

Annual Report 2025



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Awards & Accreditations

Throughout Cambridge & Counties Bank's history, we've reached amazing milestones, won awards and been accredited for our excellent work and commitment to not only our customers but also our employees, the community and the environment.

Continuously striving for success, we have in 2025 won some amazing awards including Business Moneyfacts 'Best Business Fixed Account Provider'.

We're also proud to be recognised as a 'B Corp' which recognises our commitment to be exemplary in all that we do. Year on year we're building on our success and creating a bank of which we can be proud.

Certified



Corporation

B Corp

B Corp is a collective of companies dedicated to making a positive impact on the world and use business as a force for good. We are extremely proud of this achievement and will continue to enhance the ways in which we can make a positive impact as a bank.



MoneyFacts awards Best Business Fixed Account Provider

We're proud to have won MoneyFacts Awards for Best Business fixed account provider, recognising our commitment to our customers.



Green investors

We are accredited by Investors in the Environment (iE), a not-for-profit accreditation scheme. iE supports businesses in improving environmental performance and they've helped guide us in the good practices we employ today.



Women in Finance

In 2025, we renewed our commitment to the charter. We have a 40% representation of women across leadership roles.



NACFB

We are members of the National Association of Commercial Finance Brokers (NACFB), the UK's largest independent trade body for commercial finance brokers.



Disability confident employer

We're proud to be a Disability Confident employer, which is one of three tiers of the UK Government's Disability Confident scheme, designed to encourage businesses to be more inclusive.



WorkL

According to WorkL's 'Happy at Work Test', we have achieved a 'Workplace Happiness Score' of 72% – leading to our 2nd consecutive Level 3 Employee Experience award. These scores are based on factors such as 'reward and recognition', 'empowerment', 'job satisfaction', and 'well-being'.



Treating businesses fairly and helping our customers grow

The Bank is committed to treating businesses fairly and helping them grow through the prompt payment of invoices. 97% of suppliers were paid within 30 days for the year ended 31 December 2025 (2024: 97%). The Bank was once again a recipient of the Good Business Pays, fast payer award.

Supporting Local Communities

We are committed to supporting our local communities through both donations and practical help through colleagues' time and energy. Our donations include matching funds raised by our colleagues. Here are some of the charities we have supported in 2025 and some amazing highlights that our staff have contributed to:



We have supported Warning Zone, a Leicester based charity focused on teaching life-skills and safeguarding children, over many years. We recently sponsored the Phishing Zone in their E-safety section which teaches children about staying safe when using the internet.



LOROS

We were proud to sponsor 'Harmony' the elephant as part of Loros (a Leicestershire Hospice), 'Stomp across Leicester' fundraiser. Our colleagues enjoyed an evening of elephant spotting across the City.



 **Falcon**

We have continued to work alongside Falcon Services, a charity dedicated to helping vulnerable people transform their lives.



We support Soft Touch Arts, a charity that our staff members regularly volunteer for. Soft Touch Arts is one of Leicester's leading arts education charities, providing life changing projects for hundreds of young people every year.



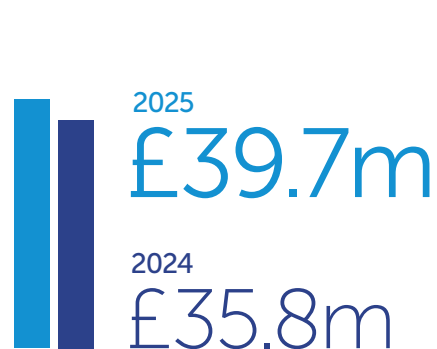
We contribute to support a number of initiatives through the Leicestershire & Rutland Community Foundation who run grant giving funds for local families, individuals and companies.



A key part of our community support is working with Leicester Education Business Company. Employees, including our Executives, regularly take part in mock-interview.

Summary of KPIs and Metrics

Profit before tax



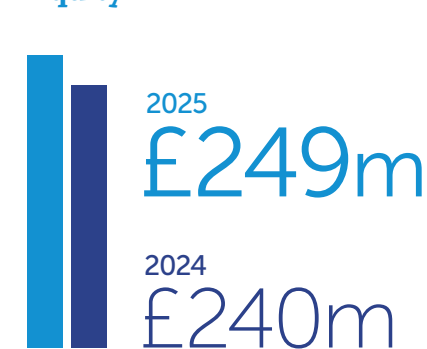
Gross lending balances



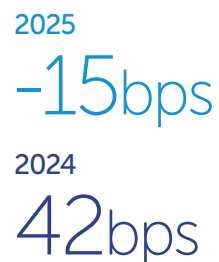
Customer deposit balances



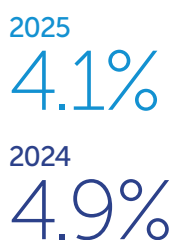
Equity



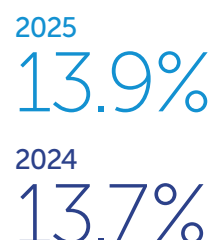
Cost of risk (bps)



Net interest margin



Return on tangible equity (ROTE)*



DEFINITIONS

Gross lending balances: stated after making fair value adjustments.

Customer deposit balances: stated after making fair value adjustments.

Cost of risk: loan loss impairment charge/ average gross lending balance (at the start and end of the period, excluding fair value adjustments).

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

Return on tangible equity (ROTE)*: Profit after tax/average (Total equity - Convertible Loan Notes- Intangible assets) (at the start and end of the period).

*To measure our performance, we supplement our IFRS Accounting Standards figures with non-IFRS Accounting Standards measures, which constitute alternative performance measures. All alternative performance measures are reconciled to the closest reported performance measure.

Chair's Statement

Last year I concluded my Chairman's Statement expressing the hope that 2025 would be a calmer year than 2024, with declining geopolitical risk and a restoration of meaningful economic growth creating a more benign environment for UK business. In the event, 2025 did not turn out like that, but this did not prevent CCB from delivering another very good set of results. The Bank achieved significant growth taking us close to £1.5bn of lending assets, robust returns of 13.9% Return On Tangible Equity (ROTE) and paid a significant dividend to our shareholders. All of which demonstrates that even in tough times, agile specialist banks can deliver if they remain focussed and capable of differentiating their offer to customers.

During the year we have continued to pursue the strategy outlined in last year's report – supporting experienced property investors with an increased focus on a segmented model rather than a one size fits all approach, whilst expanding our Small Medium Enterprise (SME) asset finance and classic car businesses. Expansion of real estate finance, asset finance and our classic car business has been successfully achieved by growing our core businesses geographically as well as expanding into adjacent product areas, leveraging our sector knowledge and expertise to give customers products that truly match their needs. In parallel, we have developed our deposit gathering capability and continue to upgrade our treasury management to enhance our Net Interest Margin (NIM) and overall profitability.

Our Strategy

Our growth has been delivered organically in all sectors. We remain open to inorganic growth but only at the right price. We considered a number of opportunities during the year but none satisfied our rigorous tests and criteria sufficiently to justify material investment.

In all of our product areas we have deployed technology to improve the speed and efficiency of our processes, making it easier and quicker to deliver finance to our

customers as well as giving them greater certainty of outcome. For us, technology is a means to an end not an end in itself and the quality of the customer experience will always be a key differentiator. We are starting to use AI tools and enhanced data management techniques in different parts of the business to deliver better customer experiences, speed up processing, ensure that our core processes are as robust as possible and contain costs.

Investing in our risk management framework and capabilities is yielding very positive results in terms of competitive pricing, reducing our impairment costs and enabling us to manage a leaner capital base. We remain optimistic that the new Small Domestic Deposit Takers (SDDT) regime will yield further benefits in terms of capital levels and reporting requirements without endangering financial security. Much detail remains to be determined, including ensuring that the withdrawal of the SME support factor does not harm lending to these customers, depressing both the SME and banking sectors, but the early signs are encouraging.

We remain committed to the Environmental, Social and Governance agenda, believing that building a truly sustainable business which exerts a positive influence within the banking industry and local community for the benefit



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We are pleased to report a strong increase in both asset finance and real estate lending.

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Return On Tangible Equity

13.9%

of all stakeholders makes good long term economic sense. Support for sustainability has declined in the wider political and commercial spheres with numerous politicians questioning the impact of sustainability on economic growth and profitability. We believe this to be short sighted and a mistake and continue to be certified by B Corp and are proud of being part of the B Corp community.

Our Wider Team

Our people will always be central to our success. Notwithstanding technological improvements, it is people who make the real difference to the quality of what we offer - in particular the customer experience. We have continued to strengthen our teams both through developing our own people, where our low turnover rates and number of internal promotions are a testament to our success in enabling our talented people to grow with the Bank, and through selective recruitment to bring in new skills necessary to grow our new business areas.

Over the last few years we have significantly strengthened our core client facing, operational and senior executive teams. I am very grateful to all of our people for the commitment that they have shown to the Bank, not least in grasping the opportunity to develop themselves as the Bank grows by taking advantage of the development programmes on offer. Our best way of future proofing the business is to continually develop our people and to build the best team that we can.

Looking forward

We enter 2026 acutely conscious of the many challenges and perils, economic, geopolitical and social, that surround us in a volatile world. We believe that the SME sector is a major engine of growth in the UK economy and remain committed to the sector, viewing it as one that has great potential for banks offering the right products and services.

Conclusion

We believe that, with great people, continually improving technology platforms, a remorseless customer focus and very supportive shareholders, we are well equipped to take on those challenges and well positioned to succeed in continuing to take market share and generate superior returns for all of our stakeholders.

The eruption of conflict in the Middle East plainly threatens to de-stabilise the global economy with adverse consequences for the UK economy and business. Hopefully, the conflict will not be too long lived. If so, our three year plans show how we can exploit the qualities set out above to continue to grow the volume and profitability of our business whilst satisfying the needs of customers, employees and other stakeholders.

The continuing success of banks such as ours demonstrates the advantage in a mature economy of maintaining a healthy diversified banking sector. The rest of our Annual Report develops these themes and brings to life the great progress that we have made in 2025.

Patrick Newberry

Chairman

26 March 2026



CEO's Review

Chief Executive Officer's Review

Overview

2025 was a pivotal year for Cambridge & Counties Bank. Our strong organic asset growth delivered by our brilliant colleagues and our robust risk management which enabled a reduced impairment charge, resulted in a Return On Tangible Equity of 13.9% and an 11% year on year increase in pre-tax profit. This strong performance coupled with our robust capital position enabled us to make a material distribution to our shareholders. We enter 2026 with a high-quality capital base and strong liquidity ratios supporting our continued ambitious growth plans to deliver on our strategic purpose as the "specialist SME bank of choice".

Strategy

Our strategy remains consistent. A determination to deliver optimal outcomes to a wide set of stakeholders including customers and brokers, shareholders, colleagues, regulators and suppliers, and the communities in which we operate. We pride ourselves on placing the customer at the centre of our operations, offering straightforward products that provide value for money, coupled with best in class service.

- Our Real Estate Finance business operates under a targeted relationship-based model rather than a one size fits all approach.
- Our Asset Finance business also offers a differentiated model. Combining our successful specialist Classic Car business alongside our growing SME business balancing strong customer outcomes and speedy decisions.
- We continue to simplify and automate our deposit customers processes, alongside providing an increasing range of competitively priced products.

Performance

Profit before tax of £39.7m (2024: £35.8m), was driven by strong asset growth as well as a lower impairment charge. More detail on our financial performance can be read in the financial performance section which begins on page 21.

We have achieved strong asset growth in 2025 with loans and advances increasing by 20% to £1.45bn with both Real Estate and Asset Finance portfolios recording double digit growth. The increased rate of growth reflects the results of our investment in our sales teams, improved systems and processes, as well as building on the strong foundations we have laid down as a business since our inception.

As expected, interest income reduced slightly (2025: £70.8m, 2024: £73.4m) driven by the reduction in the UK bank base rate. Margins for new business in both lending and deposits markets remain competitive.

Our costs totalled £33.5m in 2025 (2024: £32.8m). We increased headcount and staff costs as we grew the business; however, this was largely offset due to improved efficiencies driven by investment in the business and the release of the provision reported in 2024. Despite the reduction in income, our cost:income ratio only increased by 2% to 47%.

The majority of our funding is acquired from customers with whom we interact directly, with the remainder being acquired through deposit aggregator intermediaries. We continue to offer competitively priced notice and term products through both channels. We plan to supplement these sources in 2026 with further product launches as well as utilising the Bank of England Open Market Operation facilities.



Our strong organic asset growth delivered an 11% increase in pre-tax profit.



Profit before tax

£39.7m

The resolution of several longer standing distressed positions has reduced the volume of customers in default to low levels. These actions together with the implementation of an enhanced credit grading model and the reduction in the UK bank base rate, has resulted in us reducing our loan loss provision from £21.1m to £11.5m during the year. Whilst a significant reduction, we remain confident that this level of coverage is appropriate for our loan portfolio and is comparable with our peers.

We were pleased to be able to reward our shareholders for their investment in the Bank with a £20.0m ordinary share dividend paid in November 2025 (2024: nil).

Supporting our customers

We have continued to invest in our customer journeys in 2025.

In our real estate business, we have increased our use of title insurance, reducing the legal complexity of loan applications and improving drawdown times. In November we announced our partnership with Assetz Capital, a major provider of specialist SME property development finance in the UK. The funding line is the first largescale partnership for us. Under the agreement, we have agreed to provide up to £150 million of funding to SME developers to enable them to increase the deployment of their residential development loans at a key time for the UK housing sector.

In Asset Finance, we continue to grow the number of broker relationships and streamline our processes to significantly reduce the time taken to payout.

Charity deposit customers have also benefited in 2025 with the launch of our online application process.

We are planning for further improvements for our customers in 2026 and beyond, with plans for the most significant investment in our core banking systems since our inception on track to commence in the first quarter of 2026.

People

CCB is a rewarding place to work, with our annual colleague survey continuing to report a highly engaged team (2025: participation 94% with engagement of 72%). Our people are also 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. More details on our colleagues' involvement in environmental initiatives and local communities can be seen in our Impact Report which is published on our website.

James Royle joined us in April 2025 as our Chief Risk Officer, replacing Mike Hudson who, as planned, stepped down from his executive career. I would like to thank Mike for his contribution in his role as Chief Risk Officer and wish him well in his non-executive career.

Outlook

CCB is committed to achieving its goal of being "the specialist SME bank of choice" through consistent and sustainable growth. Our strong capital ratios and liquidity support us in continuing to build on the momentum achieved in 2025. We plan for continued asset growth in 2026 as well as making significant investment in our core banking systems as we aim to make our customer interactions as simple and straightforward as possible and drive efficiencies within the Bank.

CCB remains a great place to work and I would like to take this opportunity to thank all who have contributed to a great year in 2025. I look forward to the future with confidence and am excited about the prospects for CCB; we have the right strategy, business model and people to continue to deliver on our track record of profitability and growth.

Donald Kerr

Chief Executive Officer

26 March 2026



Our Business Model

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

About Us

- Established in June 2012 and jointly owned by:
- Trinity Hall, a college of the University of Cambridge,
- Cambridgeshire County Council as Administering Authority of the Cambridgeshire Local Government Pension Fund.

Authorised by the Prudential Regulation Authority,

Regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Registered under the Financial Services Compensation Scheme.



Lending

We support SMEs by providing:

Real estate loans to:

- experienced commercial and residential property investors.
- owner occupied businesses to invest in their own commercial premises.

All loans are secured on UK property.

Asset Finance facilities to

- support the purchase of plant, machinery, and vehicles.
- Hire purchase and leasing products for the purchase of classic sports cars.



Deposits

We offer deposit accounts to:

- Businesses through online, telephone, and postal channels.
- Retail and business customers through Deposit Intermediaries.
- Specialist sectors such as charities, clubs, societies, and associations.

Our deposit products includes:

- Fixed rate and fixed term bonds
- Notice accounts
- Easy access accounts

The Bank's deposits are used to fund its lending activity.

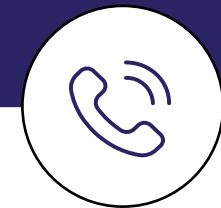


Distribution

Our relationship managers cover the whole of the UK. Our Head Office is in Leicester with satellite offices in Manchester, Reading and Sheffield.

Our lending products are managed by our relationship managers who work with business introducers as well as directly with customers.

Our deposits accounts are opened and serviced online, via the telephone, post and deposit intermediaries. We have specialist processes for customers such as charities.



Rossington Hall

A sophisticated multi-million-pound finance package for the Rossington Hall Group of Companies.



Loan amount:

£2.37m



Product:

Real Estate
Lending



Objective:

Business expansion in
the UK property and
leisure sector

Cambridge & Counties Bank delivered a bespoke, multi-million-pound funding solution to support the expansion of the Rossington Hall Group of Companies, led by a long-standing client with a proven track record in the UK property and leisure sectors.

The facility enabled the acquisition of the prestigious Rossington Hall and its associated estate in Bawtry, South Yorkshire – a luxury wedding and conference venue with over 150 acres, a strong operational foundation and established customer base.

The transaction follows a prior refinancing deal of one of the client's other group assets, which was completed in a record seven working days, underlining the Bank's ability to fast-track funding where appropriate.

Property Investor Jason Cooper who has worked with Cambridge & Counties Bank since 2014, stated "This is a strategic acquisition that builds on the already successful hospitality offering that Craig Dowie and I have created, that in turn, allows us to launch The Crown Bawtry Collection". "The team at Cambridge & Counties Bank understood our vision from the outset and moved quickly to make it happen. Their relationship-led approach and ability to deliver at pace made all the difference."

The Rossington Hall Hotel site brings together accommodation, events, and leisure under one roof, with the acquisition seen as a natural extension of the Crown Bawtry Collection's existing portfolio. The deal was structured to reflect the strength of the underlying asset and the client's long-term operational success.



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We're proud to support Jason, Craig and the Rossington Hall Group of Companies once again. This transaction is a classic example of our tailored lending model and the Bank's values in action – combining speed, flexibility, and thorough understanding of the property and customer. Completing the earlier Crown Hotel Bawtry deal in just seven working days was a standout moment for myself and the Bank, as it paved the way for this exciting next step

Marco Brice, Head of Direct Business

”

Ferrari LaFerrari

A £1.3m specialist refinance facility structured to support long-term asset ownership.



Loan amount:

£1.3m



Product:

Specialist vehicle finance



Objective:

Asset refinancing to support long-term goals

We completed a £1.3 million refinance for a long-standing client, secured against a high-value specialist vehicle. The transaction was structured as a three-year, interest-only facility, designed to release capital while maintaining long-term ownership of the underlying asset.

Our specialist asset finance expertise enabled us to take a pragmatic, informed approach to valuation and risk, allowing the facility to be tailored precisely to the client's objectives. The structure provided flexibility and liquidity without compromising the integrity of the asset or the client's wider financial strategy.

Refinancing an existing asset, rather than facilitating a sale, aligned with our disciplined approach to asset-backed lending and long-term value preservation. The underlying vehicle is recognised for its engineering significance and limited production, supporting its suitability as collateral within a specialist finance structure.

This transaction highlights our ability to deliver bespoke solutions in niche asset classes, combining market knowledge, competitive pricing and efficient execution. It also demonstrates the strength of our long-term client relationships and our capability to support complex funding requirements within clearly defined credit parameters.



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We were pleased to support a long-standing client with a refinance facility tailored to their objectives. Our understanding of specialist assets, combined with competitive pricing and a straightforward approach, enabled us to deliver a solution that worked for both the client and the Bank.

Tom Senior, Director of Specialist Car Finance

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We're committed to supporting our customers, and love listening to what our customer have to say about us. We not only understand our customers' needs, but we ensure that we align our values with our customers to ensure a great working relationship. Through listening to feedback, we've worked hard to ensure that our processes work for our customers and make their lives easier.



Wishaw Credit Union

With Cambridge & Counties Bank, investing our members' funds feels personal and purposeful. Their team's care, competitive rates, and B Corp values make them a trusted partner we're happy to work with.

Spokesperson at Wishaw Credit Union



East Kilbride Credit Union

We've been really pleased with the service and savings options provided by Cambridge & Counties Bank. Their fixed rate bonds have been a great fit for our needs – particularly the 6 Month and 1 Year Fixed Rate Bonds, which offer strong, guaranteed returns while helping us plan with confidence. The onboarding process was smooth, and the team has been consistently helpful and responsive. It's reassuring to work with a bank that understands the credit union sector and offers products that support our long-term sustainability.

Aimie Nicol, General Manager at East Kilbride Credit Union



Moray Firth Credit Union

Moray Firth Credit Union's experience with Cambridge & Counties Bank has been positive, reflecting a partnership built on shared values of trust, service, and a commitment to supporting our members' financial well-being.

Spokesperson at Moray Firth Credit Union

Section 172

Companies Act 2006 Statement

Statement by the Directors in performance of their statutory duties

The Directors of Cambridge & Counties Bank Limited believe, both individually and together, that they have acted in what they consider good faith and 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 2025.

Stakeholder engagement

The Bank (CCB) 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	Engagement
Shareholders Trinity Hall, Cambridge Cambridgeshire County Council	<ul style="list-style-type: none"> • Our 2 Shareholders are fully involved in the decision making of the Bank through their Non-Executive Director representatives. • Board members meet with both Shareholders on a regular basis to enable the Board to ensure we understand their expectations.
Customers 14,000 deposit customers 2,100 lending customers	<ul style="list-style-type: none"> • The Bank gathers feedback directly from customers as well as lending and deposit intermediaries who introduce business to the Bank. This feedback is shared with colleagues and the Board and incorporated into our future business development plans. We also use this data to monitor and validate our approach to products, services, and the way we interact with customers and ensure we are meeting Consumer Duty considerations.
Employees We employed 248 people in 2025	<ul style="list-style-type: none"> • We continue to undertake an annual internal colleague survey, the results and the planned actions are reviewed and discussed by the Board. • Our colleague forums - Green Team, Charities Group, and Social Group – enable colleagues to engage in the business and receive and provide feedback to and from the Board and Senior Management. During the year the Board has regular updates on colleague issues, including cultural and colleague performance measures, that generate our strategic approach towards colleague each year.
Suppliers Business / individuals who provide services and goods for the Bank	<ul style="list-style-type: none"> • We have a formal supplier management and outsourcing policy with all key suppliers having a named relationship. We have regular meetings to review and strengthen relationships with the most important relationships. • We consistently pay over 95% of our suppliers within 30 days. We have received a Fast Payer Award from Good Business Pays since 2021.

Stakeholder	Engagement
Regulators PRA (Prudential Regulation Authority) FCA (Financial Conduct Authority)	<ul style="list-style-type: none">• We are committed to fostering open and honest engagement with our Regulators.• The Executive meet regularly with the PRA Supervisory team and report to the Board and Committees on the key themes discussed.• The Chair, Senior Independent Director, and Chair of Risk also maintain a direct relationship with our Regulators.
Communities We have customers across the UK We have offices in Leicester, Reading, Manchester and Sheffield	<ul style="list-style-type: none">• We support several local trade bodies such as Chamber of Commerce and Business Networking groups.• We actively promote community initiatives to our staff through our Charities committee. All staff are given 2 days annual leave per year to support community initiatives.• The Board receives regular updates on the Bank's activities in the local community.• Further details of the Bank's activities in local communities are set out in the ESG - Supporting our Local Communities section.
Environment We are a certified B Corp company	<ul style="list-style-type: none">• We look at the impacts of running our business on the environment and how we can mitigate them.• More details on our environment and climate activities can be found in the "Environmental" section on page 16.• As a certified B Corp company, we publish an annual Impact report. 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

Environmental, Social and Governance (ESG)

Introduction

Environmental, Social and Governance (ESG) considerations remain central to the Bank's long-term strategy and purpose.

As a certified B Corporation, the Bank is committed to operating in a way that creates positive outcomes for customers, colleagues, communities and the environment, with stakeholder governance embedded into how we manage and oversee the business. ESG matters continue to be considered by both the Executive Committee and Board, with climate-related risks, social impact and responsible governance forming part of regular strategic, risk and performance discussions.

In 2025, the Bank made further progress in integrating ESG practices across lending, operations and culture, while preparing for recertification under B Lab's updated global standards.

The Bank produces an annual B Corp Impact Assessment which can be found at <https://ccbank.co.uk/about-us/environmental-social-governance>.

Environmental information

The Bank continues to assess and manage the environmental impacts associated with both our operations and our lending activities. Climate-related risks – including energy efficiency, flood exposure and transitional policy shifts – form an increasingly important component of credit assessment, stress testing and risk appetite.

Climate Risk & Lending Portfolio

In 2025, the Bank continued its programme of reviewing flood-risk exposure across the loan book. Of the c.2,700 properties assessed, 110 were identified as high flood-risk at year-end (2024: 128). These cases were analysed individually and mitigation actions were taken where necessary.

Energy performance also remains a key focus. At the year-end 97% of properties financed by the Bank had an EPC rating of E or better.

Work continues with customers where EPC improvement plans are needed.

These metrics support compliance with evolving regulatory expectations and help inform the Bank's future decarbonisation approach.

Operational Impact & Decarbonisation

The Bank advanced several initiatives aimed at reducing operational emissions and improving energy efficiency:

- Implementation of ESOS Action Plan measures, including solar film installation at Charnwood Court, a new staff travel policy, and upgraded expense capture to improve fuel data accuracy.
- Continued collaboration with Greenly to strengthen Scope 3 emissions measurement, data quality and transparency.
- Ongoing support from the Bank's Green Team, whose volunteer members help coordinate environmental engagement, data gathering and internal education.

Social

We remain committed to supporting local communities through both monetary donations and practical help through colleagues time and energy. More information on some of the causes supported can be seen on page 4.

Governance

The Bank maintains robust governance structures to ensure transparent, responsible and ethical operation.

ESG oversight is embedded at Board and Executive Committee, with regular reporting on climate, social impact, risk indicators and sustainability initiatives. Governance activity in 2025 included:

- Continued alignment with B Corp stakeholder governance principles.
- Enhanced internal reporting on ESG KPIs.
- Complying with its Bribery and Corruption policy and human rights.
- Ongoing monitoring of environmental and social-related KRIs within the wider risk framework.
- Integration of climate-related considerations into lending policies, risk appetite and product governance.
- Strengthened ESG coordination across Sustainability, Risk and Strategy functions.
- The Bank remains committed to upholding high standards of integrity, fairness and accountability, consistent with the expectations of regulators, customers and shareholders.

Supporting Customers, Colleagues, Communities

Supporting colleagues, customers and communities remains a core part of the Bank's social impact, as demonstrated in the Awards & Accreditations and Local Communities section on pages 3-4.

Customers

Through product enhancements, lending expertise and faster digital journeys, the Bank continued to support UK SMEs, charities and specialist sectors with responsible, relationship-led finance.

Customer insights, research and feedback are routinely reported to the Executive Committee and Board, helping shape product development, service improvements and customer outcome monitoring.

Colleagues

The Bank continues to nurture an engaged and inclusive culture with strong participation across wellbeing, learning and diversity initiatives.

Highlights for 2025 include:

- 72% 'Work Place Happiness Score', supported by 94% engagement survey participation.
- Over 5,800 training hours completed.
- Strengthened representation across ethnic backgrounds, gender, disability and LGBTQ+ groups.
- Ongoing success of "Grow Our Own", early careers pathways, apprenticeships and rotational graduate schemes.
- Strong uptake of wellbeing and inclusion programmes, including neurodiversity awareness, mental health sessions, manager development and culture-building events.

Green house gas emissions

In 2025, we transitioned to a new partner, Greenly, to calculate our Green House Gas (GHG) emissions, enabling us to measure our emissions in greater detail than in previous years. We used modules on the Greenly platform to break down key elements of our carbon footprint more comprehensively, improving the accuracy of our Scope 1, 2 and 3 emissions.

GHG Emissions

Our total disclosed emissions reported for 2025 are 96.7 tonnes of CO₂e.

The table below includes the energy consumption and the greenhouse gas (GHG) emissions for the reporting period 1 January 2025 to 31 December 2025.



SECR mandatory UK Environmental Reporting disclosures

Scope	Activity	2025 tCO ₂ e
Scope 1	Gas Combustion	3.1
	Transport fuel	20.1
Total Scope 1		23.2
Scope 2	Electricity related indirect emissions	20.8
Scope 3	Business travel	52.7
Total Scope 3		52.7
Total emissions as tonnes of CO ₂ e ^{1,2}		96.7
Tonnes of CO ₂ e per employee ³		0.39
Tonnes of CO ₂ e per £m		0.744
Energy Consumption	Gas (scope 1)	16,996
	Fuel consumption from transportation (scope 1) ⁴	94,061
	Electricity (scope 2)	134,491
	Fuel consumption from transportation (scope 3)	269,503
Total Energy Consumption (kWh)		515,049
Carbon Offsetting		
Verified Carbon Offsets		(140)

1 Tonnes of carbon dioxide equivalent

2 All emissions are for the UK and offshore area only.

3 Based on employee headcount as at the end of each financial year

4 Employee business mileage claims totalled 77,318.35 miles in 2025

Quantification and Reporting Methodology

For the preparation of our GHG emissions report, we followed the UK Environmental Reporting Guidelines, including Streamlined Energy and Carbon Reporting (SECR) guidance (March 2019).

For measuring our emission, we have used the GHG Protocol Corporate Accounting and Reporting Standard. We used the UK Government GHG Conversion Factors for Company Reporting (2025) to retrieve energy figures in kWh when relevant as requested by the UK Environmental Reporting Guidelines.

We have used the operational control approach to account for the emissions generated by our activities

We have measured our Scope 1 & 2 emissions, and

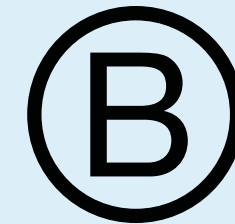
focused on the Scope 3 emissions that are mandatory for reporting under SECR following the UK Environmental Reporting Guidelines.

Energy Efficiency Action

In the period covered by the report, we have implemented and committed to a range of measures under its ESOS Action Plan to reduce energy consumption and improve energy efficiency across building operations and transport activities.

Measures targeted for delivery in 2025 included the introduction of a staff travel policy, and enhancements to the expenses system to improve the capture of vehicle fuel data. These measures were successfully implemented

Certified



Corporation

on time as well as the installation of solar film on south-facing windows at Charnwood Court, which was completed one year ahead of schedule.

Once fully implemented, including the remaining measures scheduled for delivery in 2026, the actions set out in the ESOS Action Plan are expected to deliver estimated energy savings of 152,127 kWh over the period from December 2023 to December 2027. The measures reflect the key recommendations from the Bank's most recent ESOS assessment and demonstrate a structured approach to achieving both technical energy efficiency improvements and behavioural change to reduce energy use across office operations and business travel.

Our People Strategy

Mission

Committed to delivering an excellent customer experience and achieving sustainable growth by delivering better together, for all.

Vision

To enable the growth and success of sees whilst making a positive difference to our colleagues, customers, and community, as well as ensuring value for our shareholders and maintaining strong relationships with regulators.

Colleagues

Attracting and retaining the best talent.

Customer

Supporting SMEs to achieve their ambitions.

Community

Committing to sustainable practices across the business.

Pillars

Purpose

Impact on environment

In conducting our activities on colleagues, customer and community, we remain committed to having a positive impact on the environment without jeopardising the pillars and purpose.

Governance

We ensure that the Bank is well managed and that our mission and vision, underpinned by our commitments to colleagues, customers and community, create a sustainable organisation.

Foundations

Our colleagues are key to us achieving our mission.

CCB continues to cultivate a supportive and rewarding workplace, reflected in consistently strong colleague satisfaction.

Our commitment to diversity and inclusion remains a priority, with meaningful representation at senior levels. We also invest significantly in professional development, providing extensive training opportunities to empower our colleagues and support their growth.



72%

'Work Place Happiness Score', supported by



94%

engagement survey participation

In 2025 we have continued to implement our people strategy. Our strategy is focused on five key areas.

Diversity & Inclusion

- At the end of 2025, our voluntary Diversity, Equality & Inclusion (DE&I) self-disclosure rate reached 84%.
- We continue to help colleagues understand the benefits of self-disclosure and how it supports our ability to recognise the uniqueness of every individual in the Bank.
- We have also enhanced our DE&I and Culture dashboards, which support improved reporting across the employee lifecycle and help deepen our understanding of colleague sentiment.

Recruitment & Selection

- We have continued to broaden our recruitment sources to attract candidates who are under-represented within Financial Services.
- In 2025, 74% of hires came through non-traditional routes, supported by expanded advertising channels and behavioural-based selection approaches aimed at attracting individuals with transferable skills rather than solely those with Financial Services experience.
- We are working closely with Universities, Colleges, apprenticeship providers, and schools to build strong early-career pipelines and attract apprentices directly from secondary education.

Colleague Insights

- The Bank continues to achieve exceptionally high engagement, with a 2025 annual survey participation rate of 94%, which is 24% above the industry average.
- Positivity levels across all themes have also remained strong.
- We were awarded the Excellent Employee Experience Award by WorkL for the second consecutive year.
- Our annual multicultural celebration reached well over half of the organisation, bringing together multiple faiths, nationalities and cultures through a series of combined events.
- Our colleague groups; the Colleague Forum, Green Team, Charities Team, Social Team and Wellbeing Team, continue to make a meaningful contribution to our ESG activity.

Talent & Development

- In 2025, we met our 2 out of 3 of our Women in Finance Charter objectives, increasing the representation of women at senior leadership and management levels while demonstrating equal access to training for both men and women.
- We also maintained our commitments to the Charter into the future. Our "grow our own" development strategy continued to support career progression and workforce stability, with 30% of roles filled internally during 2025.
- More than 15% of colleagues took advantage of the Bank's sponsorship programme, developing their personal and professional skills through formal learning bodies.

Policies and Procedures

- Throughout 2025, we continued reviewing and improving our people policies and procedures to ensure they reflect our culture and organisational values.
- We achieved Disability Confident Employer status and are now working towards Level 2 accreditation.
- We further advanced hybrid working arrangements to maintain the infrastructure required to deliver innovation, deliver for our customers and support different working preferences.

Financial Performance

Financial review

We have delivered a fantastic financial performance in 2025.

The business achieved another year of material asset growth (customer loans and advances up 20%) coupled with robust credit control, resulting in a £2.0m credit to our impairment charge driving an increase in profit after tax to £30.5m. This performance was set against a material headwind to income as the UK bank base rate, which drives the interest paid by the majority of our real estate loan customers, reduced from 4.75% to 3.75% during the year. Our performance is presented on a statutory basis and structured consistently with the key elements of the business model explained on page 10. The 2025 Financial Statements have been prepared under UK-adopted international financial reporting standards (IFRS). Our primary Financial Statements are reported on pages 54 to 56, with a summary shown below. The Bank implemented IAS 39 Hedge accounting in 2025 (see Note 3).

Summary Income Statement £'000	2025	2024
Interest income	130,181	128,313
Interest expense	(59,341)	(54,838)
Net interest income	70,840	73,475
Other income	376	126
Total Operating Income	71,216	73,601
Operating expenses	(33,512)	(32,849)
Impairment credit / (charge)	1,967	(4,932)
Profit Before Tax	39,671	35,820
Taxation charge	(9,179)	(8,157)
Profit After Tax	30,492	27,663

Key Performance Metrics	2025	2024
Gross new lending	£560m	£376m
Cost : income ratio	47%	45%
Cost of risk	(15bps)	42bps
Total capital ratio	21.7%	24.5%
Return on tangible equity (ROTE)	13.9%	13.7%

Summary Balance Sheet £'000	2025	2024
Liquid assets	444,653	370,126
Loans and advances to customers	1,446,075	1,204,444
Derivative financial assets	-	149
Other assets and prepayments	7,905	7,016
Total Assets	1,898,633	1,581,735
Customer deposits	1,633,601	1,271,824
Central Bank facilities	-	55,000
Derivative financial liabilities	3,087	-
Other liabilities	8,462	10,027
Subordinated debt	4,840	4,800
Shareholders' funds	248,643	240,084
Total Liabilities and Equity	1,898,633	1,581,735

Loans and liquid assets

We saw strong growth in 2025 with our loans and advances to customers up 20% to over £1.4bn. We delivered double digit growth in each of our loan portfolios - Real Estate Finance, Asset Finance and Classic Cars & Sports Vehicles.

Our real estate lending balances increased by over 15% to £1,213m (2024: £1,059m). Our Real Estate customers represent experienced commercial and residential property investors as well as small business owners occupying their own premises.

We saw record growth in our Asset Finance lending with balances growing by 45% to £241m (2024: £166m) reflecting our investment in more efficient application processes and a growing network of brokers. The growth included a £46m increase in lending for Classic Cars & Sports Vehicles which now total £118m.

The majority of the real estate loans continue to be base rate linked although we have continued to record a growing proportion of new 3 and 5 year fixed rate loans. All our Asset Finance and Classic Car & Sports Vehicles loans are set at a fixed rate. To manage the interest rate that arises from the increase in fixed rate lending we have purchased additional interest rate derivatives and implemented IAS 39 hedge accounting (more detail on the Bank's hedge accounting see Note 21).

Our liquid assets at the end of 2025 totalled £445m (2024: £370m). £283m of these assets are held as cash reserves at the Bank of England and are therefore immediately available to meet any cash outflows. We also hold a small portfolio of bonds issued by supra-national bodies such as the European Investment Bank and the Asian Development Bank as well as investment grade European and UK based banks.

A key regulatory measure of the Bank's liquidity adequacy is the LCR (Liquidity Coverage Ratio), which is designed to assess the short-term resilience of our liquidity risk profile. Our LCR was 587% (2024: 521%) significantly higher than the regulatory requirement of 100%.

Customer deposits and central bank facilities

Our customer loans are primarily funded by the acquisition of UK SME savings balances. Customer deposit balances totalled £1.6bn (2024: £1.3bn) at the end of 2025. 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 (£34m) held in easy (next day) access accounts.

Customers are acquired through our website, telephone and post channels. We are focused on growing the proportion of balances acquired directly through these channels. We continue to attract a smaller proportion of balances through 2 brokers in the deposit intermediary market.

During 2025, we repaid the remaining £55m of the funds drawn through the Bank of England TFSME facility. To continue to increase our sources of funding and liquidity, we applied and were accepted to be able to take part in the Bank of England's Open Market Operations (OMO). We expect to draw funds through the Bank of England's Indexed Long-Term Repo (ILTR) in 2026 to support our growth aspirations.

Operating income

Total operating income for the year was £71.2m (2024: £73.6m).

The Bank's interest received was £130.2m, £1.9m higher than in 2024 with the 20% growth in gross loans and advances offset by the reduction in the UK bank base rate. Interest payable increased by £4.5m as a result of the growth in customer deposit balances partially offset by a 0.2% reduction in the cost of deposits. The impact of the reduction in the UK bank base rate on interest payable is not as evident as it is on the Bank's lending balances. The stable term nature of our deposit book results in rate reductions flowing through more slowly than changes to our loan book which has a large variable component.

Our NIM decreased from 4.9% in 2024 to 4.1% in 2025.

This was exclusively driven by a 0.9% reduction in the asset yield to 7.5% (2024: 8.5%) as a byproduct of the aforementioned reductions in the UK bank base rate. There was a partial offset from a 0.1% reduction in the liability yield which averaged 3.5% for 2025 (2024: 3.6%).

Expenditure

Total operating expenses (including depreciation) increased from £32.8m in 2024 to £33.5m.

Staff costs were £22.7m (2024: £21.2m) representing 68% of total operating expenses. The average number of people employed during the year increased from 243 in 2024 to 248 in 2025 to support the Bank's continued growth. Our total operating expenses benefited from the £750k release of the provision recorded in 2024.

We continue to invest in developing our IT and business processes to deliver an efficient service proposition to both new and existing customers. The 2025 depreciation and amortisation charge increased from £1.1m to £1.2m and we expect this to increase at a faster rate in the future as we increase our investment in new core banking systems.

The cost:income ratio increased slightly to 47% in 2025 (2024: 45%), primarily as a result of the impact of the lower UK bank base rate on our lending income.

Impairment

£'000	2025	2024
Value of loans past due – Up to 3 payments missed	17,051	23,867
Value of loans in default – IFRS 9 stage 3 loans	23,578	30,764
Impairment loan provisions	11,479	21,123

In 2025 we have successfully addressed several long-standing default cases whilst also minimising losses on new cases. These actions, together with the implementation of an enhanced Real Estate Credit

Grading Model, resulted in a credit of £2.0m to the Income Statement impairment charge (2024 charge: £4.9m). The value of loans in default at the end of 2025 was £23.6m, a reduction of £7.2m compared to 2024 with loans in arrears (up to 3 payments) also reducing from £23.9m to £17.1m.

Our balance sheet impairment provision reduced from £21.1m to £11.5m in 2025.

The income statement impairment credit reflects the release of £9.6m of 2024 provisions of which £8.1m was related to historical stage 3 default cases. The remaining £1.5m reflects the release of stage 1 and 2 provision balances following the implementation of the enhanced Real Estate Credit Grading Model partially offset by new provisions on new and existing business. The Income Statement also includes a £0.4m credit reflecting earnings on the net carrying amount of impaired stage 3 assets.

The impairment charge is calculated using our granular credit grading and IFRS 9 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 -15bps (2024: 42bps). The loan loss provision coverage ratio was 0.8% at the end of 2025 (2024: 1.7%).

Taxation

The taxation charge of £9.2m (2024: £8.2m), reflects a corporation tax rate of 25.0% (2024: 25.0%). The charge includes a £211k credit (2024: £114k credit) in respect of deferred tax, and a credit of £571k in respect of the convertible loan note interest payment (2024: £615k).

Dividends, Convertible loan note payments and subordinated debt

We paid our two shareholders a £20m ordinary share dividend on 28 November 2025 (2024: nil) as well as paying a £2.3m coupon on 30 September 2025 (2024: £2.5m) in interest payments on the convertible loan notes to Cambridgeshire County Council Pension Fund, the holder of the loan notes.

We continue to have £5m of subordinated debt, which qualifies as tier 2 capital, from British Business Bank Investments – a subsidiary of the British Business Bank (BBB). A coupon of £0.6m was paid in August 2025 (2024: £0.6m) and recorded within interest payable.

Capital

£'000	2025	2024
Total Shareholders' Funds	248,643	240,084
Risk weighted assets (RWA) £m	1,138	980
Common Equity Tier 1 ratio (CET1)	19.2%	21.6%
Tier 1 capital ratio	21.3%	24.0%
Total capital ratio	21.7%	24.5%

We continue to maintain a strong capital base, with the majority of our capital in the form of retained earnings. Total shareholders' funds increased during the year from £240.1m to £248.6m, with the growth from 2025 retained earnings partially offset by the £20m ordinary share dividend.

Our capital ratios exceeded our regulatory requirement throughout the year. Our Common Equity Tier 1 capital ratio at the 31 December 2025 was 19.2% (2024: 21.6%). The total capital ratio at 31 December 2025 was 21.7% (2024: 24.5%).



Risk Management

Approach to risk, Enterprise Risk Management Framework and accountability

Risk management is the way in which we identify, evaluate, and mitigate potential sources of uncertainty and other variables that may have a detrimental impact to our customers, staff, and business activities.

We have an Enterprise Risk Management Framework (ERMF) which sets the standards and protocols for the management of the internal and external risks that we have identified as most likely to impact the successful achievement of our goals and continued operation. The framework supports our understanding of expected risk management standards internally and for external suppliers acting on the Bank's behalf.

Sound risk management is a core consideration for the Bank when setting strategy and formulating business plans. It is how we ensure that we have sufficient liquidity and capital to cover our Credit, Market and Operational risks in the event of a banking crisis or other extreme event; meet our regulatory obligations and maintain the confidence of our regulators; are transparent regarding business activities within the markets we operate in; engender consumer and staff satisfaction, and can continue as a viable business concern and deliver appropriate returns to our shareholders.

The amount of risk we are prepared to accept in pursuit of our strategic and business objectives is defined by Risk Appetite. Risk Appetite is instrumental in defining the strategic direction of the Bank as it sets the parameters for decision making, provides guidance to business areas on the level of risk permitted in income generation and administrative operation and sets the overall attitude to risk and risk culture.

We validate our risk performance management through our ICAAP and ILAAP processes. These ensure that Financial and Credit risks are considered in conjunction with Operational risks and events to provide a holistic, enterprise-wide view on risk.

Governance of Risk Management

Risk oversight and control responsibilities have been mandated to the Chief Risk Officer (CRO) and are exercised through the CRO Risk Function teams. This is independent from the main business areas of the Bank and provides robust challenge and support to the business.

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 of this report.

Three lines of defence model

The Bank operates a three lines of defence model of risk management that assigns specific roles and duties of care to effective risk management. Responsibilities extend to the Board and Chief Executive Officer as they have an overarching responsibility for setting direction on risk and must ensure each line of risk undertakes and discharges their responsibilities and duties effectively.

- The First line of risk management are the Bank's business operational areas.
- The Second line is the Risk Function, who provide challenge to the first line.
- The Third line is Internal Audit, who provide assurance over the management of risk.

The role of Internal Audit is outsourced to Deloitte LLP.

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). Our Risk Appetite Statements (RAS) outline a mixture of qualitative and quantitative measures (Principal Risk Statements and Key Risk Indicators (KRIs)). A clear tolerance for each Principal Risk is set in alignment with business objectives and activities. RAS are set annually but may be updated throughout the year as required when there is a material impact on the Bank's appetite for the risk.

Our performance against Risk Appetite is monitored via reporting to the Executive Committee. This is summarised within the Chief Risk Officer Risk Report, presented to the Risk Management Committee and 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.

The Bank's Principal Risks:

We have identified eleven Principal Risks which may materially impact the Bank's success.

Risk	Description	CCB mitigation / management
Strategic	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.	<ul style="list-style-type: none"> • We have a clear strategy, which is monitored and reviewed on a regular basis. • We regularly invite feedback and input from key stakeholders and external industry experts to ensure the strategy remains relevant and achievable.
Environmental, Social and Governance Risk (ESG)	The risk that, if an environmental, social or governance event occurs, it could cause an actual or a potential material negative impact on the Bank.	<ul style="list-style-type: none"> • We have an established governance framework to ensure climate change risks are deliberated at senior levels within the business. • We are a certified B Corp company. This ensures ESG related policies and actions remain a business priority. • We have a number of employee-led forums which are responsible for engagement with the local community, implementation of environmental actions and employee well-being. • We produce an annual Impact Report which measures how we are delivering on our commitment to responsible banking.
Capital Adequacy	The risk that the Bank fails to hold sufficient capital to meet its regulatory obligations, support its growth plans or to absorb shocks.	<ul style="list-style-type: none"> • We have risk appetite limits for capital ratios which maintain a capital surplus buffer exceeding the Bank's minimum regulatory requirements. • We undertake regular forecasting of capital requirements which are reported and discussed at a number of governance committees. • We complete stress tests including the annual ICAAP, testing the Bank's capital base in 'severe yet plausible' scenarios. • We undertake regular horizon scanning to ensure continued compliance with regulatory requirements. • We are currently planning for the implementation of the SDDT capital framework in 2027.
Liquidity & Funding	The risk of being unable to fund assets and meet obligations as they fall due without incurring unacceptable losses.	<ul style="list-style-type: none"> • We monitor and maintain our liquidity and funding metrics on a daily basis. • We complete a number of stress tests including the annual ILAAP, testing the Bank's liquidity in 'severe but plausible' scenarios. • We regularly re-forecast our liquidity positions for discussion at appropriate governance committees, informed by a suite of forward-looking metrics and KRIs.

Risk	Description	CCB mitigation / management
Market	The risk that changes in market rates negatively impact the earnings or market value of the Bank's assets or liabilities.	<ul style="list-style-type: none"> • 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 KRIs and tested via scenario analysis. • We manage Interest Rate Risk using natural balance sheet hedges as well as interest rate derivatives. • We do not operate a trading book.
Credit	The risk that counterparties fail to meet, in a timely manner, the commitments into which they have entered. Credit risk management includes concentration risk, downgrade risk and default risk.	<ul style="list-style-type: none"> • We have detailed guidelines and policies for lending, covering key areas such as Debt Service Cover and Loan to Value. Our credit risk appetite limits include factors such as sector, geography and maximum loan values. • Our Credit Risks are reviewed by experienced professionals, supported by a robust internal quality assurance framework. • We closely monitor the performance of our loan portfolios with regular monthly reports to committees to ensure accounts are performing as expected and that the Bank remains within risk appetite. • We carefully consider macroeconomic risks during origination and via portfolio monitoring, supported by periodic sector-specific reviews which draw on internal and external benchmarking.
Legal, Compliance & Regulatory	The risk that non-compliance with laws or regulations could give rise to fines, litigation, sanctions, customer detriment, reputational damage or financial loss.	<ul style="list-style-type: none"> • We have a full suite of policies and processes to support regulatory compliance which is continually updated. • Regulatory developments are actively tracked, analysed, and actioned. • Compliance training is undertaken for all staff, and policy and processes are validated for compliance and continuously revised and updated as regulation and regulatory expectations evolve. • Annual submission of the Data Protection Officer's report. • Approval of the Annual Compliance Monitoring plan. • An Annual Whistleblowing report is presented to Audit Committee.
Financial Crime	The risk that inadequate controls relating to financial crime could give rise to fines, litigation, sanctions, reputational damage, or financial loss.	<ul style="list-style-type: none"> • Our Financial Crime Framework is continually reviewed to ensure it meets all requirements and is in line with industry practices. • Our MLRO presents an annual report to the Board. • We undertake regular business wide risk assessments to ensure a continuous improvement programme. • We have well established customer onboarding incorporating standard and enhanced due diligence activities.

Risk	Description	CCB mitigation / management
Operational	The risk that events arising from inadequate or failed internal processes, people and systems or from external events cause regulatory censure, reputational damage, financial loss, service disruption and/or customer detriment.	<ul style="list-style-type: none"> • We have detailed policies, procedures and controls in place which are designed to evaluate, monitor and report on operational risks. • We undertake regular training and development of staff to ensure up to date knowledge and embed the Bank's Risk and Control Self-Assessment process. • We have identified our Important Business Services and set resilience/tolerance limits which are then tested by applying severe but plausible scenarios. • We have a comprehensive Cybersecurity strategy which combines robust preventative measures and advanced detection capabilities, aligned to leading industry standards.
Conduct	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.	<ul style="list-style-type: none"> • A Conduct Risk Framework is in place to ensure compliance with all regulatory requirements including Consumer Duty. • We monitor a series of Conduct Risk metrics which are reported to key governance committees. • We have policies and procedures that include product approval, change management and complaint handling.
Financial Models	The risk that the Bank incurs financial loss as a consequence of decisions that could be principally based on the output of (internal) models, due to errors in the development, implementation or use of such models.	<ul style="list-style-type: none"> • We have a Model Risk Governance Policy which articulates the principles and standards for model use at each stage of its life cycle, with control and assurance requirements. • We have an annual programme of independent model validation for all high/medium rated models. • The status of model validation is reported to and reviewed at the appropriate governance committees, including any remediation plan, where relevant.

Emerging Risks and Uncertainties

We regularly reassess the key risks to which we are exposed including any which are emerging, within the environment in which we operate. The Bank's emerging risks during 2025 and at the time of the preparation of this document are assessed to be:

Risk	The Bank's Response
<p>Economic Outlook</p> <p>The current geopolitical events in the world, particularly the Middle East, could create economic uncertainty in the UK with negative impacts on supply chains, confidence and growth.</p>	<p>We monitor a range of current and forward-looking measures covering all risk types. These are reviewed by Management and oversight forums on an ongoing basis, and appropriate action undertaken. We continue to support our customers and develop our lending policy to ensure it remains appropriate to changing circumstances.</p>
<p>Regulatory change</p> <p>The financial services industry will implement significant changes to its regulatory environment with the new Basel 3.1 and Strong & Simple frameworks. These changes will result in the Bank needing to update policies, procedures and systems.</p>	<p>We are actively preparing for the full implementation of the Strong & Simple SDDT framework from 1 January 2027. Senior management and the Board are regularly updated on the latest industry publications and planned changes in the Bank's processes to implement the new regulations.</p>
<p>Resource skills gaps and succession planning</p> <p>The Bank is implementing a significant change programme in 2026. As we implement this programme we need to ensure we have the resources in place with the appropriate skills to avoid any key person dependencies across the Bank. We have a clear strategic plan and need to ensure that we have ongoing succession plans in place to achieve these objectives.</p>	<p>We have a well established Business Change governance programme that ensures projects are appropriately resourced. A key element of the Bank's people objectives is to 'grow our own' internal talent to reduce reliance on key personnel and ensure appropriate succession plans are in place.</p>
<p>Artificial Intelligence (AI)</p> <p>AI is increasingly being used in the Bank's business processes. As we become more reliant on automated interpretation there are increased risks around algorithmic bias, data privacy, transparency, security and operational stability.</p>	<p>When investing in AI driven processes, we are mitigating these risks through the application of robust governance and enhanced cybersecurity, ensuring AI techniques are transparent and explainable, supported by internal and external specialist knowledge and where appropriate 3rd party assurance.</p>
<p>Climate Change</p> <p>With the majority of the Bank's balance sheet in real estate, we are exposed to transitional climate risk with regulatory changes potentially impacting future asset values and customer viability.</p>	<p>Both physical and transitional climate risks are being factored into our Risk Appetite, Key Risk Indicators, and broader lending activity. No specific concentrations have been identified to date. As industry practice and regulation continues to evolve however we continue to closely monitor potential impacts. Our Environmental, Social & Governance (ESG) Steering Committee, chaired by the Bank's General Counsel and supported by the Chief Risk Officer, continues to develop and oversee the implementation of climate related initiatives, with the output captured within our annual Impact Report.</p>

The Strategic Report on pages 3 to 28 was approved, by order of the Board.

Richard Bryan
Company Secretary
 26 March 2026



Corporate Governance

How the business is managed

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

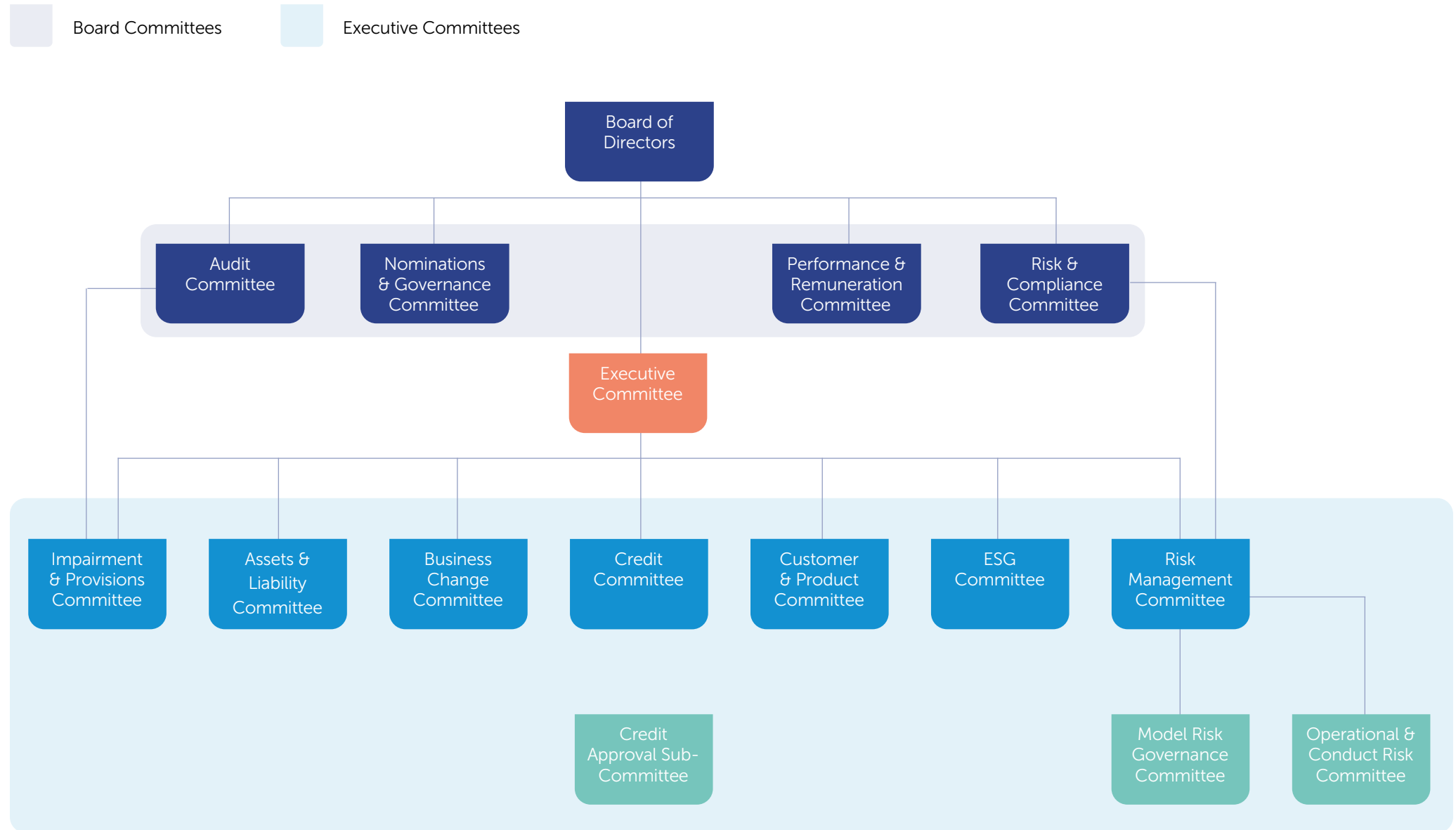
The Board has overall responsibility for the operations of the Bank and is comprised of four independent Non-Executive Directors and two Non-Executive Directors representing the interests of the owners. The Non-Executives were in 2025 complemented by the following Executive Director (ED) board members – the Chief Executive Officer and the Chief Financial 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 diagram below sets out the Bank's Committee structure (as at 31 December 2025):



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.

Responsibilities and requirements:

The Board in conjunction with the Bank's senior management team, is responsible for formulating priorities, goals, and strategies for the Bank. It 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. Other Board responsibilities include:

- ensuring 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.
- commissioning audits, to provide independent assessment and assurance of the Bank.
- monitoring conflicts of interests, both in the Bank's executives, and on the Board itself.

Chair and Chief Executive Officer

are distinct roles 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.

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, partly through the Executive Committee, and partly by the discharge of duties as specified within individual job descriptions.

Non-Executive Directors

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.



Compliance

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:

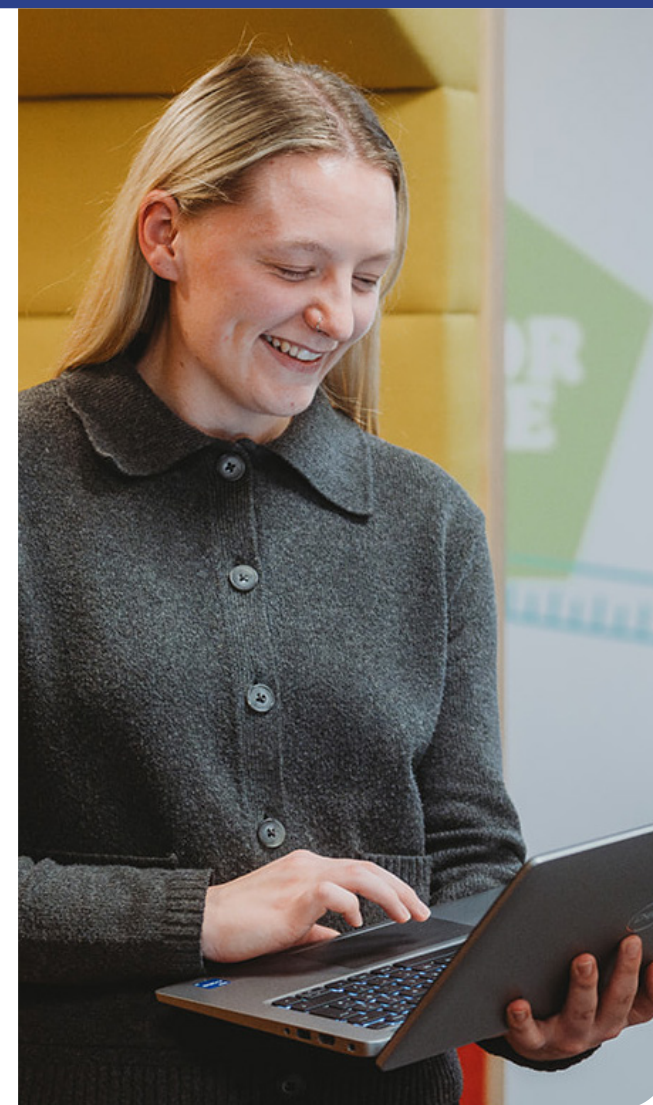
- As a non-listed, privately owned entity the Bank has no requirement to re-elect Directors or hold formal general meetings. Consequently, the sections of the Code regarding re-election of Directors and general meetings have been considered not applicable;
- The remuneration of the NEDs is set by the 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. The Bank considered the proposals disproportionate for its size but has however an established 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 consulted in advance of any material organisational change. The Bank also 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 Board is considering, with support from the Audit Committee, the requirements of Provision 29 of the Code and the approach for the Bank. We are monitoring how this is implemented across the industry with a view to adopting best practice, where appropriate and proportionate, for the Bank

Senior Managers Regime

The Prudential Regulatory Authority (PRA) defines a set of Prescribed Responsibilities and Overall Responsibilities, these have, where appropriate to CCB been allocated to Board members and Senior Managers across the organisation.



Board and Committee attendance

The following table sets out individual directors' attendance at the scheduled Board, Risk & Compliance, Audit, Performance & Remuneration and Nominations & Governance Committees meetings during 2025 (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 2025	7	7	5	5	3
Caroline Fawcett	7	N/M	5	5	3
Richard Hanrahan	6	N/M	N/M	N/M	N/M
Tim Harvey-Samuel	7	5	5	5	2
Michael Hudson*	2	N/M	N/M	N/M	N/M
Michele Ibbs	7	7	5	5	3
Donald Kerr	7	N/M	N/M	N/M	N/M
Elizabeth Lockwood	7	7	5	5	N/M
Patrick Newberry	7	7	N/M	5	3
Mike Peck	7	7	5	N/M	3

* – resigned 30/4/25

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 of 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 2025. The Company Secretary is responsible to the Board for ensuring compliance with corporate governance requirements. 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 2025, 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 34, 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:

Committee / Chair	Description
Asset and Liability Committee CFO (Chief Financial Officer)	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 CTO (Chief Transformation Officer)	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 CLO (Chief Lending Officer)	reviewing and managing all aspects of the Bank's exposure to credit risk.
Credit Approval Sub-committee	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 CCO (Chief Commercial Officer)	overseeing customer outcomes and the suite of products offered, including the design, performance, conduct risk and customer suitability of our products.
ESG Committee General Counsel	leading the Bank's response to the risks, challenges and opportunities presented by environmental, social and governance factors.
Impairment & Provisions Committee CFO (Chief Financial Officer)	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 CRO (Chief Risk Officer)	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.
Model Risk Governance Committee CRO (Chief Risk Officer)	responsible for the management and oversight of financial models used within the Bank.
Operational & Conduct Risk Committee HFLR (Head of First Line Risk)	responsible for the management and oversight of the Bank's key operational and conduct risks.

Board activity

The Board leads the setting of our strategy and oversees the implementation 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 our ambitious growth plans. During the year the Board have considered and discussed a wide variety of topics to ensure appropriate oversight of the achievement of these growth plans, including:

- lessons learnt from key lending transactions to ensure best practice is built into future lending
- market updates from brokers and industry bodies
- analysis of competitor activity and performance
- deep dives into core products and delivery of growth plans
- impact of artificial intelligence upon the business model
- monitoring budget and forecasting to achieve the business plan

Our capital base remained robust and resilient. The Board conducted comprehensive reviews of the Bank's ICAAP and ILAAP, as well as reviewing and approving our application to operate under the SDDT framework.

The Board continued to mature the Bank's sustainability strategy during the year, working to define our North Star and ambition to guide our future priorities and decision-making. We have also partnered with Greenly to complete our first financed-emissions greenhouse gas (GHG) calculation, marking a major step forward in our ability to measure, understand and ultimately manage the wider climate impacts of our lending activities.

This year also represented our second year as an accredited B Corp. We published our second Impact Report, highlighting our continued delivery of social and environmental value alongside commercial growth. The Board also supported the commencement of a gap analysis against the new B Corp standards, which will inform our preparation for reaccreditation in 2027.

Culture remains central to the Bank's purpose and success, and the Board maintained a strong focus on colleague experience, engagement and organisational values throughout the year.

The Board also oversaw important developments in the Bank's strategic partnerships and business model. During the year, we entered into our first forward-flow arrangement with Assetz Capital, representing a meaningful extension of our funding and lending capabilities and supporting the Bank's ability to grow responsibly and diversify its asset base.

Finally, a significant proportion of the Board's focus was directed towards the Bank's transformation agenda, overseeing the programme to ensure it delivers a modernisation of our operational capabilities and supports sustainable growth.



Board Committees

Nominations & Governance Committee report

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.

During 2025, the Committee :

- Reviewed the ongoing development of the Executive succession plan, which covers Executive Committee members, heads of department and key specialist roles within the Bank.
- Oversaw the response to the 2024 Board evaluation programme and planned the 2026 Board evaluation programme. Both programmes have been facilitated by Lintstock Limited, who attended Board in January 2025 to discuss the outcomes.

Audit Committee report

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. During 2025, the Committee:

- reviewed the Annual Report to ensure it is fair, balanced, and understandable.
- ensured the Bank's accounting policies and the estimates and judgements for the items set out in Note

5 (EIR and Impairment) remain appropriate. There have been no material changes in 2025.

- received 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.
- received assurance from management in respect of the Bank's compliance with its regulatory reporting requirements.
- received updates on the Bank's plans to automate its regulatory reporting process, reducing its reliance on manual processes.
- reviewed the effectiveness of the Bank's internal controls and approved the internal audit programme as well as reviewing the internal and external audit reports issued during the year.
- considered the internal and external audit strategies and approved the audit fees.
- received confirmation from both the internal and external auditors that they continued to meet their independence requirements.
- reviewed the performance of the internal and external auditors.
- approved the engagement of PwC.
- completed its annual review of the Bank's annual Whistleblowing Report.
- considered our 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 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 both approaches described on page 39.

Performance & Remuneration Committee

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.

The Committee:

- exercises independent judgment on remuneration policies, practices, and recommendations of the Executive;
- ensures compliance with regulations, and statutory duties;
- ensures the remuneration approach of the Bank supports the Bank's strategy and cultural values;
- advises on remuneration policies and practices;
- 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 Committee engages Deloitte LLP to provide independent advice on remuneration matters. Deloitte has provided independent advice on matters under consideration by the Committee including compliance with regulations, advice on market trends and data and remuneration policy. The Committee is satisfied that the advice it has received has been objective and independent and has no other connection with the Bank or its directors which could impair that independence.

In assessing the appropriateness of remuneration at the Bank and in assessing compliance with the remuneration policy, the Committee considers:

- external benchmarks and internal data, including pay ratios and pay gaps, to ensure the remuneration outcomes were consistent with market practice as well as fair and proportionate.
- feedback from the annual colleague survey and the Colleague Forum.
- views of the shareholders, with the Chair and Senior Independent Director meeting regularly with shareholder representatives during the year.

The Committee retains the discretion set out in the remuneration policy to ensure that outcomes reflect underlying performance, risk considerations and the wider stakeholder experience. During the year, the Committee considered whether discretionary adjustments were required and concluded that no overriding adjustments were necessary and that the policy operated as intended during 2025.

The Committee has reviewed the business performance in 2025 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 £2.9m (2024 £2.6m).

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 2025 is included in Note 11 to the Financial Statements.

Risk & Compliance Committee report

The Committee oversees and monitors risk management across all the risk categories (including compliance related risk), as well as reviewing and recommending the Bank's Risk Appetite to the full Board.

During 2025, the Committee:

- continued to receive regular management information, including the Chief Risk Officer's reports, reviewing and approving the Bank's Risk Appetite including statements and risk indicators.
- considered the top and emerging risks facing the Bank and the markets in which it operates.
- oversaw the Bank's compliance monitoring and financial crime programmes and completed its annual review of the Bank's annual MLRO reports.
- reviewed, challenged and approved the implementation of the enhanced Real Estate Credit Grading Model.
- reviewed and approved the Bank's operational resilience self-assessment including its assessment of Important Business Services and the Bank's impact tolerances.
- sought an understanding of the Bank's exposure to third and fourth party risk and dependencies upon infrastructure.
- providing oversight and challenge in areas like interest rate risk, model management and climate change and cyber risk.
- recommended approval to the Board, after review and challenge, the Bank's ILAAP and ICAAP. This included reviewing and agreeing the stress scenarios and the modelled outputs as part of Committee
- reviewed the Liquidity Contingency Plan, Recovery and Resolution Plans as well as the new Solvent exit analysis.

- challenge and reviewed the key transformation projects and the associated Change Risk
- completed deep dives and reviews of lessons learnt in respect of the performance of Bank's credit portfolio. It also approved the Bank's credit protocols and lending policies.
- reviewed the combined assurance plan and outputs of individual reviews.
- challenged and reviewed the data strategy as well as the annual data protection report.
- reviewed the Bank's credit protocols and lending policies.

Directors' report

Introduction

The Directors of Cambridge & Counties Bank Limited present their Annual Report and audited Financial Statements for the year ended 31 December 2025, 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 14 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 30; and
- The diversity and inclusion section of the 'Our People' section on page 20.

Results and dividends

The Income Statement, Statement of Comprehensive Income and Balance Sheet for the Bank can be found on pages 55 to 56. The Directors paid an ordinary share dividend of £20m on 28 November 2025 (2024: 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:

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	Chief Financial Officer
Michael Hudson*	Chief Risk Officer

*Resigned 30/04/25

The biographies of the Bank's Directors are set out on page 42.

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 2025, 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. More detail on Bank's Corporate Governance statement can be found on pages 30 to 38.

Share capital

Details of the Bank's shareholders and share capital at 31 December 2025 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 Review on pages 8 to 9.

Political donations and expenditure

No amounts were given for political purposes during the year (2024: 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 30 and the Risk Management section in the Strategic Report on pages 24 to 28.

Post balance sheet events

There have been no significant quantifiable events between 31 December 2025 and the date of approval of the Financial Statements which would require a change to, or additional disclosure, in the Financial Statements.

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

In addition to the going concern assessment over a 12 month period, the Directors have also assessed the Bank's longer term viability. 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. The Directors have 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, 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 2028.

In making this assessment, the Directors have considered the detailed 2026 business plan within the



Bank's 3 Year Strategic Plan as well as continuing 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 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 2026 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 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.

Richard Bryan
Company Secretary
26 March 2026



Leadership team

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 Chair of Brunel Pensions Partnership, is a Commissioner of Historic England and 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.



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. He completed the Advanced Leadership Programme at Cambridge University Judge Business school in Q4 2025.

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 People and Remuneration Committee.



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 is also a member of the Audit & Risk Committee of the Courtauld Institute. Mike 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. Liz is also a qualified coach and therapeutic counsellor.



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.



Michele Ibbs Non-Executive Director

Michele is the shareholder representative for Cambridgeshire Pension Fund and joined the Cambridge and Counties Bank Board in April 2023. An experienced non-executive director, she is currently Senior Independent Director and Chair of Remuneration Committee at Melton Building Society and was previously Chair of the Board of Connexus Homes Limited. Michele has also been a non-executive director at Marsden Building Society, The Ombudsman Service Limited and Blackpool Teaching Hospitals NHS Foundation Trust. Her executive career spans both private and public sectors including board roles within higher education, food and drink, luxury goods, manufacturing and retailing.

Independent Auditors' Report

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 2025 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 (the "Annual Report"), which comprise:

- the Balance Sheet as at 31 December 2025;
- the Income Statement for the year then ended;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Changes in Equity for the year then ended;
- 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.

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

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment and materiality of account balances.
- We performed audit procedures over all material account balances. For immaterial account balances, we performed risk assessment procedures to confirm no additional procedures were required in line with our conclusions drawn from our scoping assessment.

Key audit matters

- The application of key judgements and assumptions in relation to applying expected credit loss provisioning on loans and advances to customers.
- First-time implementation of macro fair value portfolio hedging under IAS 39.

Materiality

- Overall materiality: £1,983,000 (2024: £1,790,000) based on 5% of profit before tax.
- Performance materiality: £1,487,000 (2024: £1,343,000).

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.

Management's first-time implementation of macro fair value portfolio hedging under IAS 39 is a new key audit matter this year. The appropriateness of assumptions used in the accounting for the effective interest rate of loans and advances to customers, which was a key audit matter last year, is no longer included because of simplifications made by management in respect to prepayment profiles, and an overall shift in trend experienced towards fixed rate lending, reducing the inherent risk. Otherwise, the key audit matters below are consistent with last year.

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 expected credit loss ('ECL') provisions against loans and advances to customers in accordance with IFRS 9.

Management makes various assumptions when estimating ECL. We performed a risk assessment to identify those assumptions with significant levels of management judgement and for which variations had the most material impact on ECL;

- Assumptions in forward looking economic scenarios and their probability weightings. The level of estimation uncertainty in this area has remained high as a result of uncertainties in the macroeconomic and geological environment.
- Judgements regarding the staging thresholds to determine when a loan has experienced a 'significant increase in credit risk'.
- Assumptions in determining the ECL on stage 3 real estate finance loans which are individually assessed, specifically around recovery strategies and cash flow assumptions.

We focused 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 81% of total lending (2024: 86%) and the individual assets in this portfolio are generally larger.

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 Committee's consideration of the matter is set out in the Audit Committee Report.

How our audit addressed the key audit matter

We observed management's review and challenge in key governance forums for (1) the determination of economic scenarios and their probability weightings, and (2) the assessment of ECL for the real estate finance portfolio.

We engaged our economic experts in assessing the reasonableness of the assumptions in the forward-looking economic scenarios and probability weightings assigned to these scenarios. We focused on whether the scenarios adequately captured future potential economic risks, such as risks caused by the geopolitical environment. These assessments considered the sensitivity of ECLs to variations in the severity and probability weighting of economic scenarios.

With the support of our credit risk modelling specialists we assessed the reasonableness of management's selection of staging criteria and their definition of a significant increase in credit risk. We also reformed the application of these staging thresholds in the model.

In respect to a sample of real estate finance individually assessed Stage 3 loans, we assessed the significant assumptions used to estimate the discounted cash flow projections, and involved valuations experts to assess the underlying collateral.

We also tested the complete capture of defaulted exposures by ensuring loans meeting the definition of default are included in the population of Stage 3 loans.

Finally, we tested the Credit Risk disclosures made in the Annual Report.

Key audit matter**Management's first-time implementation of macro fair value portfolio hedging under IAS 39**

During the year, management implemented macro fair value hedge accounting for the first time, applying the hedge accounting requirements of IAS 39 to portfolios of fixed rate financial assets, with the calculation of hedging adjustments being performed by management's experts.

The Company is exposed to interest rate risk as a result of the mismatch between fixed and floating rate cash flows on loan contracts with its customers. The risk of future movements in market rates of interest affecting the profitability of the Company is mitigated through the use of derivative financial instruments in the form of interest rate swap contracts. These are designated in fair value hedge accounting relationships so that the underlying hedged items are recorded at fair value.

We focussed our work on the completeness and accuracy of data provided to management's experts, as well as the correct presentation and disclosure of hedge-accounting within the financial statements.

The Company's disclosures and associated accounting policies are detailed in Note 21. The Audit Committee's consideration of the matter is set out in the Board Audit Committee Report.

How our audit addressed the key audit matter

We evaluated the competencies, capabilities, and objectivity of management's appointed experts.

We tested the completeness and accuracy of the loan and swap data provided to management's experts for use in the hedge-accounting calculations.

We tested the completeness and accuracy of hedge ineffectiveness amounts recognised in the income statement during the year.

We reconciled the outputs of the hedge-accounting calculations to the general ledger to confirm that the amounts recorded in the annual accounts were accurate.

We obtained and reviewed the hedge documentation to assess whether the Company's hedging relationships were compliant with the applicable accounting requirements.

Finally, we tested the hedge-accounting disclosures made in the Annual Report and confirmed their compliance with the relevant accounting standards.

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 SMEs. 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 2025.

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	£1,983,000 (2024: £1,790,000).
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% (2024: 75%) of overall materiality, amounting to £1,487,000 (2024: £1,343,000) 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 that we would report to them misstatements identified during our audit above £99,000 (2024: £90,000) 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, and met with the PRA, 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 2025 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, 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 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; and
- Identifying and testing journal entries, in particular any journal entries posted to unusual account combinations based on our understanding of usual business operations.

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

We were first appointed by the company for the financial year ended 31 December 2022. Our uninterrupted engagement covers four financial years.



Nikhil Dhiri (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
26 March 2026

Financial Statements

Income Statement and Statement of Comprehensive Income for the year ended 31 December 2025

Income Statement

£'000	Note	2025	2024
Interest income calculated using the effective interest rate	6	130,181	128,313
Interest expense	6	(59,341)	(54,838)
Net interest income		70,840	73,475
Other income	7	376	126
Total operating income		71,216	73,601
Administrative expenses	9	(32,390)	(31,772)
Depreciation and amortisation	18, 19	(1,122)	(1,077)
Operating profit before impairment losses		37,704	40,752
Impairment release/(losses) on loans and advances to customers	16	1,967	(4,932)
Profit before tax		39,671	35,820
Taxation charge	12	(9,179)	(8,157)
Profit after tax		30,492	27,663

Statement of Comprehensive Income

£'000	Note	2025	2024
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	455	150
Taxation	27	(104)	(48)
Total other comprehensive income, net of tax		351	102
Total comprehensive income attributable to owners of the Bank		30,843	27,765

All profit for the year arises from continuing operations.
The Notes on pages 59–115 are an integral part of these Financial Statements.

Balance Sheet as at 31 December 2025

£'000	Note	2025	2024
Assets			
Cash and balances at central banks	13	282,554	292,850
Loans and advances to banks	14	11,034	12,139
Debt securities	17	151,065	65,137
Loans and advances to customers	15	1,446,075	1,204,444
Derivative financial assets	21	–	149
Other assets and prepayments	20	1,534	1,443
Property plant and equipment	18	1,398	1,700
Intangible assets	19	3,089	2,277
Current tax asset	20	1,276	689
Deferred tax asset	12	608	907
Total assets		1,898,633	1,581,735
Liabilities			
Customers' accounts	22	1,633,601	1,271,824
Central Bank facilities	23	–	55,000
Subordinated Debt liability	24	4,840	4,800
Derivative financial liabilities	21	3,087	–
Provisions	26	–	750
Other liabilities and accruals	25	8,462	9,277
Total liabilities		1,649,990	1,341,651
Equity			
Share capital	27	44,955	44,955
Convertible loan notes	27	22,900	22,900
Fair value through other comprehensive income reserve	27	77	(274)
Retained earnings		180,711	172,503
Total equity		248,643	240,084
Total liabilities and equity		1,898,633	1,581,735

The Financial Statements on pages 55 to 58 were approved by the Board of Directors on 26 March 2026 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 2025

£'000	Note	Share capital	Contingent convertible loan notes	Fair value through other comprehensive income reserve	Retained earnings	Total equity
Balance at 1 January 2025	27	44,955	22,900	(274)	172,503	240,084
Profit for the year		–	–	–	30,492	30,492
Other comprehensive income	27	–	–	351	–	351
Total comprehensive income for the period		–	–	351	30,492	30,843
Transactions with owners, recorded directly in equity						
Dividend paid	27	–	–	–	(20,000)	(20,000)
Convertible loan note interest	27	–	–	–	(2,284)	(2,284)
Total contributions by and distributions to owners		–	–	–	(22,284)	(22,284)
Balance at 31 December 2025		44,955	22,900	77	180,711	248,643

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

The Notes on pages 59 to 115 are an integral part of these Financial Statements.

Statement of Cash Flows for year ended 31 December 2025

£'000	Note	2025	2024
Cash flows from operating activities			
Profit after tax		30,492	27,663
Adjustments for:			
Subordinated debt liability interest and fee accrual		40	196
Depreciation and amortisation		1,122	1,077
(Decrease) in allowance for Impairment losses		(9,644)	(1,654)
Taxation charge		9,179	8,157
Other non-cash items		597	243
Net increase in other assets/liabilities			
Net (increase) in loans and advances to customers	15	(228,708)	(119,661)
Net increase in customers' accounts	22	361,462	116,329
Net (decrease) in central bank facilities	23	(55,000)	(10,000)
Net (increase) in derivatives	21	(57)	(475)
Net (decrease)/increase in other liabilities and provisions	25, 26	(1,565)	399
Net (increase)/decrease in other assets and prepayments	20	(91)	1,083
Income tax paid		(9,572)	(9,815)
Net cash generated from operating activities		98,255	13,542
Cash flows from investing activities			
Proceeds from debt securities sales / maturity	17	21,594	6,609
Acquisition of debt securities	17	(107,335)	(24,437)
Acquisition of property, plant & equipment and intangible assets	18,19	(1,631)	(1,159)
Net cash used in investing activities		(87,372)	(18,987)
Cash flows from financing activities			
Dividend paid	27	(20,000)	–
Convertible loan note interest paid	27	(2,284)	(2,459)
Net cash (used in) investing activities		(22,284)	(2,459)
Net (decrease) in cash and cash equivalents	13	(11,401)	(7,904)
Cash and cash equivalents at 1 January	13	304,989	312,893
Cash and cash equivalents at 31 December		293,588	304,989

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.

The Notes on pages 59 to 115 are an integral part of these 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. Accounting policies

The Bank implemented IAS 39 hedge accounting in 2025 (see note 21). There have been no changes to the Bank's accounting policies during 2025.

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 2026 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 the UK 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 2026 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 2025.

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.

Notes to the Financial Statements (continued)

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 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.

Notes to the Financial Statements (continued)

£'000	2025	2024
Interest income		
Loans and advances to banks	11,803	15,878
Loans and advances to customers	114,372	111,041
Investment securities	3,878	1,432
Net income (expense) on other financial instruments	128	(38)
Total interest income	130,181	128,313
Interest expense		
Deposits from customers	(57,549)	(51,026)
Other (including TFSME fees)	(1,792)	(3,812)
Total interest expense	(59,341)	(54,838)
Net interest income	70,840	73,475

Interest income for the year ended 31 December 2025 excludes £354k (2024: £909k) 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 £0.7m (2024: £0.8m);
- If the proportion of REF redemptions paying early repayment fees increased by 20% the Bank's EIR liability would reduce by £0.1m (2024: £0.2m).

Notes to the Financial Statements (continued)

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	2025	2024
Lending related fee income	376	126
Total other income	376	126

8. Auditors' remuneration

The profit on ordinary activities is arrived at after charging:

£'000	2025	2024
The remuneration of the Bank's external auditors:		
Audit services		
Audit of these Financial Statements*	595	560
Audit related assurance services		
Amounts receivable by the company's auditor and its associates in respect of:		
All other services	5	42
Total remuneration payable to the Bank's external auditors (ex. VAT)	600	602

*The 2025 Audit costs reported include Enil related to the 2024 audit (2024: £30k related to 2023)

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 2025 and 2024. Other Services undertaken by the auditors relate to profit verification in 2024 and Country by Country reporting in both 2025 and 2024.

9. Administrative expenses

£'000	2025	2024
Staff costs (see Note 10)	22,661	21,190
IT related costs	2,879	2,527
Premises costs	536	582
Provisions (see Note 26)	(750)	750
Other costs including marketing, legal and professional services	5,578	5,411
VAT paid on the above purchases	1,486	1,312
Total	32,390	31,772

Notes to the Financial Statements (continued)

10. Staff numbers and costs

The average number of persons employed (including Executive and Non-Executive Directors) during the year was 248 (2024: 243). 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	2025	2024
Wages and salaries	17,830	16,903
Social security costs	2,536	2,134
Employer pension costs	2,295	2,153
Total	22,661	21,190

11. Directors' remuneration

£'000	2025	2024
Directors' remuneration*	1,669	2,559
Social security costs	240	302
Total	1,909	2,861

*Director's remuneration includes employer money purchase pension contributions for the 2 Executive Directors totalling £1k in 2025 (2024:£14k). There are no other short-term or post-employment benefits. As at 31 December 2025 there were 2 Executive and 6 Non-Executive Directors in office.

The emoluments of the highest paid Director were £652k (2024: £1,012k). No Directors received any shares as part of their remuneration. There were no Directors' loans in 2025 (2024: 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% (2024: 25%) 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 2025 have been measured at 25% (2024: 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.

Notes to the Financial Statements (continued)

£'000	2025	2024
Current tax expense		
In respect of the current year	9,163	8,462
In respect of prior years	(179)	(52)
	8,984	8,410
Deferred tax expense		
Origination and reversal of temporary differences	211	114
Adjustments in respect of prior periods	(16)	(367)
Effect of tax rate change on opening balance	–	–
	195	(253)
Total income tax expense	9,179	8,157

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

£'000	2025	2024
Profit before tax	39,671	35,820
Tax on profit at standard CT rate 25% (2024: 25%)	9,918	8,973
Effects of:		
Fixed asset differences	6	7
Expenses not deductible for tax purposes	21	211
Adjustments to tax charge in respect of previous periods	(179)	(52)
Adjustments to tax charge in respect of previous periods – deferred tax	(16)	(367)
Re-measurement of deferred tax for changes in tax rates	–	–
Convertible loan note interest payments	(571)	(615)
Total income tax expense	9,179	8,157

Notes to the Financial Statements (continued)

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	2025	2024
Unrestricted balances with central banks*	282,554	292,850
Cash and balances with other banks	11,034	12,139
Total	293,588	304,989

*Included within the unrestricted balances with central banks is £407k of accrued interest for 2025 (2024: £475k)

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	2025	2024
Net loans and advances to banks	11,034	12,139

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 £2.3m (2024: £2.7m).

The Bank uses interest rate derivatives to mitigate its interest rate risk. The fair value adjustment for the loans being hedged was £3,075k (2024: (£149k)). During 2025 a loan partially redeemed resulting in the critical terms of the derivative matching being broken and therefore this derivative was cancelled. The fair value adjustment (£55k) in respect of this instrument is being amortised over the remaining 30 months of the previously hedged loan.

Notes to the Financial Statements (continued)

£'000	2025	2024
Gross loans and advances	1,454,424	1,225,716
Less: allowance for impairment losses (see Note 16)	(11,479)	(21,123)
Net loan receivables	1,442,945	1,204,593
Fair value hedge accounting adjustment for hedged risk (see note 21)	3,075	(149)
Remaining fair value adjustment for previously hedged risk	55	-
Total loans and advances to customers	1,446,075	1,204,444

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	2025	2024
Gross investment in finance lease receivables*:		
Less than one year	87,736	53,799
1–2 years	77,488	65,500
2–3 years	60,086	37,831
3–4 years	30,988	20,089
4–5 years	13,022	7,386
More than five years	3,711	4,350
Total	273,031	188,955
Unearned future finance income on finance charges	(34,314)	(23,965)
Net investment in finance leases	238,717	164,990
The net investment in finance leases may be analysed as follows:		
Less than one year	72,333	43,172
Between one and five years	162,825	117,688
More than five years	3,559	4,130
	238,717	164,990

*Excludes effective interest rate asset of £3,038k

Notes to the Financial Statements (continued)

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 30. 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.

£'000	Not credit impaired		Credit impaired	Total
	Stage 1: subject to 12-month ECL	Stage 2: subject to lifetime ECL	Stage 3: subject to lifetime ECL	
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
Real Estate Finance	1,129	3,259	4,258	8,646
Asset Finance (including Classic Vehicles & Sports)	2,430	107	296	2,833
At 31 December 2025	3,559	3,366	4,554	11,479

*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 £354k.

Notes to the Financial Statements (continued)

Impairment provision movement 2025 £'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 2025	3,559	3,366	4,554	11,479
Opening Balance at 1 January 2025	2,645	8,208	10,270	21,123
Increase (decrease) in provision	914	(4,842)	(5,716)	(9,644)
Increase (decrease) in provision				
New loans originated	2,220	–	–	2,220
Derecognised loans	(523)	(945)	(487)	(1,955)
Allowance utilised in respect of write offs	–	–	(7,831)	(7,831)
Transfers between Stages and increase/(decrease) in credit risk				
Transfers from Stage 1	(329)	321	8	–
Transfers from Stage 2	2,553	(4,386)	1,833	–
Transfers from Stage 3	–	537	(537)	–
Model changes	(213)	(1,669)	–	(1,882)
Increase/(decrease) in credit risk	(2,794)	1,300	1,298	(196)
	914	(4,842)	(5,716)	(9,644)
P&L charge				
Increase (decrease) in provision on drawn loans	914	(4,842)	2,115	(1,813)
Increase (decrease) in provision on undrawn commitments	(42)	–	–	(42)
Write Offs (net of prior year provisions)	–	–	242	242
Income Adjustment*	–	–	(354)	(354)
Total P&L impairment charge	872	(4,842)	2,003	(1,967)

*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 £354k.

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

Gross loan balances by Stage 2025 £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 2025	1,353,172	77,757	23,495	1,454,424
Opening Balance at 1 January 2025	1,039,360	155,592	30,764	1,225,716
Increase (decrease) in loan balances	313,812	(77,835)	(7,269)	228,708
New loans originated	519,862	–	–	519,862
Derecognised loans	(183,243)	(28,790)	(12,936)	(224,969)
Loans written-offs	–	–	(8,351)	(8,351)
Transfers between Stages				
Transfers from Stage 1	(41,186)	40,016	1,170	–
Transfers from Stage 2	74,841	(91,034)	16,193	–
Transfers from Stage 3	–	4,069	(4,069)	–
(Capital repayments) /Arrears accumulation	(56,462)	(2,096)	724	(57,834)
	313,812	(77,835)	(7,269)	228,708

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-offs	–	–	(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

Notes to the Financial Statements (continued)

£'000	Gross loan balance			Expected Credit Loss (ECL)			Net balance			Total
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
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
Real Estate Finance	1,116,141	75,910	21,307	1,129	3,259	4,258	1,115,012	72,651	17,049	1,204,712
Asset Finance (including Classic Vehicles & Sports)	237,031	1,847	2,188	2,430	107	296	234,601	1,740	1,892	238,233
At 31 December 2025*	1,353,172	77,757	23,495	3,559	3,366	4,554	1,349,613	74,391	18,941	1,442,945

*excludes fair value hedge accounting adjustment of £3,130k (2024: £149k)

	2025				2024			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Loan loss coverage ratio	0.3%	4.3%	19.4%	0.8%	0.3%	5.3%	33.4%	1.7%

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	2025	2024
Debt securities as at 1 January	65,137	47,409
Purchases	107,355	24,437
Fair value movements during the year	187	(100)
Securities sold/redeemed during the year	(21,594)	(6,609)
Debt securities as at 31 December	151,065	65,137

Notes to the Financial Statements (continued)

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.

2025 £'000	Property lease	Computer hardware	Fixtures and fittings	Total
Cost				
Balance at 1 January 2025	2,100	422	1,060	3,582
Lease additions in period	50	–	–	50
Additions	–	68	–	68
Disposals	–	(161)	–	(161)
Balance at 31 December 2025	2,150	329	1,060	3,539
Accumulated Depreciation				
Balance at 1 January 2025	752	249	881	1,882
Charge for the year	177	95	148	420
Eliminated on disposals	–	(161)	–	(161)
Balance at 31 December 2025	929	183	1,029	2,141
At 1 January 2025	1,348	173	179	1,700
At 31 December 2025	1,221	146	31	1,398

Notes to the Financial Statements (continued)

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

Notes to the Financial Statements (continued)

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 £1,625k which were in the course of construction at the 31 December 2025 (2024: £397k).

2025 £'000	Computer software
Cost	
Balance at 1 January 2025	5,690
Additions	1,514
Disposals	–
Balance at 31 December 2025	7,204
Accumulated Amortisation	
Balance at 1 January 2025	3,413
Amortisation for the year	702
Eliminated on disposals	–
Balance at 31 December 2025	4,115
Net book value	
At 1 January 2025	2,277
At 31 December 2025	3,089

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

Notes to the Financial Statements (continued)

20. Other assets and prepayments

£'000	2025	2024
Other debtors	105	173
Prepayments	1,429	1,270
Corporation tax	1,276	689
Total	2,810	2,132

21. Hedge accounting and Derivative financial instruments

The Bank undertakes transactions in derivative financial instruments, which are interest rate swaps. The Bank's derivative activities are entered into only for the purpose of matching or eliminating risk from potential movements in interest rates inherent in the Banks' assets, liabilities, and positions. All derivative transactions are for economic hedging purposes. Financial instruments are initially recognised at fair value.

- Derivative financial instruments

Derivatives are initially measured at fair value and are subsequently re-measured to fair value at each reporting date with movements recorded in the income statement. Fair values are calculated by discounted cash flow models using yield curves that are based on observable market data or are based on valuations from counterparties. Derivative fair value is included as a level 2 asset or liability within the Bank's fair value hierarchy as set out in Note 29.

All derivatives are classified as assets where their fair value is positive and liabilities where their fair value is negative. Where there is the legal ability and intention to settle net, the derivative is classified as a net asset or liability, as appropriate.

- Hedge accounting

When transactions meet the criteria specified in IAS 39 (for macro fair value hedges) of IFRS 9 (for micro fair value hedges), the Bank applies fair value hedge accounting so that changes in the fair value of the underlying assets or liability that are attributable to the hedged risk are recorded in the income statement to offset the fair value movement of the related derivative.

To qualify for hedge accounting at inception the hedge relationship must be clearly documented. At inception the derivative must be expected to be highly effective in offsetting the hedged risk and effectiveness must be assessed on an ongoing basis throughout the life of the hedged relationship.

Within its risk management and hedging strategies the Bank differentiates between Macro and Micro hedging as set out below. The Bank uses pay fixed / receive floating interest rate swaps to hedge its fixed rate loans.

Macro portfolio hedges

The Bank applies macro fair value hedging to its fixed rate real estate loans. The Bank determines hedged items by identifying portfolios with homogenous characteristics based on their contractual interest rates and maturity. The interest rate swaps are designated to the appropriate re-pricing bucket.

Hedge effectiveness is measured on a monthly basis using the Hedge ratio. The Hedge ratio compares fair value movements of the designated loans due to the hedged risk, against the fair value movements of the derivatives. To meet the Bank's effectiveness test the ratio must be between 0.8 and 1.25.

The aggregated fair value changes in the hedge loans are recognised as part of the fair value adjustment for hedged risk within loans and advances to customers. At the end of every month, in order to minimise the ineffectiveness from early repayments and accommodate new exposures and regardless of the results of the retrospective testing, the Bank voluntarily de-designates the hedge relationships and re-designates them as new hedges. From the date of de-designation, the fair value hedge accounting adjustments are amortised on a straight-line basis over the original hedged life.

Notes to the Financial Statements (continued)

Micro fair value hedges

The Bank applies Micro fair value hedging when the hedged item (or group of items) is a distinctively identifiable asset hedged by one hedging instrument (also referred to a critical terms matched). The critical terms include the value of the value of the exposure, the maturity date and the interest rate benchmark. These hedge relationships are assessed on an ongoing basis to ensure they meet the hedge effectiveness criteria. If the hedging instrument expires or is sold, terminated or exercised, or when the hedge no longer meets the criteria for hedge accounting, or the Bank decides to voluntarily discontinue the hedging relationship, the hedge relationship is discontinued prospectively.

If the hedge accounting relationship is terminated the accumulated fair value hedge adjustment to the carrying amount of the hedged item is amortised over the remaining term of the original hedge.

The Bank discontinues hedge accounting when:

- i) it is evident from testing that a derivative is not, or has ceased to be, highly effective as a hedge;
- ii) the derivative expires, or is sold, terminated or exercised; or
- iii) the underlying item matures or is sold or repaid.

The Bank may also decide to cease hedge accounting even though the hedge relationship continues to be highly effective by ceasing to designate the financial instrument as a hedge. If the derivative no longer meets the criteria for hedge accounting, the cumulative fair value hedging adjustment is amortised over the period to maturity of the previously designated hedge relationship.

- Derivatives values

The table below shows the fair values of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amounts indicate the volume of transactions outstanding at the year-end and are not indicative of either the market or credit risk. The weighted average fixed rate for the Bank's macro hedges is 3.8%. The weighted average rate paid on the Bank's micro hedges is 7.4%.

All interest rate swaps		2025	2024	2025	2024
£'000		Fair value		Contract / notional	
NatWest Markets Plc					
Micro hedges	Assets	–	149		
	Liabilities	847	–	59,355	64,798
Macro hedges	Assets	–	–		
	Liabilities	679	–	100,000	–
Lloyds Bank Corporate Markets Plc					
Micro hedges	Assets	–	–	–	–
	Liabilities	–	–	–	–
Macro hedges	Assets	–	–		
	Liabilities	1,561	–	135,000	–
Total	Assets	–	149		
	Liabilities	3,087	–	294,355	64,798

All of the Bank's macro hedges have met the effectiveness criteria on a monthly basis. The Bank has seen minimal early redemptions within its macro hedge loan pools. The Bank has recorded a charge of £12k (2024: nil) to Interest Income in the Income Statement in respect of ineffectiveness resulting from early repayments and yield curve movements.

Notes to the Financial Statements (continued)

Income statement impact	Accumulated Fair Value Movement in Hedged Items		Accumulated Fair Value Movement in Hedged Instrument		P&L Ineffectiveness	
	2025	2024	2025	2024	2025	2024
All interest rate swaps £'000						
Micro hedges	847	(149)	(847)	149	-	-
Macro hedges	2,228	-	(2,240)	-	(12)	-

The table below shows the breakdown of the cumulative fair value adjustment in the underlying hedged items between micro and macro hedges.

Fair value £'000	Balance Sheet Exposure		Accumulated Fair Value Adjustments	
	2025	2024	2025	2024
Real estate loans				
Micro hedges	59,355	64,798	847	(149)
Macro hedges	265,864	-	2,228	-
Total (see note 15)	325,219	64,798	3,075	(149)

The Bank's derivatives are shown in the table below based on their remaining term to maturity and their hedge relationship.

Time to maturity – nominal value £'000 December 2025	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
Micro hedges	-	-	-	59,355	-	59,355
Macro hedges	-	-	-	235,000	-	235,000
	-	-	-	294,355	-	294,355

Time to maturity – fair value £'000 December 2025 - liability	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
Micro hedges	-	-	-	(847)	-	(847)
Macro hedges	-	-	-	(2,240)	-	(2,240)
Total as per balance sheet	-	-	-	(3,087)	-	(3,087)

Time to maturity – nominal value £'000 December 2024	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
Micro hedges	-	-	-	64,798	-	64,798
Macro hedges	-	-	-	-	-	-
	-	-	-	64,798	-	64,798

Notes to the Financial Statements (continued)

Time to maturity – fair value £'000 December 2024 - asset	Less than 1 month	Between 1 and 3 months	Between 3 and 12 months	Between 1 and 5 years	More than 5 years	Total
Micro hedges	-	-	-	149	-	149
Macro hedges	-	-	-	-	-	-
Total as per balance sheet	-	-	-	149	-	149

The table below shows the fair value of hedged instruments or items that are being amortised over the remaining period of the item following the hedging relationship being discontinued.

£'000	2025	2024
Fair value adjustment for previously hedge risks		
Fixed rate deposits (see note 22) - fair value debit	66	381
Fixed rate Real Estate Loans (see note 15) - fair value debit	55	-

The Bank's growth in fixed rate lending 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 in 2024. The fair value adjustment in respect of the previously hedged balances at 31 December 2025 was £66k (2024: £381k). This balance is being amortised over the remaining 4 months of the previously hedged deposit balances. In September 2025, the Bank closed out a critically matched term derivative that hedged an individual fixed rate loan which had partially redeemed and no longer met the necessary matching criteria. The fair value adjustment in respect of the loan at 31 December 2025 was £55k. This balance is being amortised over the remaining 30 months of the loan. In total £317k of fair value adjustment was charged to the Income statement in 2025. (2024: £95k).

Notes to the Financial Statements (continued)

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 Credit Support Annexes (CSA) in conjunction with ISDA agreements, which requires the Bank and its counterparties (NatWest Markets Plc and Lloyds Bank Corporate 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		Principal type of collateral	Collateral (received)/given £000	
	2025	2024		2025	2024
Derivatives held for risk management					
NatWest Markets Plc	100%	100%	Cash	1,290	(310)
Lloyds Bank Corporate Markets Plc	100%	–	Cash	1,320	–

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 Balance Sheet. 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 (2024: 5 years).

At 31 December 2025 the Bank had pledged £1,610k (2024: £310k held) of cash collateral, which is included in the total loans and advances to banks category on the balance sheet.

Type	Gross amounts of recognised financial assets	Gross amounts of financial liabilities offset in the statement of financial position	Net amounts of financial assets / (liabilities) in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Financial instruments liabilities	Cash collateral (received)/Given	
Derivatives held for risk management						
2025						
Liabilities	–	(3,087)	(3,087)	–	1,610	(4,697)
2024						
Assets	149	–	149	–	(310)	459

Notes to the Financial Statements (continued)

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 Through 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 2025 was £66k (2024: £381k). This balance is being amortised over the remaining 16 months of the previously hedged deposit balances. £315k of fair value adjustment was charged to the Income statement in 2025 (2024: £95k).

£'000	2025	2024
Easy access	34,130	33,975
Term and notice accounts		
Payable within 1 year	1,460,765	1,013,365
Payable after one year	138,772	224,865
Total	1,633,667	1,272,205
Fair value adjustment for hedged risk	–	–
Remaining fair value adjustment for previously hedged risk	(66)	(381)
Total deposits from customers	1,633,601	1,271,824

£'000	2025	2024
Variable rate deposit balances	518,301	529,216
Fixed rate deposit balances	1,115,366	742,989
Total	1,633,667	1,272,205
Fair value adjustment for hedged risk	–	–
Remaining fair value adjustment for previously hedged risk	(66)	(381)
Total deposits from customers	1,633,601	1,271,824

Notes to the Financial Statements (continued)

23. Central Bank Facilities

The Bank repaid on schedule its drawing under the Bank of England Term Funding Scheme for SMEs ('TFSME') in 2025 (2024: £55m). 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	2025	2024
TFSME	–	55,000
Total	–	55,000

24. Subordinated debt liability

Subordinated debt liabilities are classified as financial liabilities measured at amortised cost and comprise of notes issued by the Bank, as summarised below. The amounts include accrued interest and capitalised costs.

£'000		Issue date	Call date	Maturity date	2025	2024
11.5% fixed rate reset callable subordinated notes	British Business Bank Investments	Aug 2023	Aug 2028	Aug 2033	4,840	4,800

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	2025	2024
Accruals	5,485	6,273
Lease liability	1,657	1,793
Other creditors	1,320	1,211
Total	8,462	9,277

See Note 32 for more details on the lease liability.

Notes to the Financial Statements (continued)

26. Provisions

A provision is recognised in the Balance Sheet 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	2025	2024
Provisions	–	750

During the year the Bank released the provision recorded in 2024 in respect of the future outcome of a regulatory review as it no longer considered it necessary.

27. Capital and reserves

Share capital

	£'000		No. of shares	
	2025	2024	2025	2024
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 (2024: nil). There were no new issues of any convertible loan notes (2024: nil).

Dividends on ordinary shares are recognised in equity in the period in which they are approved by shareholders. 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.

Notes to the Financial Statements (continued)

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	2025	2024
FVOCI reserve as at 1 January	(274)	(376)
FVOCI financial assets – net change during the year	455	150
Related tax	(104)	(48)
FVOCI Reserve as at 31 December	77	(274)

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 reduced rate reflects the lower average bank base rate during 2025.

£'000	2025	2024
Convertible loan note interest 9.97 pence per loan note (2024: 10.74 pence per loan note)	2,284	2,459
Total	2,284	2,459

Ordinary share dividends

Ordinary share dividends of £20m were paid in 2025 (2024: nil).

£'000	2025	2024
Ordinary share dividends 44.48p per share (2024: nil)	20,000	–
Total	20,000	–

28. Employee benefits

Defined contribution pension plans

The defined contribution plan is a post-employment benefit plan, provided by Royal London Mutual Insurance Society Limited, 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 money purchase pension plans are recognised as an expense in the Income Statement in the periods during which services are rendered by employees.

The pension cost for the year of £2,295k (2024: £2,153k) represents the contributions payable by the Bank. There was an outstanding contribution due of £2k (2024: £4k) at the end of the year.

Notes to the Financial Statements (continued)

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:

2025 £'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	282,554	–	–	–	282,554
Loans and advances to banks	11,034	–	–	–	11,034
Debt securities	–	151,065	–	–	151,065
Loans and advances to customers	1,442,945	–	3,130	–	1,446,075
Total	1,736,533	151,065	3,130	–	1,890,728
Customers' accounts	–	–	(66)	1,633,667	1,633,601
Derivatives	–	–	3,087	–	3,087
Subordinated debt liability	4,840	–	–	–	4,840
Total	4,840	–	3,021	1,633,667	1,641,528

*Fair Value adjustment in respect of hedge accounting

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

Notes to the Financial Statements (continued)

2025		Fair value – valuation basis			
£'000	Carrying value	Level 1	Level 2	Level 3	
Fair value of financial instruments carried at fair value	Financial Assets				
	Debt securities	151,065	151,065	–	
	Financial liabilities				
	Derivatives	3,087	–	3,087	
Fair value of financial instruments not carried at fair value	Financial Assets				
	Loans and advances to customers	1,442,945	–	–	
	Financial liabilities				
	Subordinated Debt liability	5,000	–	–	
	Customers' accounts	1,633,667	–	–	
				1,633,595	
<hr/>					
2024		Fair value – valuation basis			
£'000	Carrying value	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	–	–	
	Financial liabilities				
	Subordinated Debt liability	4,800	–	–	
	Customers' accounts	1,272,205	–	–	
				1,272,307	

Notes to the Financial Statements (continued)

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. Fair 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 debt 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. The fair value of this liability has been calculated using prices reported for similar instruments in 2025.

There have been no transfers between levels in 2025 (2024: none)

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.

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

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	2025	2024
Cash and balances at central banks	282,554	292,850
Loans and advances to banks	11,034	12,139
Debt securities	151,065	65,137
Loans and advances to customers*	1,454,424	1,225,716
	1,899,077	1,595,842
Commitments to lend**	108,360	150,140
Gross credit risk exposure	2,007,437	1,745,982
Less allowance for expected credit losses	(11,479)	(21,123)
Net credit risk exposure	1,995,958	1,724,859

*Net of Effective Interest Rate liability of £2.3m (2024: £2.7m) and fair value adjustment for hedged risk of £3,130k (2024: £149k)

**Commitments to lend represent agreements entered into but not advanced as at 31 December. Also excludes the provision of £82k (2024: £124k) held in respect of these commitments within Other Liabilities.

The above table represents the maximum credit risk exposure to the Bank at 31 December 2025, and 2024, without taking account of any underlying security. At 31 December 2025 the value of securities held as collateral against drawn loans and advances to customers is £2,576m (2024: £2,246m) of which £2,338m (2024: £2,082m) is in the form of property), £238m (2024: £164m) in the form of assets owned by the Bank and financed by customers using hire purchase and finance leases, and £0.5m (2024: £0.6m) is in the form of cash deposits.

Notes to the Financial Statements (continued)

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 2025, the Bank's asset finance loan portfolio totalled £238m (2024: £164m).

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 %	2025	2024
Real estate lending		
Residential	22%	25%
Commercial	61%	60%
Other	1%	1%
Asset finance	8%	8%
Classic Vehicles and Sports	8%	6%
Total	100%	100%

Notes to the Financial Statements (continued)

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

Region	2025	2024
East Anglia	2%	2%
East Midlands	17%	18%
Greater London	7%	5%
North East	5%	6%
North West	14%	15%
Scotland	5%	5%
South East	9%	8%
South West	9%	8%
Wales	5%	5%
West Midlands	8%	8%
Yorkshire/Humberside	19%	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	2025	2024
0–£250k	36%	40%
£251k –£500k	26%	26%
£501k–£1,000k	18%	18%
£1,001k–£3,000k	16%	13%
£3,001k+	4%	3%
Total	100%	100%

Notes to the Financial Statements (continued)

LTV banding

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

LTV banding	2025	2024
0–50%	38%	38%
51–60%	29%	29%
61–70%	30%	30%
71–80%	2%	1%
81%+	1%	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:

	2025		2024	
	£'000	%	£'000	%
Secured on property	1,213,359	83	1,059,221	86
Secured on other assets	241,066	17	166,495	14
Total	1,454,425	100	1,225,716	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 2025 totalled £0.5m (2024: £0.6m).

Notes to the Financial Statements (continued)

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 at 31 December:

£'000	2025	2024
Neither past due nor impaired	1,413,879	1,171,085
Past due but not impaired:		
Up to 3 payments missed	17,051	23,867
Default – inc. credit impaired and IFRS stage 3 loans	23,495	30,764
Total	1,454,425	1,225,716
Less allowances for impairment losses	(11,479)	(21,123)
Total loans and advances to customers	1,442,946	1,204,593

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.

Notes to the Financial Statements (continued)

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 2025, the Bank does not hold any financial assets that have been purchased or originated as credit-impaired loans (2024: None).

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 £8.3m of loans in 2025 (2024: £7.3m). 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.

Notes to the Financial Statements (continued)

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 2025	Stage 1 (£'000)	Stage 2 (£'000)	Stage 3 (£'000)	Total (£'000)
1 – 2	932,790	3,624	–	936,414
3	167,125	22,423	–	189,548
4	21,144	50,176	–	71,320
5	–	–	21,389	21,389
Real Estate Gross loans*	1,121,059	76,223	21,389	1,218,671
Asset Finance Gross loans	237,031	1,847	2,188	241,066

* Excludes effective interest rate Excludes fair value hedge adjustment

Lending split by slot as at 31 December 2024	Stage 1 (£'000)	Stage 2 (£'000)	Stage 3 (£'000)	Total (£'000)
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.

Notes to the Financial Statements (continued)

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	<p>The customer is at least 30 days past due.</p> <p>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.</p> <p>The underlying loan collateral is located in a particular region or sector as defined by the credit committee.</p> <p>Any other significant decline in credit quality has been identified by the Bank. Management specifically places the case in stage 2.</p>	Lifetime Expected Credit Losses	<p>Movement back to stage 1 will only occur where the borrower meets all of the following:</p> <ul style="list-style-type: none"> • 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	<p>The account is over 90 days past due.</p> <p>The customer has been declared bankrupt.</p> <p>The company has been wound up or a liquidator/administrator has been appointed.</p> <p>The account is part of a connected exposure where the borrower meets at least one of the above criteria across any connected account.</p> <p>Management considers the customer unlikely to pay.</p> <p>These criteria can be overridden by Management if the account:</p> <ul style="list-style-type: none"> • 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	<p>Movement from stage 3 back to stage 2 will only occur when the borrower meets all of the following:</p> <ul style="list-style-type: none"> • 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. <p>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.</p> <ul style="list-style-type: none"> • 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.

Notes to the Financial Statements (continued)

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.

Notes to the Financial Statements (continued)

Forbearance analysis

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

31 December 2025	No. of loans		No. of customers (in concession period)	Value of loans (in concession period) £'000
	In concession	Completed Concession		
Asset Finance	-	2	-	-
Real Estate	9	26	8	5,001
Total	9	28	8	5,001

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

At the end of 2025 the Bank had 9 Real Estate Finance accounts which were in their concession period (2024: 5). In addition, there were a further 26 accounts which had received forbearance within the past 2 years but are now performing (2024: 36). In Asset Finance there were 2 loans which had received forbearance within the past 2 years but are now performing (2024: 6).

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:

Notes to the Financial Statements (continued)

Scenario description:

Scenario	Real Estate Description	Asset Finance Description
1. Base Case	<ul style="list-style-type: none"> The 2025 Budget ended the immediate speculation regarding changes in taxation. <ul style="list-style-type: none"> Although, the political decision to eschew the more certain revenue from an immediate rise in income tax means the tax and spend debate could be revisited if government borrowing tracks above target. Tax increases skewed towards the back end of the parliament, which could lead to surprise near-term growth. However, as firms are still absorbing the rise in costs from last April and households worry about unemployment, the forecast for GDP growth in 2026 remains at 1.2% with a modest recovery to 1.5% in 2027. Unemployment rate is expected to peak at 5.2%. <ul style="list-style-type: none"> Higher minimum wages will hold back the recovery in employment. Inflation is expected to have peaked and is expected to be back to target in H2 2026. The Bank Rate is expected to fall to 3.25% by the end of 2026. 	<p>Recent Performance:</p> <ul style="list-style-type: none"> Growth was strong in the first half of the year but slowed in H2. The labour market is weakening, with the unemployment rate having risen to its highest in four years. <ul style="list-style-type: none"> Looser labour market conditions continue to bear down on wage growth. Inflation has peaked and is holding steady. Energy prices are stable, with European gas prices remaining in line with their average values for the last two years. <ul style="list-style-type: none"> Oil prices have been volatile but have remained under pressure due to slowing global demand and a faster ramp-up in production. <p>The Outlook:</p> <ul style="list-style-type: none"> Tariffs weigh on growth, but economic damage looks set to remain smaller than initially feared. <ul style="list-style-type: none"> Persistent supply-side weakness suggests the UK economic performance will be middle of the road at best. The unemployment rate is expected to level off, but the increase already seen should keep downward pressure on wage growth. The lagged impact of past increases in energy prices and stubborn core inflation will keep headline inflation elevated over the coming months. The structural imbalance between housing demand and supply will persist, but high mortgage rates will keep price growth relatively subdued.
2. Downside	<ul style="list-style-type: none"> A demand led recession. <ul style="list-style-type: none"> Households are already worried about higher unemployment and, with higher taxation on the horizon, consumers cut discretionary spending further. Businesses react by cutting both investment and employment. Cuts in Bank Rate are slow as the BoE are worried by lingering inflation. The Bank rate is cut to 2.0% by the end of 2026. GDP falls around 2.5% peak-to-trough. Unemployment peaks at 6.2% in Q2 2028. Residential property prices fall 12.5% peak-to-trough, with the trough coming in Q4 2027. 	<ul style="list-style-type: none"> Sentiment in Europe turn down sharply amid increasing concerns around global growth, largely driven by the enduring trade war. Geopolitical tensions escalate as there are fears the war in Ukraine spills over to neighbouring countries and that US-China tensions lead to temporary barriers to shipping around Taiwan. Political risks in Europe intensify and pressure sovereigns. <ul style="list-style-type: none"> Resulting 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.

Notes to the Financial Statements (continued)

Scenario	Real Estate Description	Asset Finance Description
3. Severe Downside	<ul style="list-style-type: none"> • Financial markets go into meltdown as the AI bubble bursts in the US and the effects ripple around the financial system. • Fears about the growth in non-bank credit materialise as it comes to light that 'mainstream' lenders hold previously opaque exposures. • Government bonds are dumped over worries that governments and central banks do not have the firepower to intervene. • UK particularly vulnerable given its reliance on inward capital flows, suffers a large drop in sterling. • This pushes up import prices, spilling into inflation, with wages following. • The BoE raises the Bank Rate to 5.75% in Aug-26 and holds it there until early 2028. • Peak to trough GDP fall of 4.5% and peak unemployment of 8.0%. • Residential property prices fall 20% peak-to-trough. 	<ul style="list-style-type: none"> • The global economy falls into a sharp recession thanks to the escalating trade war. • The risk that the war in Ukraine will escalate to the point where NATO is forced to enter the conflict becomes acute and the US-China relationship tensions lead to significant barriers to shipping. • Domestic political risks rise rapidly as populist parties seek to take advantage of disenchanted voters. • This severe increase in geopolitical risk, along with a complete lack of confidence in the economy, leads to a sharp selloff in financial markets.
4. Upside	<ul style="list-style-type: none"> • Bond markets remain calm post Budget. • Inflation falls back to 2% in Apr-26. • Oil prices fall towards \$50pb as OPEC keeps production high. • Firms focus on productivity and embrace AI to boost profitability; this helps to keep inflationary pressure subdued. <ul style="list-style-type: none"> • The BoE cuts the Bank Rate to 2.75% in Q1 2027. • The gamble in the Budget pays off. <ul style="list-style-type: none"> • Higher government investment creates opportunities in the private sector. • Household consumption picks up strongly as real wage growth boosts spending power and worries about immediate tax rises subside. • GDP grows by 1.7% and 2.3% in 2026 and 2027 respectively. • Unemployment eventually falls back to 4%, wage growth remains strong, and the economy moves onto a higher productivity path, making the need for higher taxation redundant. 	<ul style="list-style-type: none"> • The trade war quickly de-escalates and the intensive phase of the war in Ukraine ends. <ul style="list-style-type: none"> • This results in a boost to aggregate demand and expansion of aggregate supply. • Demand side: <ul style="list-style-type: none"> • Positive geopolitical developments relieve recession concerns. • Uptick in consumer and business sentiment. • Supply side: <ul style="list-style-type: none"> • Improved energy security, a total removal of supply bottlenecks, and efficiency gains driven by the government's regulatory reforms and green investment program usher in a period of rapid productivity growth. • The strong economy consolidates support for the government, which further supports effective reforms and investment.

Notes to the Financial Statements (continued)

Scenario weightings for REF and AF:

Scenario	Weighting Applied 2025	Weighting Applied 2024
1. Base Case	55%	50%
2. Downside	25%	40%
3. Severe Downside	15%	5%
4. 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 (%)	2026	2027	2028	2029	2030
1. Base Case	5.1	4.8	4.5	4.3	4.3
2. Downside	6.1	6.1	5.4	5.1	4.8
3. Upside	4.1	4.1	4.1	4.1	4.1
4. Severe Downside	7.0	8.1	7.7	6.8	5.9

*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 (%)	2026	2027	2028	2029	2030
1. Base Case	4.4	4.0	4.0	4.0	4.0
2. Downside	3.3	3.9	4.1	4.1	4.1
3. Upside	4.2	3.9	3.9	3.9	4.0
4. Severe Downside	6.4	6.6	5.6	4.4	4.1

Notes to the Financial Statements (continued)

Undrawn housing equity

Year-end forecast (%)	2026	2027	2028	2029	2030
1. Base Case	74.8	74.4	74.3	74.2	74.2
2. Downside	72.6	70.4	70.5	70.7	71.0
3. Upside	76.0	76.4	76.7	77.0	77.1
4. Severe Downside	71.3	67.5	67.8	68.3	68.7

Bank base rate

Year-end forecast %	2026	2027	2028	2029	2030
1. Base Case	3.25	2.75	2.75	2.75	2.75
2. Downside	2.00	2.50	2.75	2.75	2.75
3. Upside	3.25	2.75	2.75	2.75	2.75
4. Severe Downside	5.75	5.25	4.25	3.00	2.75

Commercial property price changes

Year-end forecast %	2026	2027	2028	2029	2030
1. Base Case	2.2	2.7	4.0	4.0	4.2
2. Downside	(11.9)	(1.5)	6.1	5.5	5.3
3. Upside	5.5	5.8	6.0	5.8	5.8
4. Severe Downside	(24.9)	(3.7)	5.4	6.4	6.1

Residential property prices changes

Year-end forecast	2026	2027	2028	2029	2030
1. Base Case	1.5	1.3	2.3	2.4	2.4
2. Downside	(7.8)	(4.6)	3.0	3.6	4.2
3. Upside	6.5	4.2	3.9	3.8	3.9
4. Severe Downside	(11.9)	(9.0)	3.6	4.4	4.3

Notes to the Financial Statements (continued)

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
1. Base Case		7,799
2. Downside	8,646	9,129
3. Severe Downside		11,400
4. Upside		7,220

Asset Finance

Scenario	Current weighted Scenario ECL £000	100% weighting ECL £000
1. Base Case		2,635
2. Downside	2,833	3,095
3. Severe Downside		3,268
4. Upside		2,406

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

	Provision impact £000
Residential and Commercial property prices reduce by 5% more than in the base case across the next 3 years	48
An increase in the Bank's forced sale discount distribution by 5%	475
An increase in from 46% to 51% in the assumed Cure rate	(406)
A 6 month increase in the assumed time to sell defaulted properties	84
A 10% increase in the Bank's Asset Finance LGD	168

Notes to the Financial Statements (continued)

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 £21m in Stage 3. A 10 percentage point increase in the LGD for these loans would result in a £2m 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 2025 the Bank held no provisions against cash and balances at central banks or 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	2025	Credit rating (minimum)	2024	Credit rating
Cash and balances at central banks	282,554	P1/Aa3	292,850	P1/Aa3
Deposits at other banks	11,034	P1/A1	12,139	P1/A1
Debt securities	151,065	P2/Baa1	65,137	P1/Aaa
Derivatives held for risk management purposes	(3,087)	P1/A1	149	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.

Notes to the Financial Statements (continued)

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 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) and Index Long-term Repo (ILTR) facility. 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 2025 was 587% (2024: 521%).

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.

Notes to the Financial Statements (continued)

Contractual maturity analysis at 31 December 2025 £'000	Due within one year	Due after more than one year	No contractual maturity	Total
Assets				
Cash and balances at central banks	282,554	–	–	282,554
Loans and advances to banks	11,034	–	–	11,034
Debt Securities	53,357	97,708	–	151,065
Loans and advances to customers	134,293	1,311,782	–	1,446,075
Other assets and prepayments	–	–	7,905	7,905
Total Assets	481,238	1,409,490	7,905	1,898,633
Liabilities				
Customers' accounts	1,494,829	138,772	–	1,633,601
Subordinated debt liability	–	4,840	–	4,840
Lease liabilities	260	1,863	–	2,123
Derivative financial liabilities	–	3,087	–	3,087
Other Liabilities	–	–	6,339	6,339
Total liabilities	1,495,089	148,562	6,339	1,649,990

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*	86,765	1,117,679	–	1,204,444
Other assets and prepayments	–	–	7,016	7,016
Total Assets	407,046	1,167,673	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
Other Liabilities	–	–	8,234	8,234
Total liabilities	1,102,273	231,144	8,234	1,341,651

*the split between periods has been restated

Cambridge & Counties Bank Ltd.

Notes to the Financial Statements (continued)

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 2025 £'000	Due within one year	Due after more than one year	No contractual maturity	Total
Customer accounts	1,670,779	189,070	–	1,859,849
Subordinated debt liability	575	6,150	–	6,725
Lease liabilities	260	1,407	–	1,667
Other liabilities and accruals	–	–	8,462	8,462
Total liabilities	1,671,614	196,627	8,462	1,876,703

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

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

£'000	2025	2024
Balances with Central banks	282,554	292,850
Loans and advances to banks	11,034	12,139
Debt securities	151,065	65,137
Total	444,653	370,126

Notes to the Financial Statements (continued)

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 has a total of £128m (2024: £182m) of loans which are available as collateral to support drawings under the Bank of England's Sterling Monetary Framework (SMF) facilities. These loans are unencumbered.

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 2025 (excluding any undrawn loan commitments and interest rate derivatives) was:

Notes to the Financial Statements (continued)

31 December 2025 £'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	282,554	–	–	–	–	–	282,554
Loans and advances to:							
Banks	11,034	–	–	–	–	–	11,034
Customers	739,035	22,577	39,776	688,309	4,289	(8,137)	1,446,075
Debt Securities	36,319	17,038	–	97,708	–	–	151,065
Other assets and prepayments	–	–	–	–	–	7,906	7,906
Total Assets	1,068,942	39,615	39,776	786,017	4,289	(231)	1,898,633
Liabilities							
Customers' accounts	(768,174)	(296,570)	(373,903)	(170,207)	–	(24,747)	(1,633,601)
Other liabilities and accruals and subordinated debt	–	–	–	(8,078)	–	(8,311)	(16,389)
Total Equity	(22,900)	–	–	–	–	(225,743)	(248,643)
Total liabilities and equity	(791,074)	(296,570)	(373,903)	(178,285)	–	(258,801)	(1,898,633)
Interest Rate Sensitivity Gap	277,868	(256,955)	(334,127)	233,829	4,289	(259,031)	
Cumulative gap	277,868	20,913	(313,214)	254,742	259,031	–	

Notes to the Financial Statements (continued)

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

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)	–	(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	–	–

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: -£27.2m (2024: -£10.4m) - before impact of interest rate derivatives
- 200 bps: £30.3m (2024: £11.7m) -before impact of interest rate derivatives
- +200bps: -£10.4m (2024: -£6.6m) - after the impact of interest rate derivatives
- 200 bps: £11.8m (2024: £7.5m) -after the impact of interest rate derivatives

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.

Notes to the Financial Statements (continued)

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 2025.

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 2025. The Bank's regulatory capital at 31 December 2025 totalled £247.0m (2024: £241.1m, after IFRS 9 transitional relief). In addition to the TCR requirement the Bank is required to hold additional capital buffers,

Notes to the Financial Statements (continued)

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 2025.

As at 31 December 2025, 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 2025 are fully deducted from CET1 (Common Equity Tier 1) capital.

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	2025	2024
Tier 1		
Ordinary share capital	44,955	44,955
Perpetual subordinated contingent convertible loan notes	22,900	22,900
Retained earnings	180,711	172,503
FVOCI reserve	77	(274)
Deductions: Intangible assets	(3,088)	(2,277)
Other deductions*	(3,522)	(2,711)
Total Tier 1 capital	242,033	235,096
Subordinated debt liability**	5,000	5,000
Tier 2 Capital	5,000	5,000
Total regulatory capital	247,033	240,096
IFRS 9 transitional relief (ended 31/12/24)	-	1,051
Total regulatory capital	247,033	241,147
Equity as per statement of financial position	248,643	240,084
Regulatory adjustments	(6,610)	(4,988)
Subordinated debt liability**	5,000	5,000
Tier 2 Capital	5,000	5,000
Total regulatory capital	247,033	240,096
IFRS 9 transitional relief (ended 31/12/24)	-	1,051
Total regulatory capital	247,033	241,147

*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 £3.371m is referred to as the Bank's first loss element.

**For the purposes of regulatory capital calculations, capitalised interest and other accounting adjustments of £160k are excluded (31 December 2024: £200k)

Notes to the Financial Statements (continued)

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.

2025	Property	Computer Hardware – Printers	Total
Right of use asset (£'000)			
Balance at 1 January 2025	1,348	56	1,404
Additions	50	–	50
Disposals	–	–	–
Depreciation charged to P&L	(177)	(17)	(194)
Balance at 31 December 2025	1,221	39	1,260

2024	Property	Computer Hardware – Printers	Total
Right of use asset (£'000)			
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

2025	Property	Computer Hardware – Printer	Total
Lease liability (£'000)			
Balance at 1 January 2025	1,729	64	1,793
Additions	50	–	50
Disposals	–	–	–
Interest charged to P&L	105	5	110
Lease payments	(275)	(21)	(296)
Balance at 31 December 2025	1,609	48	1,657

Notes to the Financial Statements (continued)

2024 Lease liability (£'000)	Property	Computer Hardware – Printer	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

Most the Bank's lease costs relates to its Leicester Head Office. This lease is for a period of 15 years, ending on 13 August 2034. The next rent review is scheduled for 2029. 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 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 £95k (2024: £127k).

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

£'000	2025	2024
Less than one year	260	248
Between one and five years	1,227	1,227
More than five years	636	895
Total	2,123	2,370

33. Commitments

At 31 December 2025, the Bank had undrawn credit line commitments of £108.3m (2024: £150.1m). 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 (2024: £nil).

At 31 December 2025, the Bank had contingent liabilities of £nil (2024: £nil).

Notes to the Financial Statements (continued)

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	2025	2024
Cambridgeshire County Council		
Interest payments on perpetual subordinated contingent convertible loan notes	2,284	2,459
Trinity Hall, Cambridge		
Hospitality services	7	5

The Bank used the services of Aula Hospitality Ltd for hospitality and conference facilities in 2025 and 2024. 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). At the 31 December 2025 the company employed 2 Executive Directors.

£'000	2025	2024
Directors' remuneration*	1,669	2,559
Social security costs	240	302
Total	1,909	2,861

*Director's remuneration includes employer money purchase pension contributions for the 2 Executive Directors totalling £1k in 2025 (2024:£14k). There are no other short-term or post-employment benefits.

The emoluments of the highest paid Director were £652k (2024: £1,012k). No Directors received any shares as part of their remuneration. There were no Directors' loans in 2025 (2024: nil).

Transactions with key management personnel:

There were no transactions with key management personnel in 2025 (2024: nil).

There were no loans outstanding to any Directors at 31 December 2025 (2024: nil).

Notes to the Financial Statements (continued)

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 2025 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.

37. 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.

End of Notes to the Financial Statements

Country-by-country report

DISCLOSURE REQUIREMENTS UNDER CRD IV COUNTRY-BY-COUNTRY REPORTING

The Bank is required to disclose the following information in the Financial Statements 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 2025 or 2024.

Contact Details

If you require any further information on Cambridge & Counties Bank, please contact us using the details below.

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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 31 December 2025 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 31 December 2025 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, 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 the posting of 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 Nikhil Dhiri.

The logo for PricewaterhouseCoopers, featuring the company name in a stylized, cursive script.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
26 March 2026



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