairment losses

(see also Note 16)

The Bank uses a forward-looking 'expected credit loss' (ECL) model to assess its Credit Risk. This requires considerable management judgement over how changes in economic factors affect ECLs, which are determined on a probability-weighted basis.

As the Bank has to date incurred limited arrears and losses in its initial twelve years of trading, it has had to use significant management judgement in calibrating the weightings and values. Over time as the Bank obtains more performance data, it will continue to develop its models and incorporate this performance data into them.

The payment status of the Bank's loans and advances are a key driver of the Bank's provisioning requirements. The table below provides information on the payment due status of loans and advances to customers as at 31 December:

LTV banding	2024	2023
Neither past due nor impaired	1,171,085	1,047,166
Past due but not impaired:		
Up to 3 payments missed	23,867	23,012
Default – inc. credit impaired and IFRS stage 3 loans	30,764	35,877
Total	1,225,716	1,106,055
Less allowances for impairment losses	(21,123)	(22,777)
Total loans and advances to customers	**1,204,593**	**1,083,278**

Expected credit loss recognition

IFRS 9 requires a loss allowance to be recognised at an amount equal to either 12-month ECL, or lifetime ECL. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument (in the Bank's case for customer loans and advances this is the same average life assumption as used for its effective interest rate calculation), whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12-month period after the reporting date, based on the estimated loss curve.

In respect of Real Estate lending, the Bank recognises loss allowances at an amount equal to lifetime ECL, except where the Credit Risk has not increased significantly since initial recognition and repayments are fully up to date. For these, the amount recognised will be 12-month ECL.

Inputs into measurement

The inputs into the measurement of ECLs include the following variables:

- **Probability of default (PD):** A series of quantitative and qualitative variables are assessed for each loan and a customer slot calculated. The drivers include customer character, property type and location. The customer slot is converted to a PD using a default curve based on historical performance, management judgement and industry benchmarking.
- **Loss given default (LGD)** is the magnitude of the likely loss if there is a default. The Bank estimates the LGD parameters based on the history of recovery rates of claims against defaulted counter parties and management experience. The Bank calculates its real estate LGD using the drivers of the loan to value ratio (LTV).

  The LGD is calculated at the current point in time and is then adjusted to reflect forward looking economic indicators with the calculated loss discounted over the assumed selling period.
- **Expected credit loss (ECL)** percentage: By taking the appropriate PD and LGD, the Bank can calculate an ECL percentage.
- **Exposure at default (EAD)** represents the expected exposure in the event of a default. The Bank will derive the EAD from the current exposure to the counterparty and any potential changes to the current amount allowed under the contract. The Bank does not have a significant number of undrawn commitments linked to existing customer loan agreements and any new commitments would not be drawn if the Bank considered them likely to cause a default.

Other ECL model assumptions

The Bank estimates provisions for credit losses at an individual account level for all financial instruments, and for all loans the expected life is based on the contractual maturity.

As at 31 December 2024, the Bank does not hold any financial assets that have been purchased or originated as credit-impaired loans (2023: None).

The Bank's 2023 Expected Credit Loss included a Post Model Adjustment (PMA) of £611k. This adjustment was applied to reflect risks not fully captured by the Bank's REF IFRS 9 model. Commercial property prices recorded significant reductions in the final quarter of 2022 and Management did not consider these to have been fully captured within its model for loans drawn in the first three quarters of 2022. During 2024 commercial property prices have stabilised and the loans drawn in 2022 have been reviewed as part of the Bank's business as usual annual review process. These reviews have not highlighted any valuation concerns and therefore the Bank no longer considers it necessary to include this adjustment in its Expected Credit Loss. The PMA has therefore been released.

Definition of default

The Bank defines default where the loan is in arrears for four or more consecutive payments (i.e. over 90 days), the loan is linked to another account in default, the customer has been declared bankrupt, or the Company has been wound up, or a liquidator/administrator appointed. This is aligned to the regulatory definition of default.

Write-off

A write-off is a direct reduction in a financial assets gross carrying value when there is no reasonable expectation of recovering the financial asset in its entirety or a portion thereof. A write off therefore constitutes a derecognition event. The Bank wrote-off £7.3m of loans in 2023 (2023: £2.3m). The Bank will write off all or part of the gross carrying amount of a financial asset under the following circumstances:

- Where the underlying collateral of a loan has been sold, with the proceeds having been received by the Bank, and there is no reasonable expectation of recovering the remainder of the outstanding balance due;
- The write off has been approved in line with the Bank's policy; and
- The Bank have explored reasonable avenues of recovering the outstanding loan amount.

The release of provisions and the write-off of any bad debt is subject to appropriate delegated authorities.

Credit risk grades

The Bank allocates each exposure a credit risk grade (slot) using its Credit Grading Model. Each exposure has been allocated a credit risk grade on initial recognition. Credit grades are formally reviewed as a minimum on an annual basis. The grades are reassessed earlier if the customer falls into arrears or contacts the Bank with information that impacts its credit quality.

The table below presents the Bank's loan portfolio split by slot. Each loan account is allocated a slot between 1 and 4, with accounts in default allocated a slot 5

Lending split by slot as at 31 December 2024	Stage 1 (£'000)	Stage 2 (£'000)	Stage 3 (£'000)	**Total**
1 – 2	677,839	1,352	–	679,191
3	195,340	33,686	–	229,026
4	8,017	119,649	–	127,666
5	–	–	28,082	28,082
Real Estate Gross loans**	881,196	154,687	28,082	1,063,965
Asset Finance Gross loans*	159,999	3,962	449	164,410

* Excludes effective interest rate

** Excludes fair value hedge adjustment

The majority of slot 1 to 3 accounts relate to performing loans where the loans are fully up to date and no significant change in Credit Risk has been identified.

The majority of slot 4 loans are in stage 2 as a result of accounts falling into arrears or other deteriorating credit factors having been identified, and the account placed on the Bank's Credit watch-list.

All slot 5 customers are in stage 3 with the majority categorised as being in default as a result of arrears in excess of 90 days.

The Bank's Asset Finance and CV&S portfolio exposures are allocated a Probability of Default (PD) at origination which is reviewed monthly. The PD is calculated using the Moody's Risk Calc system. The exposures are allocated a IFRS 9 stage depending on the status of the account and the PD. Accounts which have triggered the Bank's SICR (Significant Change In Credit Risk) criteria or are over 30 days in arrears are as a minimum in stage 2. Accounts over 90 days in arrears or are considered unlikely to pay are classified in stage 3.

Provisioning stages

Under IFRS 9 all the Bank's lending exposures are allocated a stage based on the status of the loan. The Bank has set the following definitions for each of the three stages within IFRS 9:

IFRS 9 Stage	Definition	Provisioning Basis	Cure Criteria
Stage 1	All performing loans which do not feature on the watchlist Loans which have no arrears on them.	12 month Expected Credit Losses	n/a
Stage 2	The customer is at least 30 days past due. The customer is on the Bank's watchlist, save for those accounts which have been added because of the death of a customer, and where the death of that customer has not given rise to any significant increase in Credit Risk as payments continue and are expected to continue to be made. The underlying loan collateral is located in a particular region or sector as defined by the Credit Committee. Any other significant decline in credit quality has been identified by the Bank. Management specifically places the case in stage 2.	Lifetime Expected Credit Losses	Movement back to stage 1 will only occur where the borrower meets all of the following: – Arrears have been fully cleared on the account. – The account has been 'performing' for a period of at least 6 consecutive months. – The account has met all terms of any forbearance measure granted and a period of at least 6 consecutive months has passed since the forbearance ending, and the account has been 'performing' for this period. – The account has been removed from the Bank's watchlist and is not considered to have increased Credit Risk for internal risk management purposes. – There are no other indicators that suggest Credit Risk has increased significantly since initial recognition. – There are no other connected accounts which meet the definition of a stage 2 asset.
Stage 3	The account is over 90 days past due. The customer has been declared bankrupt. The Company has been wound up or a liquidator/administrator has been appointed. The account is part of a connected exposure where the borrower meets at least one of the above criteria across any connected account. Management considers the customer unlikely to pay. These criteria can be overridden by Management if the account: – Is not guaranteed by other members of the group. – Does not share the same security. – Is a separate legal entity. – Is not deemed to spread contagion to other group members. – The account is in forbearance and that forbearance is not considered to be 'significant' (see relevant section below).	Lifetime Expected Credit Losses	Movement from stage 3 back to stage 2 will only occur when the borrower meets all of the following: – The account is no longer more than 90 days past due. – No connected accounts are more than 90 days down. – The customer has not been more than 90 days down for a consecutive period of 3 months. Where forbearance was extended, all terms of the forbearance agreement were met, and full payments have been made for a consecutive period of at least 3 months. – The Bank are actively seeking resolution and have obtained cooperation from the borrower to work to resolve the arrears. – There are no other indicators of default which would warrant the accounting remaining in stage 3.

Under IFRS 9 customers move from a stage 1 provision exposure to a stage 2 exposure as a result of a significant increase in Credit Risk. To determine whether the Credit Risk on a particular financial instrument has increased significantly since initial recognition the Bank reviews each account annually, or more regularly, should the customer's payment record show any deterioration.

As a backstop, and as required by IFRS 9, the Bank will presumptively consider that a significant increase in Credit Risk occurs no later than when an asset is more than 30 days past due.

For an account to be 'cured' i.e. evidence a significant reduction in Credit Risk, and return from stage 2 to stage 1, the customer would need to demonstrate a good track record of payments.

Movement from stage 3 to stage 2 will only occur when the borrower satisfies all the criteria in the table above.

All staging classifications are subject to Management review and can be overridden subject to appropriate approval at the Bank's Provision or Credit Committees.

Forbearance

The Bank can implement forbearance agreements for the servicing and management of customers who are in financial difficulty and require some form of concession to be granted, even if this concession entails a loss for the Bank. A concession may be either a modification of the previous terms and conditions of an agreement, which the borrower is considered unable to comply with due to financial difficulties, or a total or partial refinancing of an agreement that would not have been granted had the borrower not been in financial difficulties.

The Bank may modify the contractual terms of a loan for several reasons, including to reflect changing market conditions, or where forbearance (i.e. a renegotiation of the terms of a loan) is granted at the request of a borrower. This modification may have an impact on the IFRS 9 impairment provision stage to which the asset is allocated.

An existing loan whose terms have been modified may require derecognition, and the renegotiated loan recognised as a new loan at fair value, with any adjustments taken through the income statement. Derecognition is assessed using the same '10 percent' test applied to financial liabilities. Where a modification does not result in derecognition, the gross carrying amount of the asset is recalculated as the present value of the modified cash flows, discounted at the financial assets original effective interest rate. Any subsequent modification gain or loss is then recognised in the Income Statement.

When the terms of a financial asset are modified, and the modification does not result in derecognition, the determination of whether the asset's Credit Risk has increased significantly reflects comparisons of:

- the remaining lifetime PD at the reporting date based on the modified terms; with
- the remaining lifetime PD estimated based on data on initial recognition and the original contractual terms.

Should modification result in a derecognition event, the Bank would make an assessment as to whether the new financial asset is credit impaired at initial recognition.

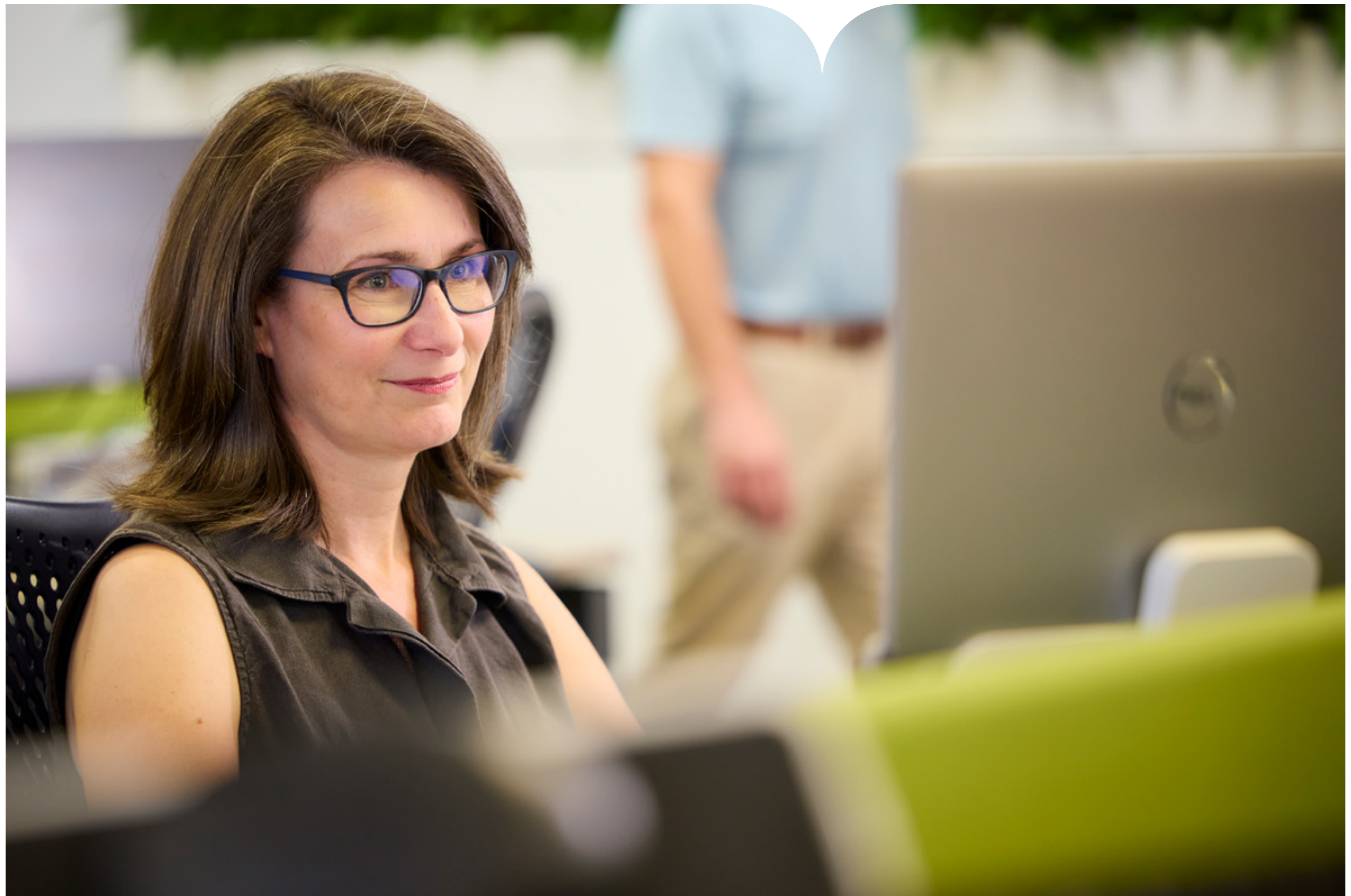
Forbearance can be temporary or permanent depending on the circumstances, progress on rehabilitation, and the detail of the concession agreed.

Forbearance – curing

Loans are classified as forborne at the time a customer in financial difficulty is granted a concession.

The customer will remain treated and recorded as forborne until the following exit conditions are met:

- When all due payments, as per the amended contractual terms, have been made in a timely manner over a continuous repayment period (loan is considered as performing);
- A minimum two-year probation period has passed from the date the forborne exposure was considered as performing;
- None of the customer's exposures are more than 30 days past due at the end of the probation period.



Forbearance analysis

The table below shows the value of forbearance arrangements agreed by the Bank.

	No. of loans			Value of loans
31 December 2024	In concession	Completed Concession*	No. of customers (in concession period)	(in concession period) £'000
Asset Finance	0	6	0	0
Real Estate	5	36	5	12,097
Total	**5**	**42**	**5**	**12,097**

	No. of loans			Value of loans
31 December 2023	In concession	Completed Concession*	No. of customers (in concession period)	(in concession period) £'000
Asset Finance	1	7	1	30
Real Estate	22	5	17	14,319
Total	**23**	**12**	**18**	**14,349**

At the end of 2024 the Bank had 5 Real Estate Finance accounts which were in their concession period. In addition, there were a further 36 accounts which had received forbearance within the past 2 years but are now performing. In Asset Finance there were 6 accounts which had received forbearance within the past 2 years but are now performing.

Forward-looking information

Determining expected credit losses under IFRS 9 requires the incorporation of forward-looking macroeconomic information that is reasonable and supportable. To capture the effect of changes to the economic environment, the calculation of expected credit losses incorporates forward-looking information, and assumptions linked to economic variables that impact losses in each portfolio.

The introduction of macroeconomic information introduces additional volatility to provisions. To calculate forward looking provisions, the Bank sources data from industry leading companies as well as using its own internal knowledge and industry publications such as the Bank of England Annual Cyclical Scenario (ACS). Management exercises judgement in estimating the future economic conditions which are incorporated into provisions through the modelling of multiple scenarios.

For the Bank's provision calculation four different projected economic scenarios are considered to cover a range of possible outcomes, reflecting upside and downside scenarios relative to the baseline forecast economic conditions.

The economic scenarios are generated to capture a range of possible economic outcomes to facilitate the calculation of unbiased and expected credit losses. The economic variables modelled have been identified as those that have the most significant impact on the Bank's financial statements, and their impact on provisions can be directly assessed.

The Bank's economic scenarios, and the probability weightings assigned to each scenario, are reviewed and challenged by the Bank's ALCO and Impairment & Provisions Committees and approved by The Audit Committee. The Bank's scenarios, their weightings, and individual forecasts are set out in the tables below:

Scenario	Real Estate Description	Asset Finance Description
Base Case	In 2025 the economy is expected to grow by only 1.2%, this is despite the front-loading of government spending announced as part of the Budget. There is little chance of significant year-on-year growth in the economy over the forecast horizon with inflation remaining above target in 2025 and interest rates ending the year at 4%. A small rise in unemployment across H1 2025 is forecast with payrolled unemployment falling and redundancies edging up. Higher expectations on interest rates will push up mortgage borrowing costs; limited supply in the market will likely lead to resilient prices.	The Base Scenario sees renewed acceleration in growth due to stronger government consumption and investment. The growth will be relatively short-lived as the initial fiscal boost will wear off; cementing the UK's position of economic performance when compared to other advanced economies, as 'middle-of-the-road'. Labour market remains relatively tight by past standards; unemployment rate set to remain low over the coming quarters before increasing gradually. Inflation to rebound modestly and remain above 2% in the near term as easing wage growth impacts service inflation. BoE to continue its gradual easing of rates.
Downside	Businesses and households lose confidence and retrench after a gloomy Budget. Construction activity slips back as firms worry about profitability in a higher rate environment. Weak global demand causes falls in oil prices. Consumer spending falls as households reduce discretionary spending even further. In Q1 2025 the economy is heading for trouble. Inflation heads well below target and interest rates start to fall from mid-2025. GDP falls around 2.5% peak-to-trough. House prices fall 12.5% from its peak as higher unemployment creates forced sales.	The Downside Scenario sees sentiment in Europe turn down sharply amid increasing concerns around global growth. Geopolitical tensions rise on fears that the war in Ukraine will spill over into neighbouring states and tensions between China and the U.S. increase, leading to temporary barriers to shipping along the Taiwan Strait. Political risks in Europe intensify and pressure sovereigns. The resulting increase in risk aversion results in a selloff in global financial markets that sets the scene for a moderate but lengthy recession. The BoE does not act fast enough to accommodate the slumping economy.
Severe Downside	Global shocks lead to a worsening macroeconomic position. Russia steps up its war with Ukraine as US help dries up. Europe diverts more resources to defence which further strains their vulnerable economies. Higher tariffs lead to inflationary pressures peaking at 6.8% in Q4 2025. Interest rates peak at 6.25% Unemployment rises to 8.00% House prices fall 20% reflecting a return to fundamentals and forced selling.	The Severe Downside Scenario sees the global economy fail to pick up and sentiment plummets. The risk that the war in Ukraine will escalate to the point where NATO is forced to enter the conflict becomes acute and heightened geopolitical tensions between the U.S. and China lead to significant barriers to shipping. This severe increase in geopolitical risk, along with a complete lack of confidence in the economy, leads to a sharp selloff in financial markets.
Upside	Higher government investment creates opportunities in the private sector and strengthens recovery. There is less friction between the UK and EU as problems are ironed out. Inflation remains close to target despite strong growth leading to interest rates to be cut to 4.00% by mid-2025. Unemployment falls back to 3.8%, wage growth remains strong and supportive as the economy moves onto a higher productivity path.	The Upside Scenario assumes that the Russia-Ukraine war ends faster than anticipated. This results in a boost in aggregate demand and expansion of aggregate supply. On the demand side, these positive developments relieve recession concerns, causing an uptick in consumer and business sentiment. The strong economy consolidates support for the government, which further supports effective reforms and investment.

Scenario weightings for REF and AF:

Scenario	Weighting Applied 2024	Weighting Applied 2023
Base Case	50%	50%
Downside	40%	40%
Severe Downside	5%	5%
Upside	5%	5%

Macroeconomic variable forecasts:

The Bank uses the following macro-economic forecasts in its Real Estate Finance scenario modelling.

Unemployment*

Year end forecast (%)	2025	2026	2027	2028	2029
Base Case	4.3	4.1	4.1	4.1	4.1
Downside	5.6	5.8	5.0	4.7	4.5
Upside	3.9	3.8	3.8	3.8	3.8
Severe Downside	6.6	8.0	7.1	6.3	5.7

* The Bank's ECL model uses a 'hazard rate' metric. The hazard rate is driven by the unemployment rate forecast presented and this is considered a more meaningful metric for the reader. The hazard rate is defined as the proportion of the population moving from employment to unemployment.

Mortgage interest gearing – variable rate

Year end forecast (%)	2025	2026	2027	2028	2029
Base Case	5.4	4.9	4.4	4.3	4.4
Downside	4.0	4.0	4.4	4.4	4.4
Upside	4.8	4.3	4.1	4.1	4.1
Severe Downside	7.0	6.5	5.6	4.6	4.3

Undrawn housing equity

Year end forecast (%)	2025	2026	2027	2028	2029
Base Case	76.6	76.2	75.8	75.5	75.2
Downside	76.0	73.5	73.3	73.2	73.1
Upside	78.0	78.3	78.6	78.7	78.7
Severe Downside	75.3	71.2	70.5	70.4	70.4

Bank base rate

Year end forecast (%)	2025	2026	2027	2028	2029
Base Case	4.00	3.50	2.75	2.75	2.75
Downside	2.00	2.50	2.75	2.75	2.75
Upside	3.50	3.00	2.75	2.75	2.75
Severe Downside	6.25	5.25	4.25	3.00	2.75

Commercial property price changes

Year end forecast (%)	2025	2026	2027	2028	2029
Base Case	1.5	4.5	5.5	4.7	4.5
Downside	-6.9	-1.4	5.9	6.0	5.5
Upside	7.7	6.7	7.2	5.9	5.0
Severe Downside	-18.1	-6.4	6.9	8.5	7.3

Residential property prices changes

Year end forecast (%)	2025	2026	2027	2028	2029
Base Case	0.0	0.5	1.3	2.6	3.0
Downside	-5.6	-7.3	3.4	3.6	3.9
Upside	5.6	4.0	4.1	3.5	3.1
Severe Downside	-8.1	-12.3	1.8	4.2	4.2

Sensitivities

The expected credit loss provision is sensitive to judgement and estimations made with regards to the selection and weighting of multiple macroeconomic scenarios. As a result, Management has assessed and considered the sensitivity of the provision as follows:

1 The tables below show the Real Estate and Asset Finance ECL assuming each scenario has been 100% weighted to show the impact of alternative scenarios.

Real Estate

Scenario	Current weighted Scenario ECL £000	100% weighting ECL £000
Base Case	18,668	17,478
Downside		19,779
Severe Downside		24,054
Upside		16,312

Asset Finance

Scenario	Current weighted Scenario ECL £000	100% weighting ECL £000
Base Case		2,159
Downside	2,455	2,812
Severe Downside		3,091
Upside		1,916

2 The table below shows the impact of changes to the impairment assumptions in the IFRS 9 models.

Scenario	Provision impact £000
Residential and Commercial property prices reduce by 5% more than in the base case across the next 3 years	127
An increase in the Bank's forced sale discount distribution by 5%	1,126
An increase in from 46% to 51% in the assumed Cure rate	(790)
A 6 month increase in the assumed time to sell defaulted properties	208
A 10% increase in the Bank's Asset Finance LGD	114

The expected credit loss (ECL) on loans in stage 3 are estimated on an individual basis and all relevant considerations that have a bearing on the expected future cash flows across a range of economic scenarios are considered. These considerations can be particularly subjective and can include the business prospects for the customer, the realisable value of collateral, the reliability of customer information and the likely cost and duration of the work-out process. The level of the impairment allowance is the difference between the value of the discounted expected future cash flows (discounted at the loan's original effective interest rate), and its carrying amount. Furthermore, estimates change with time as new information becomes available or as work-out strategies evolve, resulting in frequent revisions to the impairment allowance as individual decisions are taken. Changes in these estimates would result in a change in the allowances and have a direct impact on the impairment charge. The Bank has Real Estate loans totalling £30m in Stage 3. A 10 percentage point increase in the LGD for these loans would result in a £3m increase in the Stage 3 ECL.

- **Credit Risk** – loans and advances to banks and debt securities

  Credit Risk exists in respect of Loans and Advances to Banks and Debt securities where the Bank has acquired securities or placed cash deposits with other financial institutions. No assets are held for speculative purposes or actively traded. Certain liquid assets are held as part of the Bank's liquidity buffer.

  The Bank holds balances in its Bank of England reserve account, along with nostro accounts held with Natl West. The counterparties to which the Bank is exposed are domestically systemic banks, and as such the Bank considers that the risk of default across these balances is extremely low.

  The Bank's debt securities are issued by supra-national bodies or major UK and European Financial institutions. The Bank considers that the loans and advances to Banks and the debt securities are of low Credit Risk and as such hold no specific loss provisions against these assets.

  The Bank monitors its exposures to all counterparties on an ongoing basis and whether there have been any changes in the credit rating which may cause an increase in the probability of said counterparty default. As at 31 December 2024 the Bank held no provisions against loans and advances to banks given the low Credit Risk of these financial instruments, their high propensity to meet contractual cash flow obligations as they fall due, and the instant access terms of these balances.

  The table below sets out the credit quality of the Bank's on-balance sheet loans and advances to Bank's, debt securities and derivative assets. Full details on the Bank's derivative instruments can be found in Note 21.

£'000	2024	Credit rating (minimum)	2023	Credit rating
Cash and balances at central banks	292,850	P1/Aa3	302,473	P1/Aa3
Deposits at other banks	12,139	P1/A1	10,420	P1/A1
Debt securities held as part of HQLA	65,137	P2/Baa1	47,409	P1/Aaa
Derivatives held for risk management purposes	(149)	P1/A1	(652)	P1/A1

The Bank's loans and advances to banks and debt securities Credit Risk is managed through a series of policies and procedures including:

– **Cash placements** – Credit Risk of counterparties is controlled through the counterparty placements policy, which limits the maximum exposure by entity where the Bank can place cash deposits.

– **Debt securities** – As part of the Bank's liquidity buffer, it holds a portfolio of debt securities. The Bank's internal Asset and Liability Management Policy sets limits on the value and type of exposures within which the Bank's Treasury function operate.

– **Derivatives** – Credit Risk on derivatives is controlled through a policy of only entering into contracts with a limited number of UK credit institutions, with a credit rating of at least BAA (using Moody's long-term rating) at inception. In addition, the derivatives are collateralised removing any Credit Risk.

- **Liquidity Risk**

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

  The Bank's Board of Directors sets the Bank's strategy for managing Liquidity Risk and delegates responsibility for oversight of the implementation of this policy to the Assets & Liabilities Committee (ALCO). ALCO manages the Bank's liquidity policies and procedures mandated by the Executive Committee. The Bank's liquidity position is monitored on a day-to-day basis and a summary report, including any exceptions and remedial action taken, is provided to Management daily.

  The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses, or risking damage to the Bank's reputation.

  The Bank maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained.

  Regular liquidity stress testing is conducted across a variety of scenarios covering both normal and more severe market conditions. The scenarios are developed considering both Bank-specific events (e.g., a negative media comment) and market-related events (e.g. prolonged market illiquidity, reduced fundability of currencies, natural disasters or other catastrophes).

  The Bank's key Liquidity Risk management drivers include the following items:

  – Deposit Funding Risk

  The Deposit Funding Risk is the primary Liquidity Risk driver for the Bank. This could occur if there was a concern by depositors over the current or future credit worthiness of the Bank. The Bank mitigates this risk with a high proportion of its deposits being protected by the UK Government's Financial Services Compensation Scheme (FSCS) and by having a diversified mix of deposit accounts with varying maturity profiles.

  – Pipeline loan commitments

  The Bank needs to maintain liquidity to cover the outstanding pipeline of loan offers. Although certain pipeline offers may not be legally binding, the failure to adhere to an expression of intent to finance a loan brings reputation risk, therefore liquidity is held for such pipeline offers.

  – Contingency funding plan

  The Bank is required to maintain a Resolution, Recovery and Liquidity Funding Contingency Plan documents by its Regulator, the PRA. The plans involve a two-stage process, covering preventive measures and corrective measures to be invoked when a potential or actual risk to the Bank's liquidity or capital position arises from either an internal or external event. The plans set out what actions the Bank would take to ensure it complies with the liquidity adequacy rules and operate within its Risk Appetite and limits set by the Board.

  – Sterling Monetary Framework facilities

  The Bank is a participant in the Bank of England's Sterling Monetary Framework facilities. The Bank drew £78m of funding in the form of cash under the Bank of England's TFSME Scheme (Term Funding Scheme with additional incentives for SME) in September 2021. It has to date repaid £23m with the remainder repayable by September 2025.

  The Bank continues to pre-position eligible loan collateral with the Bank of England to enable it to access, if required, the Bank of England's Sterling Monetary Framework facilities, including the Discount Window Facility (DWF).

The Bank monitors its Liquidity Risk using several metrics including the liquidity coverage ratio (LCR), its loan to deposits ratio (LDR) and an internal survival days metric. The Bank's LCR at 31 December 2024 was 521% (2023: 718%) and the LDR was 95% (2023: 94%).

The table below analyses the Bank's contractual financial assets and liabilities. Customer deposits include any accrued interest as at 31 December. The contractual date is the earliest repayment date of the deposits.

Contractual maturity analysis at 31 December 2024 £'000	Due within one year	Due after more than one year	No contractual maturity	**Total**
Assets				
Cash and balances at central banks	292,850			292,850
Loans and advances to banks	11,829	310	–	12,139
Debt Securities	15,602	49,535	–	65,137
Derivative Financial Assets	–	149	–	149
Loans and advances to customers	33,029	1,171,415	–	1,204,444
Other assets and prepayments	–	–	7,016	7,016
Total Assets	**353,310**	**1,221,409**	**7,016**	**1,581,735**
Liabilities				
Customers' accounts	1,047,025	224,799	–	1,271,824
Central Bank facilities (TFSME)	55,000	–	–	55,000
Subordinated debt liability	–	4,800	–	4,800
Lease liabilities	248	1,545	–	1,793
Derivative financial liabilities	–	–	–	–
Other Liabilities	–	–	8,234	8,234
Total liabilities	**1,102,273**	**231,144**	**8,234**	**1,341,651**

Contractual maturity analysis at 31 December 2023 £'000	Due within one year	Due after more than one year	No contractual maturity	**Total**
Assets				
Cash and balances at central banks	302,473	–	–	302,473
Loans and advances to banks	9,590	830	–	10,420
Debt Securities	–	47,409	–	47,409
Loans and advances to customers	76,550	1,006,728	–	1,083,278
Other assets and prepayments	–	–	7,142	7,142
Total Assets	**388,613**	**1,054,967**	**7,142**	**1,450,722**
Liabilities				
Customers' accounts	948,619	206,605	–	1,155,224
Central Bank facilities (TFSME)	–	65,000	–	65,000
Subordinated debt liability	–	4,751	–	4,751
Lease liabilities	248	1,671	–	1,919
Derivative financial liabilities	2	650	–	652
Other Liabilities	689	–	7,709	8,398
Total liabilities	**949,558**	**278,677**	**7,709**	**1,235,944**

The table below analyses the Bank's contractual financial liabilities including any accrued interest up to the point of maturity as at 31 December. The contractual date is the earliest repayment date of the deposits.

Contractual maturity analysis at 31 December 2024 £'000	Due within one year	Due after more than one year	No contractual maturity	**Total**
Customer accounts	1,063,556	244,376	–	1,307,932
Central Bank facilities (TFSME)	57,483	–	–	57,483
Subordinated debt liability	575	6,727	–	7,302
Lease liabilities	248	1,545	–	1,793
Other liabilities and accruals	–	–	7,046	7,046
Total liabilities	**1,121,862**	**252,648**	**7,046**	**1,381,556**

Contractual maturity analysis at 31 December 2023 £'000	Due within one year	Due after more than one year	No contractual maturity	**Total**
Customer accounts	963,610	222,964	–	1,186,574
Central Bank facilities (TFSME)	913	67,492	–	68,405
Subordinated debt liability	–	4,751	–	4,751
Lease liabilities	248	1,671	–	1,919
Derivatives financial liabilities	2	650	–	652
Other liabilities and accruals	689	–	7,709	8,398
Total liabilities	**965,462**	**297,528**	**7,709**	**1,270,699**

The following table sets outs the Bank's liquid assets:

£'000	**2024**	2023
Balances with Central banks	292,850	302,473
Loans and advances to banks	12,139	10,420
Debt securities	65,137	47,409
Total	**370,126**	**360,302**

– **Asset encumbrance**

The Bank's assets can be used to support collateral requirements for central bank operations, or third party repurchase transactions. Assets that have been set aside for such purposes are classified as 'encumbered assets' and cannot be used for other purposes. All other assets are defined as 'unencumbered assets'. These assets are readily available to secure funding or meet collateral requirements and are not subject to any restrictions.

The Bank drew £78m of funding in cash under the Bank of England's TFSME Scheme (Term Funding Scheme with additional incentives for SME) in 2021, the Bank has repaid £23m of these drawings. The Bank has a total of £182m (2023: £217m) of loans and debt securities which are available as collateral to support drawings under the Bank of England's Sterling Monetary Framework (SMF) facilities.

– **Market Risk**

Market Risk is the risk that changes in market rates negatively impact the earnings or market value of the Bank's assets or liabilities. All the Bank's exposure to Market Risk relates to non-trading portfolios.

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates.

– **Interest Rate Risk**

Interest Rate Risk is the risk of loss arising from adverse movements in market interest rates. Interest Rate Risk is the main Market Risk faced by the Bank, and primarily arises from loans and deposits to customers, liquidity holdings and debt securities. Oversight of Interest Rate Risk is monitored by ALCO monthly and is managed using appropriate financial instruments, including derivatives, with established risk limits, reporting lines, mandates and other control procedures in place.

Interest Rate Risk consists of Asset-Liability Gap Risk and Basis Risk.

– Asset-Liability Gap Risk

Where possible the Bank seeks to match the interest rate structure of assets with liabilities, creating a natural hedge. Where this is not possible the Bank will enter into interest rate swap transactions to convert the fixed rate exposures on loans and advances, customer deposits and debt securities into variable rate exposures.

– Basis Risk

Basis Risk is the risk of loss arising from changes in the relationship between interest rates, which have similar, although not identical, characteristics. This risk is managed by matching and, where appropriate, using derivatives with established risk limits and other control procedures.

The Bank's forecasts and plans take account of the risk of interest rate changes and are prepared and stressed in line with PRA guidance. The following table summarises the re-pricing periods for the Bank's assets and liabilities. Items are allocated to time bands by reference to the earlier of the next contractual interest rate change and the maturity date.

The interest rate sensitivity exposure of the Bank at 31 December 2024 was:

31 December 2024 £'000	Within 3 months	More than 3 but less than 6 months	More than 6 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-Interest Bearing	Total
Assets							
Cash and balances at central banks	292,850	–	–	–	–	–	292,850
Loans and advances to:							
Banks	12,139	–	–	–	–	–	12,139
Customers	808,531	11,363	23,231	374,708	4,933	(18,323)	1,204,444
Debt Securities	–	15,602	–	49,534	–	–	65,137
Other assets and prepayments	–	–	–	149	–	7,016	7,165
Total Assets	**1,113,521**	**26,965**	**23,231**	**424,391**	**4,933**	**(11,307)**	**1,581,735**
Liabilities							
Customers' accounts	(687,181)	(106,995)	(290,423)	(220,459)	–	(21,765)	(1,326,824)
Other liabilities and accruals and subordinated debt	–	–	–	(4,800)	–	(10,027)	(14,827)
Total Equity	(22,900)	–	–	–	–	(217,184)	(240,084)
Total liabilities and equity	**(710,081)**	**(106,995)**	**(290,423)**	**(225,259)**	**0**	**(248,976)**	**(1,581,735)**
Interest Rate Sensitivity Gap	403,440	(80,030)	(267,192)	199,132	4,933	(260,283)	–
Cumulative gap	403,440	323,410	56,218	255,350	260,283	–	–

The interest rate sensitivity exposure of the Bank at 31 December 2023:

31 December 2023 £'000	Within 3 months	More than 3 but less than 6 months	More than 6 months but less than 1 year	More than 1 year but less than 5 years	More than 5 years	Non-Interest Bearing	Total
Assets							
Cash and balances at central banks	302,473	–	–	–	–	–	302,473
Loans and advances to:							
Banks	10,420	–	–	–	–	–	10,420
Customers	916,940	13,051	23,353	152,989	2,969	(26,024)	1,083,278
Debt Securities	–	–	–	47,409	–	–	47,409
Other assets and prepayments	–	–	–	–	–	7,142	7,142
Total Assets	**1,229,833**	**13,051**	**23,353**	**200,398**	**2,969**	**(18,882)**	**1,450,722**
Off balance sheet derivatives	–	–	–	9,000	–	–	9,000
Liabilities							
Customers' accounts	(703,569)	(95,082)	(202,250)	(202,984)	–	(16,339)	(1,220,224)
Other liabilities and accruals and subordinated debt	–	–	–	(4,751)	–	(10,969)	(15,720)
Total Equity	(22,900)	–	–	–	–	(191,878)	(214,778)
Total liabilities and equity	**(726,469)**	**(95,082)**	**(202,250)**	**(207,735)**	**–**	**(219,186)**	**(1,450,722)**
Off Balance sheet derivatives	(9,000)	–	–	–	–	–	(9,000)
Interest Rate Sensitivity Gap	494,364	(82,031)	(178,897)	1,663	2,969	(238,068)	–
Cumulative gap	**494,364**	**412,333**	**233,436**	**235,099**	**238,068**	**–**	**–**

Sensitivity analysis

The Bank considers a 200 basis points (bps) movement to be appropriate for scenario testing given the current economic outlook and industry expectations.

The Bank estimates that a +/-200bps movement in interest rates paid/received would have impacted the overall balance sheet values as follows:

+200bps: -£10.4m (2023: -£0.3m)

-200 bps: £11.7m (2023: £0.1m)

This calculation assumes that the change occurred at the balance sheet date and had been applied to risk exposures existing at that date.

– Foreign Currency Risk

The Bank has no deposit accounts denominated in € or $ and is not exposed to any Foreign Currency Risk.

– Equity Price Risk

The Bank does not undertake any equity investments and therefore is not exposed to Equity Market Risk.

- **Operational Risk**

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

  The Bank's objective is to manage Operational Risk to balance the avoidance of financial losses or damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, Bank policy requires compliance with all applicable legal and regulatory requirements.

  The Board of Directors has delegated responsibility for Operational Risk to the Risk & Compliance Committee, which is responsible for the oversight of the management of the full range of operational risks the Bank faces, including:

  – People
  – Fraud
  – Execution, delivery and process management
  – Information security and management
  – Technology and cyber security
  – Model risk
  – Supplier risk
  – Change management/execution
  – Employment practices and workplace safety
  – Conduct
  – Operational Resilience
  – Environmental risk

  The Bank uses various tools to monitor its exposure to Operational Risk, including Risk and Control Self Assessments, monitoring of Operational Risk Events, scenario analysis and the use of key risk indicators.

31 Capital management

The Bank manages its capital under the Capital Requirements Regulation (CRR) and Capital Requirements Directive (together referred to as CRD IV) framework. The framework is enforced in the UK by the Prudential Regulation Authority (PRA) who sets and monitors capital requirements for the Bank.

The Bank's policy is to maintain a strong capital base, to maintain investor and market confidence, and to sustain the future development of the business. The Board manages its capital levels for both current and future activities, and documents its Risk Appetite, and capital requirements as part of the Bank's Internal Capital Adequacy Assessment Process (ICAAP). The Bank's ICAAP was updated during the year and approved by the Board in July 2024 and reviewed by the Bank's regulator in September 2024.

The ICAAP represents the Board's risk assessment for the Bank, and it is used by the Board, Management, and shareholders to understand the levels of capital required to be held over the short and medium term, and to assess the resilience of the Bank against failure. Management presents regular reports on the current and forecast level of capital to the Executive Committee, ALCO, Risk & Compliance Committee, and Board. The key assumptions and risk drivers used to create the ICAAP are regularly monitored and reported, and any material deviation from the forecast and risk profile of the Bank would require the ICAAP to be reviewed.

The Bank's Total Capital Requirement (TCR) is set by its Regulator, the PRA. The Bank's TCR was 13.19% of Risk Weighted Assets (RWA) at 31 December 2024. The Bank's regulatory capital at 31 December 2024 totalled £241.1m (2023: £218.7m), (after IFRS 9 transitional relief). In addition to the TCR requirement the Bank is required to hold additional capital buffers, referred to as Pillar 2B, which includes the Counter Cyclical Buffer and the Capital Conservation Buffer. The Capital Conservation Buffer was 2.5% of RWA and the Counter Cyclical Buffer was 2% of RWA in 2024.

As at 31 December 2024, the Bank's regulatory capital consists of Tier 1 capital which includes ordinary share capital, convertible loan notes, retained earnings, reserves, and deductions for intangible assets as well as £5m of tier 2 capital. The Bank's intangible assets as at 31 December 2024 are fully deducted from CET1 (Common Equity Tier 1) capital.

- **Impact of IFRS 9 on capital planning**

  In June 2020, as part of the economic support initiatives implemented because of the COVID-19 pandemic, the CRR 'Quick Fix' package announced measures that enable banks to reduce the impact on Tier 1 capital from increased expected credit losses in 2020 and 2021. The Bank elected to adopt this transitional relief and informed its Regulator of this decision. The relief allowed the impact of increased expected loss provision balances in stage 1 and stage 2 cases in 2020, 2021 and 2022 on CET 1 regulatory capital, to be phased in over 5 years. The relief ended on 31 December 2024.

  The Bank's capital requirement is calculated based on the gross exposures net of specific provisions. The tables below set out the Bank's capital resources at 31 December and reconciles these resources to the Bank's reported regulatory capital.

£'000	31 December 2024	31 December 2023
Tier 1		
Ordinary share capital	44,955	44,955
Perpetual subordinated contingent convertible loan notes	22,900	22,900
Retained earnings	172,503	147,299
FVOCI reserve	(274)	(376)
Deductions: Intangible assets	(2,277)	(1,869)
Other deductions[*]	(2,711)	(1,984)
Total Tier 1 capital	235,096	210,925
Subordinated debt liability[**]	5,000	5,000
Tier 2 Capital	5,000	5,000
Total regulatory capital before IFRS 9 transitional relief	**240,096**	**215,925**
IFRS 9 transitional relief	1,051	2,792
Total regulatory capital after IFRS 9 transitional relief[***]	**241,147**	**218,717**
Equity as per statement of financial position	240,084	214,778
Regulatory adjustments	(4,988)	(3,853)
Subordinated debt liability**	5,000	5,000
Tier 2 Capital	5,000	5,000
Total regulatory capital before IFRS 9 transitional relief	**240,096**	**215,925**
IFRS 9 transitional relief	1,051	2,792
Total regulatory capital after IFRS 9 transitional relief[***]	**241,147**	**218,717**

* Other deductions from Common Equity Tier 1 Capital includes the first loss element of the British Business Bank's Enable Guarantee and the Bank's prudential valuation adjustment. The Enable Guarantee provided the Bank with a facility to guarantee up to £150m of commercial loans. The guarantee, which for regulatory reporting purposes is treated as a synthetic securitisation enables the Bank to risk weight the loans within the guarantee at 0%. The reduction in capital requirements as a result of the lower risk-weighting is partially offset by a requirement to hold capital to cover the first £2.647m of losses arising from the loans within the guarantee. The £2.647m is referred to as the Bank's first loss element.

** For the purposes of regulatory capital calculations, capitalised interest and other accounting adjustments of £200k are excluded (31 December 2023: £249k)

*** After applying the transitional factors to both the original and CRR Quick FIX relief values

32 Leases

The Bank applies IFRS 16 in calculating a value for the lease, and lease liability, for its long-term property and computer printer leases. The value is calculated as the present value of the remaining lease payments discounted at the Bank's incremental borrowing rate. These right-of-use assets have been measured at an amount equal to the lease liabilities, adjusted by the amount of any pre-paid or accrued lease payments.

2024 Right of use asset (£'000)	Property	Computer Hardware – Printers	Total
Balance at 1 January 2024	1,496	67	1,563
Additions	–	6	6
Disposals	–	–	–
Depreciation charged to P&L	(148)	(17)	(165)
Balance at 31 December 2024	**1,348**	**56**	**1,404**

2023 Right of use asset (£'000)	Property	Computer Hardware – Printers	Total
Balance at 1 January 2023	1,662	38	1,700
Additions	–	77	77
Disposals	–	(30)	(30)
Depreciation charged to P&L	(166)	(18)	(184)
Balance at 31 December 2023	**1,496**	**67**	**1,563**

2024 Lease liability (£'000)	Property	Computer Hardware – Printers	Total
Balance at 1 January 2024	1,847	72	1,919
Additions	–	6	6
Disposals	–	–	–
Interest charged to P&L	110	7	117
Lease payments	(228)	(21)	(249)
Balance at 31 December 2024	**1,729**	**64**	**1,793**

2023 Lease liability (£'000)	Property	Computer Hardware – Printers	Total
Balance at 1 January 2023	1,956	39	1,995
Additions	–	77	77
Disposals	–	(29)	(29)
Interest charged to P&L	119	4	123
Lease payments	(228)	(19)	(247)
Balance at 31 December 2023	**1,847**	**72**	**1,919**

Most of the Bank's lease costs relate to its Leicester Head Office. This lease is for a period of 15 years, ending on 13 August 2034. The rent was fixed for the first five years and was reviewed in 2024.

The Bank has not recognised right-of-use assets and liabilities for its Regional Office leases where the lease term ends within 12 months of the date of initial application. The short-term nature of these leases provides the Bank with the flexibility to move premises as business needs change. The offices are located in a major UK cities and towns and alternative premises are readily available should the Bank require larger or smaller offices. Whilst the leases include renewal options, the renewal is not certain and therefore no value for the lease is recorded within the Bank's property, plant, and equipment balance sheet category. During the year, the expense incurred on all the Bank's short term property leases was £127k (2023: £39k).

The maturity profile of the Bank's lease liabilities is shown in the table below:

£'000	**2024**	2023
Less than one year	248	248
Between one and five years	1,227	1,213
More than five years	895	1,151
Total	**2,370**	**2,612**

33 Commitments

At 31 December 2024, the Bank had undrawn credit line commitments of £150.1m (2023: £67.5m). A commitment is defined as an application that has been approved by the Bank's credit function within the last 6 months. The Bank had capital commitments of £nil (2023: £nil).

At 31 December 2024, the Bank had contingent liabilities of £nil (2023: £nil).

34 Related parties

Related parties of the Bank include key management personnel and entities that have a significant voting power. The following transactions with related parties are included in the income statement for the period.

- **Transactions with Controlling parties**

£'000	**2024**	2023
Cambridgeshire County Council		
Interest payments on perpetual subordinated contingent convertible loan notes	2,459	2,191
Trinity Hall, Cambridge		
Hospitality services	5	4

The Bank used the services of Aula Hospitality Ltd for hospitality and conference facilities in 2024 and 2023. Aula Hospitality Ltd is part of Trinity Hall.

- **Key management personnel compensation**

The key management personnel of the Company comprised the Executive and Non-Executive Directors of the Bank. The compensation of key management personnel is shown in the following table (see also Note 11).

£'000	**2024**	2023
Directors' remuneration*	2,559	2,473
Social security costs	302	316
Total	**2,861**	**2,789**

* Director's remuneration includes employer pension costs totalling £14k in 2024 (2023:£9k).The emoluments of the highest paid Director were £1,012k (2023: £693k). No Directors received any shares as part of their remuneration. There were no Directors' loans in 2024 (2023: nil).

- **Transactions with key management personnel:**

Mike Hudson, an Executive Director, is a trustee of a not-for profit organisation that had £78k (2023: £86k) on deposit at the end of the year. The account earns interest at the standard rate for this type of account.

There were no other transactions with key management personnel in 2024 (2023: nil).

There were no loans outstanding to any Directors at 31 December 2024 (2023: nil).

35. Ultimate parent company

The legal title to the ordinary share capital of the Company is held equally by:

- Cambridgeshire County Council as Administering Authority of the Cambridgeshire Local Government Pension Fund; and
- The Master or Keeper, Fellows and Scholars of the Hall of the Holy Trinity in the University of Cambridge (commonly called Trinity Hall, Cambridge).

There is no ultimate holding company.

36 Subsequent events

There have been no significant quantifiable events between 31 December 2024 and the date of approval of the Financial Statements which would require a change to, or additional disclosure, in the Financial Statements. Management and the Board continue to monitor the economic outlook across the UK and globally on a regular basis. As part of this monitoring the Bank aims to identify and address the likelihood of any financial impacts materialising.

- **Standards issued but not yet adopted**

Several new revised standards issued by the International Standards Board have not yet come into effect. None of these are expected to be implemented with a material impact to the Bank in the next 12 months.

COUNTRY-BY-COUNTRY REPORT

DISCLOSURE REQUIREMENTS UNDER CRD IV COUNTRY-BY-COUNTRY REPORTING

The Bank is required to disclose the following information in the Annual Report and Accounts to comply with the Regulations of Article 89 of the Capital Requirements Directive IV (CRD IV) country-by-country reporting (CBCR). This regulation requires us to disclose financial information by country.

Cambridge & Counties Bank operates as a single entity exclusively in the United Kingdom. Therefore, total income and profit before tax shown in the Income Statement and corporation tax paid shown in the Statement of Cash Flows, as well as the average number of employees disclosed in Note 10 to the Financial Statements, are related to the United Kingdom. No public subsidies were received in 2024 or 2023.

Independent auditors' report to the directors of Cambridge & Counties Bank Limited

Report on the audit of the country-by-country information

Opinion

In our opinion, Cambridge & Counties Bank Limited's country-by-country information for the year ended 31st December 2024 has been properly prepared, in all material respects, in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

We have audited the country-by-country information for the year ended 31st December 2024 in the Country-by-Country Report.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the country-by-country information section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the country-by-country information in the UK, which includes the FRC's Ethical Standard, as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Emphasis of matter - Basis of preparation

In forming our opinion on the country-by-country information, which is not modified, we draw attention to the country-by-country report of the country-by-country information which describes the basis of preparation. The country-by-country information is prepared for the directors for the purpose of complying with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013. The country-by-country information has therefore been prepared in accordance with a special purpose framework and, as a result, the country-by-country information may not be suitable for another purpose.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed and challenged the key assumptions used by the directors in their determination of the going concern of the Company.
- We reviewed management's stress test scenarios and considered whether the Company would continue to operate above required regulatory capital and liquidity minima during times of stress.
- We considered as to whether our audit work had identified events or conditions which may give rise to uncertainty of the Company's future ability to trade; and
- We reviewed legal and regulatory correspondence to ensure that any compliance issues which may impact the going concern of the Company had not been identified.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from the date on which the country-by-country information is authorised for issue.

In auditing the country-by-country information, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the country-by-country information is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

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

Responsibilities for the country-by-country information and the audit

Responsibilities of the directors for the country-by-country information

The directors are responsible for the preparation of the country-by-country information in accordance with the requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013 as explained in the basis of preparation in the country-by-country information, and for determining that the basis of preparation and accounting policies are acceptable in the circumstances. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of country-by-country information that is free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the country-by-country information

It is our responsibility to report on whether the country-by-country information has been properly prepared in accordance with the relevant requirements of the Capital Requirements (Country-by-Country Reporting) Regulations 2013.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority, and we considered the extent to which non-compliance might have a material effect on the country-by-country information. We also considered those laws and regulations that have a direct impact on the country-by-country information such as applicable tax legislation and the Capital Requirements (Country-by-Country Reporting) Regulations 2013. We evaluated management's incentives and opportunities for fraudulent manipulation of the country-by-country information (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure and management bias in accounting estimates. Audit procedures performed included:

- Review of internal audit and compliance monitoring findings throughout the year;
- Reading key correspondence with the Financial Conduct Authority and Prudential Regulation Authority;
- Incorporation of an element of unpredictability in our testing through altering the nature, timing and/or extent of work performed;
- Challenging assumptions and judgements made by management in their significant accounting estimates;
- Identifying and testing journal entries, in particular any journal entries posted by senior management, posted with descriptions indicating a higher level of risk, posted to unusual account combinations based on our understanding of usual business operations, and material late adjustments.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the country-by-country information. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the country-by-country information is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinion, has been prepared for and only for the company's directors in accordance with the Capital Requirements (Country-by-Country Reporting) Regulations 2013 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come, save where expressly agreed by our prior consent in writing.

The engagement partner responsible for this audit is Chris Shepherd.

PricewaterhouseCoopers LLP.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
27 March 2025

Cambridge & Counties Bank
Built on understanding

0344 225 3939 0116 254 4637 info@ccbank.co.uk ccbank.co.uk

Cambridge & Counties Bank, Charnwood Court, 5B New Walk, Leicester LE1 6TE