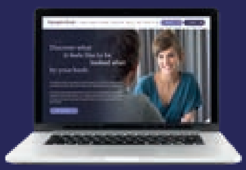
Hampden Bank

Annual Report and Financial Statements

For the year ended 31 December 2024

The auditorium at
20/21 Charlotte Square,
our new Edinburgh office.

Contents

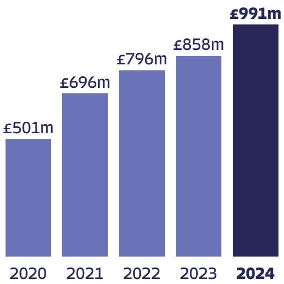


For more information on Hampden Bank, please visit our website at **hampdenbank.com/investors**

2024 Financial highlights

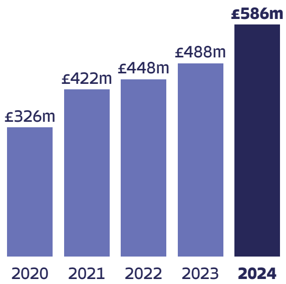
Deposits from clients

£991m



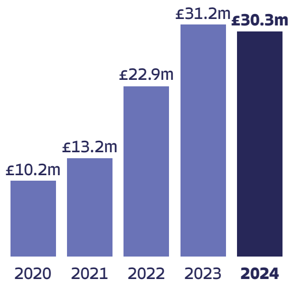
Loans and advances to clients

£586m



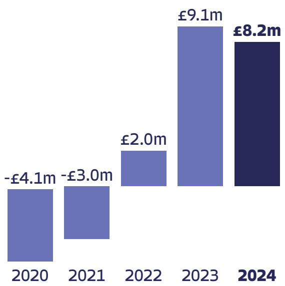
Total income

£30.3m



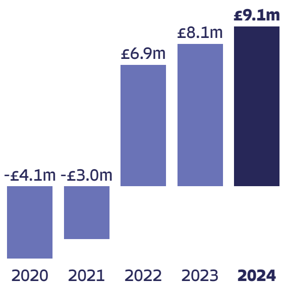
Profit/(loss) before tax

£8.2m



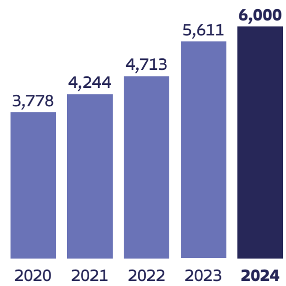
Profit/(loss) after tax

£9.1m



Client numbers

6,000



This is Hampden Bank

We are a private bank providing exceptional client service, delivered by outstanding banking professionals. To our target clients, we are their first port of call for financial needs or questions. We are easy to do business with, in person and via phone, email or digitally.

We are a responsible, competitive business that seamlessly integrates technology into an efficient operating model that meets the needs of our clients, our shareholders, our colleagues and our regulators.

Delivering a comprehensive service for our clients

- **Day-to-day banking** – services that keep the management of day-to-day finances simple.
- **Deposit money** – solutions are tailored to the individual needs of clients.
- **Borrow money** – we specialise in complex lending and all enquiries are considered on an individual basis.

Digital banking complements the personal service of a banker.

Number of clients 6,000	**Net Promoter Score (NPS)** 73	**Number of team members** 168
Our client retention rate +99%	**Great place to work 91% of colleagues agree** 91%	**2024 Total assets hit** £1bn

In our latest survey of colleagues, 91% agreed Hampden Bank is a great place to work.

Chair's statement

The relationships we build with our clients are the core of our business.

Simon Miller
Chair

2024 was always going to be an eventful year. Almost half the world's population had the chance to vote, with the twists and turns of the US election taking centre stage. At home, the return of a Labour government brought widely anticipated policy changes.

Markets shrugged off the uncertainty. Interest rates trended gently downwards and equity indices finished the year near historic highs. However, geopolitics look set to cause volatility in 2025 and beyond.

Continued performance

Against this backdrop, the Bank continued to grow. Lending increased from £488m to £586m over the year and deposits from £858m to £991m. Total client numbers increased from 5,611 to 6,000.

Profit before tax fell from £9.1m to £8.2m. Having previously benefitted from a sharp rise in interest rates, the falling interest rate environment in 2024 resulted in margin compression for the Bank and the sector generally. Combined with further investment and recruitment, this impacted profitability.

The Bank is still in an early stage of its development and its continuing success relies upon satisfying stakeholders, which include clients, shareholders, employees and regulators. Maintaining momentum, whilst continuing to invest in people and systems, will drive its long-term success. The CEO's report on pages 6 to 11 includes details of the Board's recent strategy review.

Dividend

The Board is recommending a dividend of 3.2p per share which, if approved, will be paid in June 2025. Following a modest initial dividend of 1.6p in 2024, this represents a substantial increase in our return to shareholders. I hope that dividends will now grow in line with performance.

Board changes

As indicated last year, Graeme Hartop retired after 11 years as CEO. I have already paid tribute to his contribution. As most of you will be aware, Tracey Davidson assumed the role of CEO in October. She was previously Deputy CEO of Handelsbanken UK.

Andrew Bell, the Chief Commercial Officer, stepped down at the year end and I would like to thank him for his contribution to the Bank over the past five years.

Much of the Board's work is carried out by its committees. Their detailed reports are contained on pages 32 to 36. This incorporates work on many substantive issues and involves close dealings with senior members of the management team. I would like to thank all the committee members for their often unrecognised contribution to the smooth running of the Bank.

Stepping up the pace

The rebrand to 'Hampden Bank' in March presents a clear, modern image to our clients and professional partners, many of whom already used this name.

At the same time, our Edinburgh head office moved across Charlotte Square to number 20/21. Over the summer, we will relocate our London office from Mayfair to St Martins Le Grand in the City. These new facilities offer clients and colleagues a modern and welcoming experience. An integrated auditorium in Edinburgh will allow us to host events on a different scale and I look forward to welcoming shareholders to experience this first hand at the 2025 Annual General Meeting, about which more below.

The relationships we build with our clients are the core of our business. The Bank continues to invest in people and to focus on motivating, supporting and rewarding excellence. Colleague numbers increased from 154 to 168 in 2024. Joiners were spread throughout the business, including a significant number in client-facing teams.

Annual General Meeting

The 2025 Annual General Meeting will take place at the Bank's offices at 20/21 Charlotte Square on 14 May 2025 at 4.00pm. Formal notice of the meeting and the resolutions will be sent in April. Shareholders will have the chance to meet Tracey Davidson and tour the new offices. We will also mark the tenth anniversary of the Bank opening its doors and acknowledge the contribution of our supportive shareholders.

The next phase

The Bank is building a track record of profitability. It is the Board's intention to continue to pay dividends to our shareholders whilst investing for growth. As I said in my Statement last year, shareholders should expect a period of consolidation but my belief is that the second decade of the Bank's life will be even more successful than the first.

When I was asked to join the Board, I committed to serve for five years. I will step down in late summer having thoroughly enjoyed my term. I welcome the Board's appointment of David Huntley to succeed me as Chair, subject to regulatory approval. David knows the Bank well from his five years on the Board, and chairing the Risk Committee, which involves work on many substantive issues and close dealings with management. He also brings a wealth of experience from his distinguished career. I am confident that, under his leadership and that of Tracey Davidson, the future of the Bank is in good hands.

Simon Miller
Chair
27 March 2025

Chief Executive Officer's business review

Personalised, face-to-face banking will always be at the heart of our relationship with clients, with digital technology complementing the service of a banker, providing the best of both worlds.

Tracey Davidson
Chief Executive Officer

I joined our Bank back in October 2024 and dedicated my first six weeks to meeting my new colleagues. We met one to one or in small groups over coffee and I was eager to hear what they had to say. I was immediately struck by the talent on display, seasoned professionals and rising stars alike.

I appreciated the warmth of their welcome and delighted in insightful discussions about our clients, market trends, innovative ideas for improvement and strategic growth. I felt first-hand the culture of dedication, hard work and passion for supporting our clients and delivering the highest levels of service.

Connecting with our valued clients and supportive shareholders was equally inspiring. Their trust and partnership have been instrumental in the Bank's first decade and I was eager to express the privilege I feel to be part of the future of our Bank. In turn, I heard about the importance of personal engagement, quick decision making and the ability to speak with people who know you and can deliver. I was able to reassure them of my commitment to exceptional client service, which is why our clients choose us and is therefore fundamental to creating value for our shareholders.

I am grateful to everyone who took the time to share their thoughts. I hold all this insight close and it has informed our newly updated strategy. More of that later, but first I should reflect on the past year.

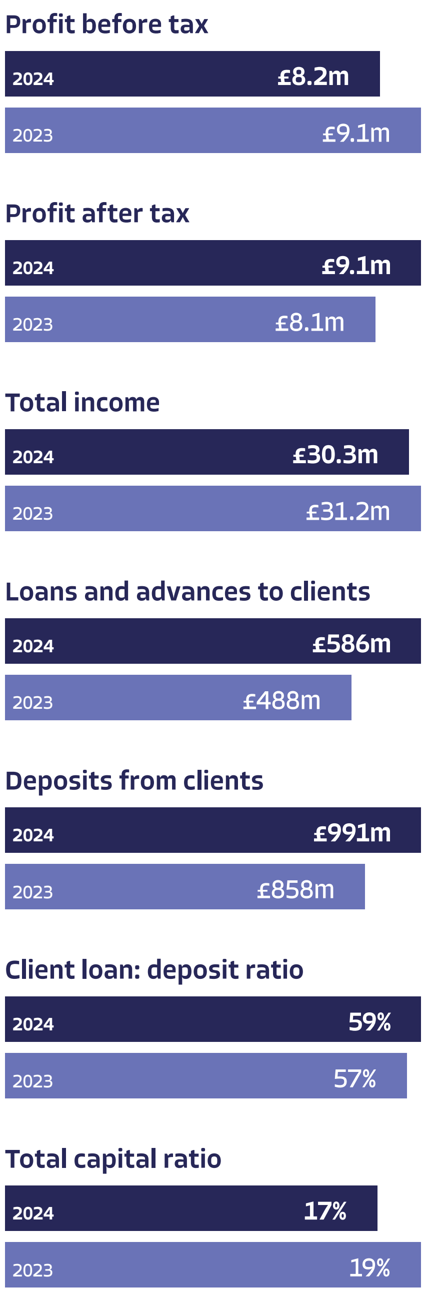
2024 backdrop

2024 certainly brought significant challenges for banks, both globally and here at home. Central Banks' efforts to curb inflation finally yielded results, leading to much-welcomed cuts in interest rates providing relief to consumers facing financial strain. This relief was countered, however, by rising uncertainty in the run up to the UK general election and the subsequent, widely anticipated shifts in taxation and employment policy.

Weak economic data and pessimistic growth forecasts dominated financial and mainstream media, reinforcing business and consumer uncertainty. Meanwhile, political tensions and conflicts across multiple continents have brought global instability closer to home than we have experienced in decades. All these factors are becoming the new normal and I recognise that our Bank's role in supporting clients is as necessary and as challenging as ever.

Key Performance Indicators (KPIs)

The Bank's overall progress and performance is monitored continually by the Board and the management team. Performance for the year is summarised below:



Chief Executive Officer's business review (continued)

Our new offices offer a modern and well-equipped working environment for our people and a welcoming experience for our clients and guests.

Chief Executive Officer's business review (continued)

> A highly motivated and engaged team is essential to delivering exceptional service to our clients.

Business performance

Throughout the year, the Bank concentrated on delivering its role in the lives of our clients and professional partners. Being a receptive ear, a trusted partner and a Bank that supports its clients.

As a result, our balance sheet grew by 15%, as lending increased by 20% to £586m (2023: £488m) and deposits by 16% to £991m (2023: £858m). Year-on-year income contracted by 3% to £30.3m (2023: £31.2m) due in the most part to margin compression following reductions in Bank of England base rates. Operating expenses increased modestly by 1% to £22.1m (2023: £21.9m) as increased investment in people and technology were balanced by effective cost control. Combined, this led to a fall in profit before tax of 10% to £8.2m (2023: £9.1m), but profit after tax increased by 12% to £9.1m (2023: £8.1m) due to the tax treatment of previous years' trading losses. Our loan-to-deposit ratio remained prudent at 59% (2023: 57%).

Client numbers have increased by 7% to 6,000 (2023: 5,611) and our client retention rate remained exceptionally high at 99.5%. The Bank's exposure to credit risk is well managed, with the health of its loans continuing to prove robust.

A refreshed vision for the Bank

We are a private bank providing exceptional client service delivered by outstanding banking professionals. To our target clients we are the first port of call for financial needs or questions. We are easy to do business with, in person and via phone, email or digitally. We are a responsible, competitive business that seamlessly integrates technology into an efficient operating model that meets the needs of our clients, our shareholders, our colleagues and our regulators.

Our clients

Our Bank has been built on exceptional client service, delivered by outstanding banking professionals. We take the time to get to know our clients in an era when many banks direct their customers online or to call centres. Personalised, face-to-face banking will always be at the heart of our relationship with clients, with digital technology complementing the service of a banker, providing the best of both worlds.

Listening to our clients is the most valuable form of feedback a bank can receive. In our satisfaction survey of clients who joined the Bank in the past year, an impressive 9.1 out of 10 clients said that they would recommend us, a testament to the trust and satisfaction the team have built to date. These scores, along with the constructive feedback received, will help shape future improvements to our products and services. It was also clear that our clients are our biggest advocates, and I was especially delighted to read messages of praise for our dedicated team.

Our people

A highly motivated and engaged team is essential to delivering exceptional service to our clients. In our most recent colleague satisfaction survey, 91% of colleagues said that Hampden Bank is a "great place to work". These strong results highlight the deep sense of community I have observed within the Bank and reflect the collective dedication and commitment of our team.

We also recognise the importance of nurturing our future leaders. In 2024 we launched our 'Aspire Board', a diverse group of talented colleagues from various levels and functional areas who are empowered to develop Bank-wide initiatives.

Updated strategy

In February, the Executive Team and I presented our refreshed strategy to the Board and together we agreed our plans to lead the Bank into its next phase. The strategy is designed to build on our strengths, accelerate growth and thereby deliver value to our shareholders.

Whilst the global backdrop continues to challenge us all, we remain well placed to deliver value to our clients. I am committed to our 'in-person' service, but we will also drive simplification and efficiency by embracing technology. 2024 was a significant year in this regard, delivering Apple Pay and Google Pay functionality alongside an overhaul of our digital offering. In summary, 2025 will be a year of investment as we strive to develop Hampden Bank into the bank it can be.

Building on the foundations laid in the Bank's first decade, we will now expand beyond our established hubs in Edinburgh and London, starting with Manchester. As a vibrant centre for financial services and a key location for business in the north of England, Manchester will enable us to serve more clients than ever before whilst deepening connections with professional partners and wider business communities.

In concert with our geographical expansion, and to better reflect our identity and vision, we have also rebranded from Hampden & Co to Hampden Bank. It was also appropriate to review our sustainability strategy. The transition to net zero requires a fundamental shift in policy, regulation, and the market landscape. In the context of national target developments and the commitments of the Net-Zero Banking Alliance, the Bank, like many before us, has refreshed its net-zero target to 2050.

Board members, Executives, and external experts actively support the Aspire Board, and we are benefiting from their fresh perspectives.

In the summer, we welcomed our latest cohort of interns, selected through a competitive open application process. These bright young professionals gained valuable hands-on experience, deepening their understanding of banking whilst developing new skills. In turn, we benefited from their insights into modern ways of working.

Our home

The growth of our Bank over the last 10 years means we need to move to larger offices. In Edinburgh, we have swapped sides within Charlotte Square and taken up residence in beautifully renovated buildings offering the best of the traditional and the modern – natural light, collaborative and communal spaces and room for further growth. In summer 2025, we shall leave Mayfair and move to modern, newly-renovated offices in the vibrant area of St Paul's. The move offers convenient transport links, improved access to our professional partners and superior value for money. Both new offices have spectacular client entertainment spaces where we hope to welcome clients, shareholders and professional partners.

Thank you

As we celebrate our tenth anniversary this summer, I must take a moment to recognise Simon Miller, who will step down following five years as our Chair after our Annual General Meeting. His leadership and the contributions of many colleagues, not least my predecessor Graeme Hartop, have helped build the strong foundations on which our Bank stands today.

I would also like to thank our clients whose trust we cherish, our business partners with whom we collaborate to support clients, my colleagues whose passion and dedication is inspiring, our Board for their wise counsel and our shareholders for their continued and much valued support.

I look forward to the year ahead and leading Hampden Bank into its bright future.

Tracey Davidson
Chief Executive Officer
27 March 2025

What our clients say:

“

Five years of immaculate, faultless, perfect service run by friends. How many people can say that about their bankers?

“

I moved my account to Hampden Bank and they have changed my life. I no longer get frustrated with computer voice recognition, sitting in a queue, or being locked out of my account and spending hours of my life trying to talk to an actual person. Hampden Bank are amazing!

“

Thank you for looking after me and my mortgage these past few years. I have been a mortgage holder for 30 years, and these 4 years with Hampden Bank have been the easiest, most stress-free by far.

Chief Financial Officer's report

The Bank moves into 2025 with a consistent track record of balance sheet growth, profitability and financial stability.

Jonathan Peake
Chief Financial Officer

2024 delivered another year of progress for the Bank, with lending and deposits both demonstrating double digit growth, reflecting the continuing success of the Bank's client-focused strategy.

Loan balances grew from £488m to £586m, with the robust health of the portfolio again testament to the strength of the Bank's risk management and the depth of client relationships held by the Banking team.

Total deposits grew by 16% in the year, from £858m to £991m. Within this, after the seasonal reduction in the first quarter from client tax payments, total relationship deposits experienced double digit growth, with a particularly strong final quarter of the year.

In terms of deposit mix, we saw a continuation of the deposit trend from instant access to term, reflecting the elevated interest rate environment. This trend, largely consistent with the broader market, has increased total deposit costs.

In addition, as fixed rate deposit products have renewed, previous increases in the Bank of England base rate have impacted term deposit costs. Lastly, supporting the theme of balance sheet growth, the Bank has expanded modestly the volume of deposits sourced via non-relationship aggregator channels. Whilst the Bank achieves positive net interest margin on such deposits, these have nevertheless contributed to a higher overall deposit cost to the Bank. As a consequence, the average cost of deposits has increased from 2.03% to 2.90%, contributing to a reduction in net interest margin from 3.30% in 2023 to 2.87% during the year. This margin compression, a common theme witnessed across the sector, has driven the year-on-year movement in the Bank's profit before tax from £9.1m in 2023 to £8.2m in 2024.

Total administrative expenses were in line with 2023, at £20.9m. Staff costs increased by 12.6%, from £12.7m to £14.3m, reflecting an increased investment in headcount that will deliver future growth, in addition to the impact of inflation on the annual salary increases. Other administrative expenditure decreased from £8.2m in 2023 to £6.6m, however, when capitalised expenditure on systems such as the new Digital Platform is included, total non-staff expenditure is more closely aligned with the prior year.

Capital and funding

The Bank remains well capitalised, with a consistent record of profit delivery and capital generation since early 2022. In recognition of this the Bank paid its inaugural dividend of 1.6p per share in June 2024. It is pleasing to note the Board's proposal, subject to approval at the Annual General Meeting, to pay a fuller dividend, of 3.2p per share in June 2025.

The Bank has also maintained a robust position with respect to funding and liquidity through the year. The growth in term deposit volumes specifically, up more than 10% year on-year for relationship deposits, has further strengthened the Bank's funding profile.

Lastly, at a currency level the Bank continued to expand the volume of the Sterling deposit book, which increased 15% in the year, from £648m to £746m. This growth further supports the Bank's lending activities, with all such client lending exclusively in Sterling.

Operating environment

Turning to economic matters, the year witnessed what some economists believe could be the beginning of a journey towards a lower long-term interest rate environment, with 0.25% interest rate reductions by the Bank of England in August and November, and with another such cut in February 2025.

Looking ahead, the Bank is well positioned to build on its track record of balance sheet growth and profitability. Risks nevertheless remain, of which the outlook for UK interest rates is perhaps the most self-evident with respect to income.

A key influencing factor in the road ahead for UK rates is of course inflation, with the 3% increase in CPI seen in January 2025, an increase of 50bps from December, confusing matters further. The outlook for UK rates therefore appears unclear, with current market expectations for two further 25bps rate cuts in 2025. Any such reductions can be expected, on a net basis, to affect the Bank's profitability negatively, notwithstanding the actions taken by the Bank to mitigate the impact of such rate reductions within its management of interest rate risk.

Competition for both deposits and lending will undoubtedly remain. While a stabilisation of the Bank's net interest margin relative to 2024 is expected, nevertheless margin pressures are likely to persist, emphasising the importance of winning the right business within our lending portfolio and developing deeper relationships across our client base to drive long term business growth.

Venturing further into the economic landscape and touching on fiscal matters briefly, the arrival of a new government during the year has also seen significant changes in tax policy, with several measures announced in the budget likely to impact the Bank and our clients. These measures include an increase in employers' national insurance and changes to the scope of inheritance tax.

Turning to regulatory developments, the recently announced delay by the PRA to the implementation of Basel 3.1 in the UK has been noted by the Bank and we await further developments with respect to this and the accompanying Small Domestic Deposit Takers regime.

Looking ahead

The Bank moves into 2025 with a consistent track record of balance sheet growth, profitability and financial stability. By focusing on these aspects, and by ensuring our clients remain at the heart of all that we do, we expect to continue that trend. We look forward to the year ahead and the successful delivery of the next phase of the Bank's strategy.

Jonathan Peake
Chief Financial Officer
27 March 2025

People and culture

A positive, inclusive culture engages and supports our colleagues and is key to achieving our vision, purpose and strategy.

People strategy

In 2024, we continued to advance our people strategy, supporting our colleagues to achieve their aspirations. Our people strategy is closely aligned with the Bank's business goals and purpose, focusing on several key areas: Performance & Development, Diversity & Inclusion, Values, Leadership Development, and Learning & Development.

Values

In 2024, we established our Hampden values: Proud Ownership, Total Inclusivity, Winning Teamwork, Purposeful Growth, and Absolute Integrity. These values were developed in collaboration with our colleagues, based on their feedback and the core behaviours they believed were essential for our success.

Throughout 2024, we embedded these core values through team sessions and workshops. Our people and culture initiatives consistently reflect these values, ensuring they remain visible, authentic, and integral to our identity.

At Hampden Bank, our values are at the heart of what we do. They guide our initiatives and set the standards for our behaviour and interactions, holding us accountable to each other.

- Proud Ownership
- Total Inclusivity
- Winning Teamwork
- Purposeful Growth
- Absolute Integrity

Positive engagement scores reflect the continued strength of the Hampden Bank community.

Colleague engagement

In 2024, we conducted our sixth 'Great Place to Work' colleague engagement survey. Gathering feedback is part of our ongoing commitment to creating and maintaining a positive and engaging workplace.

93% of our colleagues responded to the latest survey, giving an engagement score of 85%. 91% of colleagues said that Hampden Bank is a great place to work. These positive scores reflect the continued strength of the Hampden Bank community and the collective engagement, dedication and collaboration of our colleagues.

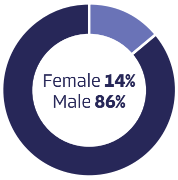
While these results are highly encouraging, we remain vigilant and committed to identifying areas for ongoing improvement and sustaining and building upon our successes.

By maintaining our focus on continuous improvement and feedback, we can further enhance colleague engagement.

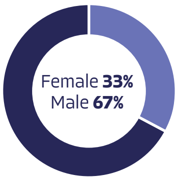
We believe that when our people feel safe, happy, and respected, they are motivated to share their diverse perspectives and experiences.

We want to create a diverse, inclusive, safe and fair workplace for everyone. At 31 December 2024 our gender diversity was:

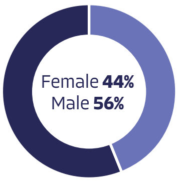
Executive management



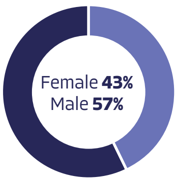
Non-Executives



Colleagues



All staff



Diversity, equity and inclusion

At Hampden Bank, we want to create a diverse, inclusive, safe and fair workplace for everyone. Our ambition is to foster a collaborative environment where all our people can develop, succeed and thrive. We are committed to nurturing a culture that values true diversity of thought, recognising it as a key contributor to how we interact with each other and our clients.

Belonging@Hampden

In 2024, we established our Diversity, Equity & Inclusion (DE&I) group 'Belonging@Hampden' consisting of dedicated volunteers from across the Bank who are passionate about fostering a culture of belonging. The group has conducted team sessions to enhance our colleagues' understanding of the importance of inclusivity, emphasising our 'Total Inclusivity' value and its significance in our performance and development process.

The group continues to focus on key initiatives that create a working environment where all voices are heard and valued, and where our people feel empowered to be their authentic and best selves at work.

We believe that when our people feel safe, happy, and respected, they are motivated to share their diverse perspectives and experiences. This leads to innovative ideas and decisions, enabling colleagues to perform their best work. Ultimately, this produces positive results for our colleagues, clients, and shareholders.

Inclusive leadership

We understand that leaders who are aware of their own biases actively seek out and consider different perspectives to inform their decision-making and collaborate more effectively with others. In 2024, we held workshops for our people leaders on 'Inclusive Leadership' as part of our DE&I strategy and focus on leadership accountability and building an inclusive culture.

> Our ambition is to foster a collaborative environment where all our people can develop, succeed and thrive.

We have further to go to support inclusivity in all its forms and we continue to seek opportunities for further education and learning. We are building our understanding of diverse experiences, to foster a more inclusive culture and environment. This will help to future-proof the Bank for continued success and sustainability.

Performance and development

We are dedicated to a holistic and ongoing approach to our colleagues' Performance & Development. We believe that nurturing this is crucial to our collective success as a business and as an employer of choice.

In 2024, we enhanced our Performance & Development process to incorporate our Hampden values. By integrating these, we have established a balanced and effective framework that aligns our colleagues' goals with our values.

The enhanced process is a collaborative journey between leaders and colleagues, creating pathways for colleagues to expand their knowledge and skills while promoting career development and satisfaction.

In 2025, we will continue to embed the process by offering both digital and workshop-style education on effective Performance & Development conversations. We believe this approach helps to maintain a culture of accountability, integrity and continuous improvement, ultimately driving success and engagement.

People and culture (continued)

We are dedicated to providing our colleagues with programmes and tools that help them to lead healthy and fulfilling lives.

We are dedicated to providing our colleagues with tools that help them to lead healthy and fulfilling lives.

Leadership development

We recognise that our leaders are crucial to the success of both our colleagues and the Bank. In 2024, 76 colleagues participated in leadership development training through three focused programmes. These were designed to enhance and expand on the attendees' leadership capabilities and skills.

One of the programmes supported the development of our upcoming talent and aspiring future leaders. These colleagues took part in a focused leadership development programme called 'Aspire'. This focused on the fundamentals of effective leadership and provided participants with the skills and knowledge needed to advance their careers and grow into leadership roles.

Investing in our current and future leaders highlights our dedication and commitment to our long-term success and stability. Our mission is to enhance business performance and achieve strategic differentiation by fostering a leader-leader mindset.

In 2024, we established an 'Aspire Board' that aligns with both our people and business strategy. The 'Aspire Board' empowers colleagues to participate in decision-making by promoting leadership and innovation across the company. It serves as a platform for emerging leaders to learn from senior executives, ensuring the Executive Team and Board stay updated on new trends and insights.

Applications for the 'Aspire Board' were open to all employees. Applicants submitted a motivation letter or video, and shortlisted candidates were interviewed by a Board member. Nine members were chosen for a 12-month rotation. The purpose of our 'Aspire Board' is to develop, learn and influence while implementing positive and measurable change.

The 'Aspire Board' has identified business projects that they will present to the Executive Team and Board in due course.

Wellbeing

We are dedicated to providing our colleagues with programmes and tools that help them to lead healthy and fulfilling lives. Our wellbeing initiatives focus on the physical, mental and financial health of our team members.

We offer private medical insurance and health cash plan schemes to all colleagues, who can also extend these benefits to their partners and dependents. In 2024, we provided free health checks, flu vaccinations and access to our Employee Assistance Programme. These initiatives are widely utilised, with 65 colleagues attending health checks and 47 receiving flu vaccinations.

Our eight qualified mental health first-aiders continue to recognise and celebrate numerous wellbeing days throughout the year, offering opportunities for education and interaction with colleagues.

Investing in our current and future leaders highlights our dedication and commitment to our long-term success and stability.

Sustainability report

Hampden Bank is a socially responsible business, committed to reducing its impact on the environment and to making a positive contribution to the communities in which we live and work.

The Bank's sustainability strategy aims to address the carbon footprint that arises from its operations and which contributes to the causes of global climate change. It also aims to support clients, staff and other stakeholders to identify and act on opportunities to reduce their footprint as the economy transitions to net-zero carbon. A working group made up from colleagues across the business focuses on planning and delivering initiatives that help towards meeting medium and long-term sustainability goals and they review performance against targets.

The Bank is committed to reducing its carbon footprint. In line with targets set by the UK Government and the United Nations Net Zero Coalition, the Bank's goal has been redefined to achieve net zero carbon by 2050.

Environmental impact

The emissions that result from running the Bank are measured in tonnes of carbon dioxide equivalent (tCO_2e). The Bank's carbon emissions in 2024 are calculated to be 237.71 tCO_2e. Measured against a 2019 pre-Covid benchmark, when emissions peaked, they have reduced by 110.55 tCO_2e, which represents a decrease of 32%.

Due to the impact of Covid lockdowns, emissions were not measured in 2020. They lowered significantly in 2021 as we emerged from the pandemic and when many colleagues were still working from home. Since then, emissions have risen gradually year-on-year, driven mainly by a return to travel and in 2024, in particular, by an increase in commuting by road. Commuting in 2024 accounted for 121.441 tCO_2e, an increase of 58% versus 2023. This may be explained by an increased expectation for colleagues to attend the office rather than to work from home, combined with headcount growth. For additional context, the Bank has gone from 101 full time equivalent (FTE) colleagues in 2019 to 161 FTE in 2024.

It is intended that our move to new offices in both Edinburgh and London, which provide facilities such as lockers, showers and secure facilities to store bikes, will encourage colleagues to adopt more environmentally friendly modes of transport.

Divided across scopes 1, 2, and 3, emissions in 2024 versus 2023 were as follows:

- **Scope 1 – All direct emissions:** Emissions from the activities under our control. This includes fuel used in our offices, such as gas. Between 2023 and 2024, this increased by 17%, or 1.549 tCO_2e from 9.228 tCO_2e to 10.777 tCO_2e.
- **Scope 2 – Indirect emissions:** Emissions created during the production of the energy and eventually used in our offices, such as electricity. With all energy coming from renewable sources, this remained zero.
- **Scope 3 – All other indirect emissions:** Emissions from operational sources we do not own or control occurring from our activities, such as business travel and commuting, and procurement of consumables such as paper, plastics and water, but not including emissions financed by lending. This increased in 2024, up from 173.381 tCO_2e to 226.932 tCO_2e.

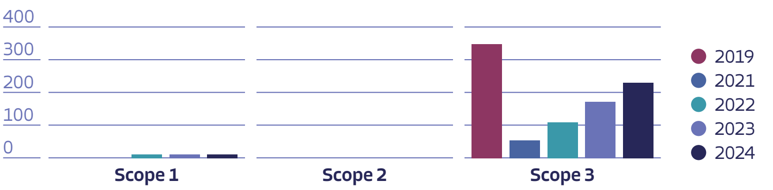
Scope 1, 2 and 3 emissions comparison

Scope	2023 (tCO_2e)	**2024 (tCO_2e)**	Movement
Scope 1	9.228	**10.777**	+17%
Scope 2	0.00	**0.00**	N/A
Scope 3	173.381	**226.932**	+31%
All scopes	182.609	**237.709**	+30%

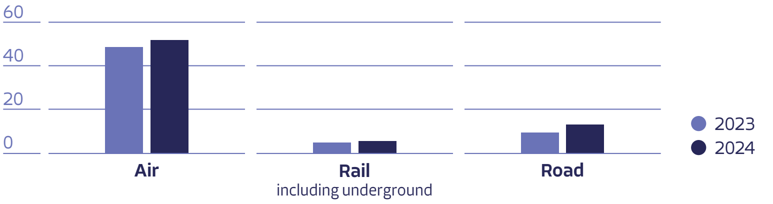
Sustainability report (continued)

Our working group plans and delivers initiatives that help towards meeting medium and long-term sustainability goals.

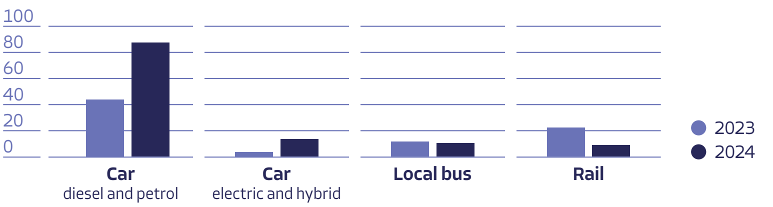
Emissions disaggregated by scope (tCO_2e)



Business travel (tCO_2e)



Commuter travel (tCO_2e)



Supporting good causes

At the start of the year, we announced two new very worthy charity partners. We are proud to work in partnership with both MyBnk and Fields In Trust to raise funds and to support their efforts through volunteering. Both were selected based on their ability to make meaningful change to the lives of people based across the UK. They reflect both our environmental and social ambitions and are able to benefit from our skills and expertise.

Matched funding

Colleagues who are raising funds for registered charities can apply for funding to match the money they raise, up to £350 per colleague.

Volunteering

Each colleague can request one paid personal volunteering day and one paid day for a corporate volunteering opportunity working with other colleagues.

MyBnk

MyBnk's vision is to create a financially fluent population. Working with young people, they create and deliver innovative, high-impact and high-energy financial education programmes. Their experts help to build young people's money knowledge, skills, mindsets and habits at key transitional moments in their lives. Two thirds of MyBnk's work is with young adults in vulnerable circumstances, focusing on 'survival' money skills for independent living. Many of their programmes are fully funded and can be delivered either directly in-person, virtually via secure video link or as online courses.

Working with the team at MyBnk, colleagues from across the Bank have volunteered at sessions in local schools where they have used their expertise as banking professionals to engage the young people, support them to answer questions, complete learning activities and learn from those with real life experience.

More information about MyBnk is available at

www.mybnk.org

Fields in Trust protects green spaces for the benefit of local communities, now and in the future.

Fields in Trust

Fields In Trust's impact on the environment and the health of local communities is unique and long-lasting. They work to harness the power of parks and green spaces to create happy, healthy, and greener futures for everyone. They do this by working with landowners and by lobbying policymakers to legally protect individual parks and green spaces. By doing so, they ensure they can never be sold for development and that these spaces remain available for the benefit of local communities, now and in the future.

Throughout the year, colleagues volunteered at a local park protected by the charity where they used their skills to care for and tidy the gardens. Funds were also raised through participation in the London Marathon.

Fields In Trust will celebrate their centenary in 2025. More information about their work and the parks they have secured is available at

www.fieldsintrust.org

The Bank continues to offer paid volunteering days and matched funding to colleagues to support MyBnk and Fields In Trust, or a UK registered charity of their choosing.

Climate-related financial disclosures

The Bank is committed to ensuring that the measurement, monitoring and reporting of climate-related financial information remains appropriate to the risk posed by climate change to its operations.

Governance

The Bank has a robust and well-established Governance Framework (as set out on page 31). The Executive Management Committee is responsible for ensuring that the Bank delivers on its strategic aim of being a socially and environmentally sustainable private bank over the long-term.

The senior policy-making body is the Board, which sets the Sustainability Strategy for responding to climate-related risks. The Board receives climate-related reporting to enable it to monitor and oversee progress against goals and targets for addressing climate-related issues, in line with the Sustainability Strategy.

The Bank has assigned the Chief Executive Officer as the Executive Sponsor for climate risk issues. The Executive Sponsor is responsible for recommending to the Board the Bank's strategy for addressing the risks that climate change poses to its objectives and for overseeing implementation of the Sustainability Strategy.

To support its responsibilities for implementing the Risk Management Framework, in relation to climate change, the Board receives recommendations from the Board Risk Committee through oversight of the annual Internal Capital Adequacy Assessment Process (ICAAP) and reporting; Executive Risk Committee reporting to Board Risk Committee of climate change metrics that fall outside of risk appetite, and; from the Board Audit Committee through oversight of climate-related financial disclosures.

Climate-related financial risks are considered at the Credit Committee as part of the ICAAP process. Climate-related risk appetite metrics are monitored by the Executive Risk Committee.

Managing climate-related risks

The Bank identifies, measures, and manages the impacts of climate-related risks on its business model. It considers that the risks arising from climate change do not currently present a material threat.

Analysis of the Bank's business model and balance sheet identified credit risk as the most significant risk from climate change exposure. The Bank continues to embed climate change risk management into its credit process and policies to identify and assess climate-related risks within its loan book, principally the risk that climate change adversely impacts collateral values. Stress testing to simulate the impact on the Bank's lending portfolio is assessed in the Bank's ICAAP.

The Bank collects climate-related information from key suppliers, to assess their climate credentials and ensure that they have adequately considered and mitigated their exposure to climate-related risk.

Risk management

The risks from climate change manifest across the Bank's principal risks. The Bank continues to evolve its approach and develop methodologies as its understanding of climate-related risks progresses.

Principal risk: credit risk

	Identifying and assessing climate-related risks	Managing climate-related risks
Collateral/security protection	The Bank accepts a wide range of collateral through its lending operations. For new lending, credit application due diligence assesses the extent to which proposed lending is susceptible to climate change risks. This assessment includes Energy Performance Certificate (EPC) grades and future flood risk ratings.	The Bank uses credit assessments, risk committees (Credit Committee and Executive Risk Committee) and a limit and threshold structure to keep its exposures within agreed risk tolerance limits. The Bank continues to refine its risk management methodologies to incorporate relevant climate related risk information.
Counterparty	As a result of placing surplus funds with third party financial institutions, the Bank is exposed to climate-related risks from these institutions. This risk includes factors such as the extent to which climate-related risks are factored into counterparty business models and the impact of geographical and sector concentrations on counterparties' long-term loan books.	Information provided by the financial institutions assists the Bank in understanding the climate change credentials of these third-parties. The Bank uses Your Treasurer, a third-party Treasury services provider, to provide benchmark analysis to inform investment decisions.

Principal risk: funding and liquidity risk

	Identifying and assessing climate-related risks	Managing climate-related risks
Funding and liquidity	The Bank relies on retail depositors to fund lending activities. A client, or group of clients, representing a significant deposit balance may be required to withdraw funds because of exposure to climate-related financial risk.	The Bank prepares stress scenarios that model potential outflows of deposits to ensure that it maintains sufficient high-quality liquid assets to meet the outflow demands under these scenarios.

Principal risk: operational risk

	Identifying and assessing climate-related risks	Managing climate-related risks
Third party	The Bank could be exposed to climate-related risks from its external suppliers for equipment, software, and facilities. To identify these potential risks, the Bank will collect climate-related information from key suppliers, such as evidence of having considered their exposure to climate-related risk (physical and transition risks).	The Bank has climate-risk related questions in its supplier due diligence process. If suppliers are deemed high-risk based on this information, the Bank may consider excluding them from its procurement process or exiting an existing relationship.

Climate-related financial disclosures (continued)

Principal risk: strategic and business risk

	Identifying and assessing climate-related risks	Managing climate-related risks
Client activity	The Bank could be exposed to reputational risk and consequent financial risk through any business relationships with clients and investors whose activities may have, or be perceived to have, a negative impact on climate change. To identify this potential risk an assessment of the commercial, ethical and reputational risk of developing a relationship with clients is required.	The Bank's credit policy framework assesses financial risks associated with new and existing lending commitments. Reputational risk is considered along with other risk factors when establishing client relationships.
Property	The Bank's office premises are in areas with a low exposure to climate-related risk.	The Bank is committed to being supplied with 100% renewable energy (electricity and gas) across all of its offices. The Bank moved to a new Edinburgh property in early 2025. The property will reduce climate-related risk as it is supplied 100% by electricity in a building which it is anticipated will carry a category A EPC rating. In addition, the Bank will move to a new London office later in 2025. This will bring further environmental benefits.

Metrics and targets

The Bank's carbon footprint

The Bank is working to offset and reduce its own operational emissions and has set a goal of becoming net-zero carbon by 2050.

An assessment of the Bank's environmental impact and the steps being taken to achieve this goal are set out in the Sustainability Report on pages 17 to 18.

The Bank's risk appetite

The Bank monitors climate-related risk appetite metrics. As part of ongoing risk appetite statement development, consideration will be given to the introduction of further climate-related metrics across relevant principal risks.

Engaging with our stakeholders (Section 172 statement)

Under S172 of the Companies Act 2006 the Directors, both collectively and individually, have a duty to promote the success of the Bank. This statement describes how the Directors have had regard to the matters set out in S172(1) (a) to (f) when performing their duty under S172.

a. The likely consequences of any decision in the long-term

The Bank is a growing business and the Board is focused on prioritising its long-term success. Material decisions taken during 2024 in this regard were:

New CEO appointment

Tracey Davidson was appointed as Chief Executive Officer on 2 October 2024, replacing Graeme Hartop who retired. Her appointment followed an extensive recruitment process led by the Board Chair and she brings a wealth of banking and leadership experience which the Board unanimously felt would support the Bank's long-term, sustainable growth.

Inaugural dividend

The Bank paid its first dividend of 1.6p per share in 2024. In doing so, the Board considered the interests of shareholders and balanced these against the need to ensure the Bank retains sufficient capital to meet regulatory requirements and internal risk appetite, and also to grow our balance sheet.

Investment in technology

During 2024 the Bank delivered a major upgrade to its digital platform, as well as Apple Pay and Google Pay functionality. Client feedback indicated that investment in these areas was a priority. The Board created a Digital Transformation Sub-committee to provide regular oversight of its digital upgrade and was involved at all stages, from scoping and vendor selection to implementation.

b. Employee engagement

We recognise that our people are our greatest asset in providing the level of service our clients expect. The Bank now employs 168 colleagues across offices in Edinburgh and London, up from 154 in 2023.

The Bank's sixth 'Great Place to Work' colleague engagement survey was conducted in 2024, with a 93% response rate. 91% of colleagues responded positively to the statement 'Taking everything into account, I would say that this is a great place to work', reflecting the collective engagement, dedication and collaboration of our colleagues, to the ultimate benefit of our clients. For the first time, the survey included questions relating to DE&I. Responses were discussed at Board and Executive level and provide a baseline against which we can measure progress in future years.

The Board reviews the colleague engagement survey results and action plans arising from the survey outputs and colleague focus groups.

Our new Chief Executive Officer met all colleagues, either individually or in small groups, in her first quarter in role and relayed key themes within the feedback to the Board.

The newly re-constituted People & Remuneration Committee has increased the Board's oversight of people strategy, which is central to the Bank's success. Caroline Taylor, as the Board's people champion and Chair of the People & Remuneration Committee, meets periodically with small groups of colleagues and provides an update to the Board on themes arising. Board members also meet informally with colleagues attending the Bank's leadership development programmes.

Our first 'Aspire Board' was selected and started its meetings in 2024, providing an opportunity for colleagues from across the Bank to contribute to and learn about strategic and governance matters. The Aspire Board has met with the Board collectively and individually and members have had the chance to observe Board and Committee meetings.

The Bank is committed to providing colleagues with programmes and tools to lead a healthy and quality lifestyle and in 2024 the range of wellbeing initiatives included the offer of free health checks and flu vaccinations to all colleagues.

Engaging with our stakeholders (Section 172 statement) (continued)

c. Fostering the Bank's business relationships with clients, suppliers and others

Clients

Each client has a nominated banker who provides a tailored service, and who will work collaboratively with other advisers to provide clients with a superior banking experience and to develop long-term, valued relationships. To this end, the Bank does not operate any commission-based sales incentives to ensure focus is always on the needs of clients and providing them with exceptional client service.

Client satisfaction surveys are conducted periodically.

The most recent survey of all clients (in January 2022) returned a positive Net Promoter Score of over 73 (2018: 71). In 2024, we conducted a survey of new clients who had joined the Bank over the preceding year which returned an average satisfaction rating of 9.1 out of 10. Client survey results are discussed by the Board to consider how the Bank's services could be improved upon. Another client survey is planned in 2025 and the Board will review the results and proposed management actions.

The Board was pleased to approve the Bank's first Consumer Duty report in July 2024. The report provides a useful lens on ensuring we continue to provide good outcomes for our clients.

Suppliers

The Bank works responsibly with its suppliers in accordance with its Supplier Management Framework. Designated colleagues are responsible for maintaining and building relationships with suppliers as well as ensuring that contractual obligations are met, including in respect of supplier payments. These colleagues work with suppliers to improve quality, reduce costs, and mitigate risks. New suppliers are subject to suitability and due diligence checks. Critical suppliers are subject to periodic performance and risk reviews, including assessment of their approach to sustainability. Material supplier issues are escalated to the Board.

Others

The Bank develops collaborative relationships with relevant professional services firms in order to grow and develop its client base and professional network.

d. The impact of the Bank's operations on the community and the environment

Community

The Bank is a socially responsible business and all colleagues are encouraged to support our society and our communities as described on pages 18 to 19. In 2024 the Bank commenced partnerships with the charities MyBnk and Fields in Trust, providing support for financial education to school-age children and the preservation of community parks and green spaces respectively.

Environment

The Bank has a small environmental footprint but is working to reduce the contributors to operational carbon emissions, primarily from business travel and commuting. Further details are provided in the Sustainability Report on pages 17 to 18.

e. Maintaining the Bank's reputation for high standards of business conduct

The Bank relies on its reputation to build its business and adherence to high standards of business conduct is of paramount importance. The results from the monitoring of client outcomes and other conduct risk indicators are reported to the Executive Risk Committee and the Board. All staff are required to comply with an internal Code of Conduct and regulatory conduct rules, which require the highest levels of integrity and ethical behaviour towards the business, colleagues, clients, suppliers and regulators. In addition, a whistleblowing process is in place should staff require to escalate an issue outside of the normal management processes and reporting lines.

f. The need to act fairly as between shareholders of the Bank

The Board is conscious of the need to act fairly between all shareholders. The Bank continues to engage with shareholders through regular communications and facilitates the purchase and sale of shares between shareholders on a fair and equitable basis.

A section of the website is dedicated to investors and accessible to everyone. The latest information and documents can be found at www.hampdenbank.com/investors.

Principal risks and uncertainties

The Board has identified 13 principal risks and uncertainties which could threaten the successful delivery of the Bank's strategy and business plan. Risk appetite and risk metrics for all principal risks are reviewed by the Board Risk Committee and, if thought fit for purpose, are recommended for approval by the Board. Compliance with risk appetite is monitored and reported to the Board Risk Committee and the Board to ensure action is taken if performance has, or is close to, moving outside of risk appetite. Risk management disclosures are set out in note 21 to the financial statements. Executive Management and Board Governance is set out on page 31.

Strategic and business risk

Risk and impact

Strategic and business risk is the failure to deliver planned financial performance and/or risks arising from any potential changes to strategy, the business model, target markets or the wider external business and political environment.

Climate change potentially has significant implications for clients, suppliers, partners, and employees.

Mitigation

The political and geopolitical landscape is monitored to evaluate potential risk to the Bank. Conflicts in Ukraine and Israel-Gaza, the recent US presidential change, and the implementation of economic policy from the UK government are monitored to evaluate the impact on the Bank's risk profile. No material change in the Bank's risk profile has been identified.

The Bank monitors risks associated with climate change, including measurement of the Bank's exposure to the physical and transition risks that may arise. Further details are set out in the Sustainability Report. No material financial risk exposure from climate change has been identified to date.

Capital risk

Risk and impact

Capital risk is the risk that the Bank does not have sufficient capital to meet the requirements of the business including under stressed conditions.

Mitigation

The Bank's capital, and capital adequacy, is monitored to ensure this exceeds regulatory requirements. Early Warning Indicators are used to identify emerging capital concerns, so that mitigating action can be taken. The Bank's capital adequacy is assessed at least annually through consideration and approval of ICAAP.

Credit risk

Risk and impact

Credit risk is the risk of loss arising from the failure of clients, or third-parties with credit-related obligations to the Bank, to meet their obligations in full or in a timely manner, whether such obligations are direct, indirect, or contingent.

Mitigation

The Bank manages credit risk from loan origination, with controls in place to ensure credit decisions are in line with risk appetite. Credit quality is proactively managed over the lifetime of lending to identify when intervention may be required to protect the Bank's credit exposure and to assist clients that may be experiencing financial difficulties.

Funding and liquidity risk

Risk and impact

Liquidity risk is the risk that the Bank does not have sufficient financial resources available to enable it to meet its obligations as they fall due.

Funding risk is the risk that the Bank does not have stable sources of funding in the medium and long term to enable it to meet its planned commitments or to do so only at excessive cost.

Mitigation

The Board accepts a limited level of risk to achieve the Bank's strategic goals and sets its risk appetite and liquidity requirement measures accordingly. The Treasury function seeks to manage liquidity risk within risk appetite, with liquidity and funding positions reviewed daily.

Principal risks and uncertainties (continued)

Market risk

Risk and impact

Market risk is the risk that the Bank's earnings and economic value may be volatile due to changes in the value of financial market prices. This includes interest rate risk in the banking book (IRRBB) and foreign exchange (FX) risk.

IRRBB is the risk that arises from the volatility in interest rates.

FX risk is the risk that arises due to volatility in FX rates.

Mitigation

The Bank's exposure to interest rate risk arises only from banking activity – the Bank does not operate a trading book. Sensitivity to interest rate changes is managed within set limits.

The Bank's FX risk is managed using natural hedges and FX forward contracts, and through adherence to agreed FX exposure limits.

Change risk

Risk and impact

Change risk is the failure to identify the changes required to deliver business priorities and plan, and to execute and deliver the agreed change portfolio which could result in an inability to meet client, colleague, regulatory and business expectations. Change risk arises when the Bank undertakes activities which require changes to existing, or the introduction of new, products, processes, systems, suppliers or controls.

Mitigation

The Bank applies a Change Management Framework to limit negative impacts on clients, colleagues and stakeholders as a result of change activity.

Conduct risk

Risk and impact

Conduct risk is the failure to achieve good outcomes for clients through poor design and delivery of client services, internal culture or behaviours.

Mitigation

The Bank manages this risk by putting clients' interests at the heart of the business, seeking to develop and maintain long term relationships with its clients and by being focused on providing products and services relevant to their needs.

Data risk

Risk and impact

Data risk is the risk of the Bank failing to govern, manage and protect its data effectively, including data processed by third-parties, which can lead to unethical decision-making, poor client outcomes and financial loss.

Mitigation

The Bank applies controls to ensure client data is protected and retained in line with regulatory requirements. Controls are in place to support good client outcomes and to ensure data quality is maintained.

Financial crime risk

Risk and impact

Financial crime risk is the risk that the Bank fails to prevent money laundering, terrorist financing, proliferation financing, tax evasion, sanction violations, bribery, corruption, and fraud (external and internal).

Mitigation

The Bank maintains financial crime policies, procedures and controls which align with our commitment to undertake business that complies with regulations and laws, and to prevent products and services being exploited for illicit purposes.

Operational risk

Risk and impact

Operational risk is the risk the Bank sustains losses and/or reputational damage through inadequate or failed internal processes, people, systems, or external events. The principal sources of operational risk for the Bank stem from operational resilience, client account management and third-party management.

Mitigation

The Bank operates systems and controls to ensure that services remain available for clients, including ongoing management and oversight of its third-parties. Process controls are in place to ensure error rates on key operational processes are minimised.

Cyber risk

Risk and impact

The risk of financial loss, disruption, or damage to the reputation of the Bank from failure, unauthorised, or erroneous use, of its information technology systems.

Mitigation

The Bank has established security controls to minimise cyber threat. These include regular penetration testing, vulnerability scanning and the update of software and hardware. Controls mitigating cyber risk are enhanced on an ongoing basis to protect clients and the Bank, and to minimise the risk of service disruption.

People risk

Risk and impact

People risk is the risk that the Bank fails to adequately manage people resources, leading to poor client outcomes and low levels of staff satisfaction.

Mitigation

The Bank ensures that it has sufficient people with the required skills to deliver growth and good client outcomes. Colleague engagement is monitored through regular surveys, and colleague contribution is subject to a formal performance management review process.

Regulatory and legal risk

Risk and impact

Regulatory and legal risk is the risk of financial loss, regulatory censure, criminal or civil enforcement and litigation action, or client detriment caused by a failure to comply with applicable law, regulations, standards and codes of conduct.

Mitigation

The Bank undertakes horizon scanning to identify new and changing requirements, and conducts regular assurance and oversight activity, to test the effectiveness of controls which support continued regulatory and legal compliance.

Board of Directors

Left to right: **Jonathan Peake, Finlay Williamson, Tracey Davidson, David Huntley, Caroline Taylor, Simon Miller, Gordon Syme (Company Secretary), Angus Macpherson, and Kaushalya Somasundaram.**

Committee membership key

- A Audit Committee
- N Nominations Committee
- P People & Remuneration Committee
- R Risk Committee
- Denotes Chair of Committee

Simon Miller
Non-Executive Chair
N P

Appointed: 26 May 2020, Chair of the Nominations Committee.
Key areas of experience: An Independent Non-Executive Director with a wide range of experience in the financial services sector, including wealth management and investment management.
Current external appointments: Chair of Bankers Investment Trust PLC.
Previous experience: Called to the Bar and subsequently worked for Lazard Brothers and County NatWest. Chair of Dunedin Capital Partners, Chair of Brewin Dolphin Holdings PLC and Senior Independent Director of STV Group PLC.

Tracey Davidson
Executive Director – Chief Executive Officer

Appointed: 2 October 2024.
Key areas of experience: Banking industry, financial services sector and wealth management.
Current external appointments: Director, Personal Investment Management & Financial Advice Association, Chair of the Chartered Institute for Securities and Investment (CISI) Integrity & Ethics Committee.
Previous experience: Tracey started her career at Barclays where she worked in a variety of senior roles in the corporate and wealth management divisions. She joined Handelsbanken Plc in 2003, expanding the Swedish bank's UK operations and leading the acquisition of Heartwood, an investment and wealth management business. In 2019, Tracey was appointed Deputy CEO of Handelsbanken Plc and Chair of Handelsbanken Wealth & Asset Management.

Jonathan Peake
Executive Director – Chief Financial Officer

Appointed: 25 April 2022.
Key areas of experience: Finance, risk, banking industry and financial services sector.
Previous experience: A qualified Chartered Accountant and formerly CFO of Standard Bank International, Head of Risk for Standard Bank International and Deutsche Bank International and Senior Manager at KPMG Forensic.

Caroline Taylor
Non-Executive Director
P N

Appointed: 8 February 2021, Chair of the People & Remuneration Committee.
Key areas of experience: Remuneration, financial services, investment management, operations and compliance.
Current external appointments: Non-Executive Director of RBC Brewin Dolphin Limited and RBC Europe Limited.
Previous experience: Director of Goldman Sachs Asset Management International, Director of GS Luxembourg and Dublin Mutual Funds and Non-Executive Director of Ecclesiastical Insurance Office plc.

David Huntley
Non-Executive Director
R A

Appointed: 1 October 2020, Chair of the Risk Committee.
Key areas of experience: Risk, financial services, insurance and operations.
Current external appointments: Huntley Consulting Limited and FIL Platform Solutions (UK) Limited.
Previous experience: Chair of Scottish Friendly Asset Managers Limited, Director of FIL Insurance Limited, MD of Pearl Life Limited, CEO of Scottish Re Limited and CEO of Swiss Re Life and Health Australia.

Finlay Williamson
Non-Executive Director
A N R

Appointed: 26 May 2020, Chair of the Audit Committee and Senior Independent Director.
Key areas of experience: Audit, financial services, banking industry, finance and operations.
Current external appointments: Non-Executive Director of Secure Trust Bank PLC and member of the Audit, Risk and Nomination Committees.
Previous experience: A qualified Chartered Accountant, Finlay was formerly Chief Financial Officer of Virgin Money plc and a former Divisional Finance Director, Head of Internal Audit, and Head of Mergers and Acquisitions at RBS Group. He also served as a Non-Executive Director and Chair of Risk Committee at Paragon Banking Group PLC and Paragon Bank PLC.

Angus Macpherson
Non-Executive Director
P R

Appointed: 18 October 2021.
Key areas of experience: Financial services, including corporate finance, capital markets and investment banking.
Current external appointments: Chair of Noble & Co, Non-Executive Director of the Schroder Japan Growth Fund PLC and Chair of Templeton Emerging Markets Investment Trust PLC. Various government advisory roles.
Previous experience: Lazard Brothers, Merrill Lynch and Smith New Court.

Kaushalya Somasundaram
Non-Executive Director
A

Appointed: 25 April 2023.
Key areas of experience: Banking, finance, audit, digital and FinTech.
Current external appointments: Director of Singer Capital Market Securities Limited.
Previous experience: Managing Director, HSBC FinTech Partnerships and Strategic Innovation Investments. Executive Director of Square UK, a subsidiary of Block Inc. and Executive at UK FinTech Growth Partners LLP. Served in Director, consultancy and advisory roles at various leading financial services firms. A qualified Chartered Certified Accountant and MBA.

Corporate governance

Board and Committee attendance record

Member	Non-Executive	Board	Audit	Risk	People & Remuneration	Nominations
Simon Miller	Y	8/8	n/a	n/a	4/6	2/2
Andrew Bell[1]	N	7/8	n/a	n/a	n/a	n/a
Tracey Davidson[2]	N	2/2	n/a	n/a	n/a	n/a
Graeme Hartop[3]	N	6/6	n/a	n/a	n/a	n/a
David Huntley	Y	8/8	6/6	9/9	n/a	n/a
Angus Macpherson	Y	8/8	n/a	8/9	6/6	n/a
Jonathan Peake	N	8/8	n/a	n/a	n/a	n/a
Kaushalya Somasundaram	Y	8/8	6/6	n/a	n/a	n/a
Caroline Taylor	Y	8/8	n/a	n/a	6/6	2/2
Finlay Williamson	Y	8/8	6/6	9/9	n/a	1/2

1. Andrew Bell resigned from the Board on 31 December 2024.
2. Tracey Davidson was appointed to the Board on 2 October 2024 and attended all Board meetings held from her date of appointment.
3. Graeme Hartop resigned from the Board on 1 October 2024 and attended all Board meetings up to his date of resignation.

Board and Committee roles

Chair

- Provides leadership to the Board, promoting constructive debate and challenge between the Executive and Non-Executive Directors.
- Ensures that there is a good information flow to the Board, and from the Board to its key stakeholders.
- Supports and advises the Chief Executive Officer, particularly on the development of strategy and culture.
- Builds an effective and complementary Board, regularly considering its composition and balance, diversity and succession planning.

Chief Executive Officer

- Provides leadership to the Bank.
- Develops strategy proposals for recommendation to the Board and is accountable for business performance.
- Maintains a dialogue with the Chair on all important matters and strategic issues facing the Bank.
- Ensures that there is an effective framework of internal controls, including risk management, covering all business activities.
- Ensures that the Board is fully informed of all key matters.

Chief Financial Officer

- Supports the Chief Executive Officer in developing and implementing strategy.
- Oversees the financial delivery and performance of the Bank and provides insightful financial analysis that informs key decision making.
- Ensures that all aspects of financial regulation are complied with, including fiscal and regulatory reporting.
- Works with the Chief Executive Officer to develop budgets and medium-term plans to support the agreed strategy.

Independent Non-Executive Directors

- Constructively challenge management and decisions taken at Board level.
- Oversee the performance of management in meeting agreed goals.
- Support the Chair and Executive Directors in instilling appropriate culture, values and behaviours in the boardroom and across the Bank.

Board Committees

The Board has established a number of standing committees consisting of specific Directors and Executives to oversee the operation of the Bank. The governance structure is shown on the next page and is designed to provide independent oversight of decision making and risk appetite across the organisation.

The Board has four standing committees to support proper discharge of its responsibilities.

- **Audit Committee**, to recommend to the Board the internal and external audit approach. It recommends approval of the financial statements of the Bank, provides independent approval and oversight of internal and external audit policies and procedures.
- **Nominations Committee**, to review the structure, size, composition and succession plans of the Board and to make recommendations with regard to any changes, taking into account the skills and expertise needed.
- **People & Remuneration Committee**, to provide independent oversight and recommendations on people strategy and executive remuneration policies, including an independent review and assessment of any reward schemes. It also presents an annual Whistleblowing Policy and Report to the Board.

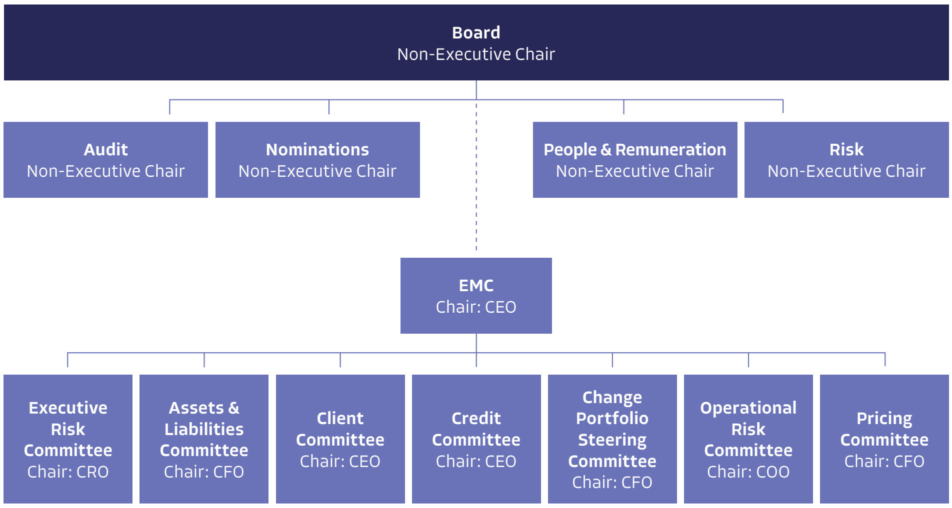
Governance framework

Board of Directors

Standing Board Sub-Committees

Executive Management Committee

Management Committees



- **Risk Committee**, to provide the Board with focused support and advice on risk governance, to develop a forward-looking resilient and sustainably successful organisation. It advises the Board on the appropriateness of the Bank's risk strategy and risk appetite in light of the Bank's purpose, goals, strategy and risk culture expectations.

During 2024 a Digital Transformation Sub-committee oversaw the upgrade of the Bank's digital platform. This has been disbanded following delivery of the upgrade and the Board is considering how best to ensure sufficient focus is given to digital capabilities on an ongoing basis.

Executive Committees

- **Executive Management Committee** operates under delegated authority from the Board to manage the day-to-day operations of the Bank. Its purpose is to assist the Chief Executive Officer in the performance of her duties.
- **Executive Risk Committee** is chaired by the Chief Risk Officer and has responsibility for the development, maintenance and effectiveness of the Risk Management Framework, and for overseeing implementation of any action required to enhance the control environment.
- **Assets & Liabilities Committee** is chaired by the Chief Financial Officer and has responsibility for managing balance sheet risk (capital, liquidity & market) within the limits set by the Board together with establishing and reviewing the measurement and performance of the Bank's assets and liabilities.
- **Client Committee** is chaired by the Chief Executive Officer and has responsibility to ensure that the Bank is delivering consistently good client outcomes.
- **Credit Committee** is chaired by the Chief Executive Officer and has responsibility for approving new (and renewing existing) credit facilities, agreeing and monitoring individual personal banker and credit team delegated sanctioning authorities, proposing credit risk policies, monitoring the credit risk appetite metrics and quality of the loan portfolio.
- **Change Portfolio Steering Committee** is chaired by the Chief Financial Officer has responsibility for the Bank's Change Framework and for managing change in line with direction from the Executive Management Committee.
- **Operational Risk Committee** is chaired by the Chief Operating Officer and has responsibility for managing the Bank's operational risk profile within risk appetite, including operational resilience.
- **Pricing Committee** is chaired by the Chief Financial Officer and oversees the pricing of products and services.

Committee reports

Audit Committee

Finlay Williamson (left)
Non-Executive Director – Chair of the Committee

David Huntley
Non-Executive Director

Kaushalya Somasundaram
Non-Executive Director

I am pleased to present the report of the Audit Committee for the year ended 31 December 2024.

The Bank has seen further change over the course of the year, with the positives arising from continued profitability allowing the Bank to mature successfully despite the strains of adapting to changing client behaviour in a higher inflation, higher interest rate environment. All of these factors present new considerations for the Committee as it assesses the appropriateness of the various accounting judgments required to compile these financial statements.

As a Committee, our responsibility is to ensure that the financial position published by the Bank properly represents its activities to all stakeholders in a way that is fair, balanced and understandable, as well as overseeing the effective delivery of both internal and external audit services. The Committee met six times during the year and invited appropriate executives, management and representatives of both the internal and external audit functions. The Committee reserves the right to request any of these individuals to withdraw and considers the need to meet privately with both internal and external audit at each meeting.

During the year the Committee's principal activities were:

- review of the annual financial statements and any other financial information published by the Bank to ensure these properly represent the Bank's activities in accordance with law, accounting standards, regulation and market practice;
- consideration of the appropriateness and application of the Bank's accounting policies and management judgements, in particular for recognition of loan impairment;
- assessment of the effectiveness of the system of internal controls over financial reporting;
- review of the terms of reference of the Committee and approval of updates;
- approval of the Bank's internal audit plan and monitoring its delivery;
- consideration of the annual report of the internal auditor on the Bank;
- review of the Internal Audit Charter;
- review the performance of external audit;
- receiving and considering reports on internal audit reviews conducted across the Bank; and
- monitoring the effectiveness of the internal audit function within the Bank.

From an accounting perspective this year the Committee has focused primarily on:

- the level of impairment provision against loan assets and, in particular assessment of the impact of a higher inflation and higher interest rate environment arising from the global and local factors which have caused a continued cost-of-living crisis;
- the continued recognition of a deferred tax asset in respect of the expected future utilisation of historical tax losses; and
- the ability of the Bank to report its financial results on a going concern basis in light of continued profitability and the capital position of the Bank taking into consideration any impact of the current economic environment.

In each of these areas the Committee was provided with papers prepared by management and reviewed by the external auditor discussing the position shown in the accounts, the underlying market conditions and the methodology adopted for the judgments made. These were reviewed in detail and discussed fully with both management and the external auditor. The Committee was able to reach satisfactory conclusions on all of these specific areas and on the financial statements more generally and therefore resolved to recommend them to the Board for approval.

In recognition of the fact that the Bank is a public interest entity, the Committee oversaw a required tender process for the role of external auditor, Deloitte LLP as incumbent having been in post for 10 years. This process considered tenders from Deloitte LLP and two other major audit firms, based on tender requirements approved by the Committee, and evaluated based on approved selection criteria. The outcome of the process was a recommendation from the Committee to the Board to reappoint Deloitte LLP as external auditor for a further term. This recommendation was accepted by the Board and will be presented as a resolution to shareholders at the Annual General Meeting.

During the year the Committee also carried out its role in assessing the independence and effectiveness of both the external and internal audit functions currently carried out by Deloitte LLP and Grant Thornton UK LLP, respectively. From discussion with management and both sets of auditors the Committee was able to conclude that both the external audit and the internal audit function were effective during the year.

In the coming year the Committee's main priorities will include:

- continued monitoring of any potential impact of the developing economic and political situation in the UK on the Bank's accounting, particularly in relation to loan impairment;
- considering ongoing developments in accounting, financial reporting, regulation and auditing to ensure that the Bank is well-positioned to respond appropriately;
- ensuring the Bank's control processes and internal audit capabilities continue to evolve as the Bank matures; and
- assessing the impact on the Bank of proposed reforms to the UK's audit and corporate governance framework.

I would like to thank my colleagues on the Committee for their support and diligence during the course of this year and to note the Committee's sincere appreciation for the work done by management and the external and internal auditors to facilitate our deliberations.

I recommend this report to the shareholders and ask you to support the resolutions concerning the reappointment of Deloitte LLP as auditors and their remuneration at the upcoming Annual General Meeting.

Finlay Williamson
Chair of the Audit Committee
27 March 2025

Committee reports (continued)

Risk Committee

David Huntley (left)
Non-Executive Director – Chair of the Committee

Finlay Williamson
Non-Executive Director

Angus Macpherson
Non-Executive Director

The Committee's purpose is to provide the Board with focused support and advice on risk governance, to develop a forward-looking, resilient and sustainably successful organisation. It advises the Board on the appropriateness of risk strategy and risk appetite in light of the Bank's purpose, goals, strategy and risk culture expectations.

During 2024 the Committee met nine times, six scheduled meetings plus three ad hoc occasions.

The primary points of focus for the Committee during the past 12 months have, again, been as follows:

- provision of oversight and challenge to the design and content of the ICAAP, the Internal Liquidity Adequacy Assessment Process (ILAAP) and the Bank's Recovery Plan to meet the requirements of the Board and the regulator. In particular, specific focus on compliance with regulatory requirements, risks inherent in the strategy, the overall capital and liquidity needs assessment and the adequacy of stress and scenario testing;
- review, challenge and continued enhancement of the Risk Framework, Risk Appetite and Policy Management Framework;
- scrutiny and challenge of regular reports from the second-line Risk and Compliance team covering the Bank's principal risks and key controls;
- oversight of the Financial Crime Framework;
- oversight of the Bank's compliance with the Consumer Duty rules;
- consideration of current and emerging risks; and
- review and approval, where appropriate, of credit risks beyond the authority of the Credit Committee.

Key priorities for the Committee for the year ahead include providing oversight and challenge to:

- Risk Management and Policy Management Frameworks;
- Risk Appetite;
- Financial Crime Framework;
- ICAAP, ILAAP and Recovery Plan;
- Consumer Duty; and
- Operational Resilience.

I would like to thank my colleagues on the Committee and the Bank's management for their hard work, diligence and support throughout the year.

David Huntley
Chair of the Risk Committee
27 March 2025

People & Remuneration Committee

Caroline Taylor (left)
Non-Executive Director – Chair of the Committee

Simon Miller
Non-Executive Board Chair

Angus Macpherson
Non-Executive Director

As noted in the 2023 Annual Report, the Committee's Terms of Reference were updated to include people-related matters in addition to remuneration. As a result, in 2024 the Committee met six times and additional topics were discussed.

The Committee operates under delegated authority from the Board to provide independent oversight and recommendations on the remuneration and people principles and policies of the Bank, including any independent review undertaken and any assessment of incentive schemes.

The Chief Executive Officer and the Chief People Officer are standing attendees at Committee meetings. They exclude themselves from discussions relating to their respective positions.

During 2024, the main areas of focus for the Committee were:

- review of the 2024 salary and 2023 variable pay proposals, for recommendation to the Board;
- working with our Senior Independent Consultant to conduct a holistic review of existing remuneration arrangements;
- approval of the implementation of the Annual Variable Pay Plan for the Executive Management Committee based on financial and non-financial measures;
- formulating the offer and terms for the appointment of the new Chief Executive Officer;
- approval of the Long-Term Incentive Plan Awards for the Executive Management Committee, a three-year plan linked to cumulative adjusted profitability, subject to hurdle assessments for regulatory breaches and the journey to net-zero;
- a session with the People Team to review progress implementing the People Strategy and discuss future focus areas and initiatives;
- reviewed succession plans for each of the Executive Management Committee role;
- reviewed the results of the colleague engagement 'Great Place to Work' survey;
- reviewed and approved the People Risk and Whistleblowing policies;
- initiated a review of the current pension scheme and provider and approved the moving of the pension scheme to a new provider in 2025;
- approved increasing employer pension contributions in 2025 on a matching basis;
- review of Reward Benefits roadmap;
- approval of the Malus and Clawback Policy;
- approval of remuneration for the Code Staff and Material Risk Takers;
- approval of staff tax advantaged share option awards;
- approval of an end of year award in December 2024 for all staff at a fixed rate of £400;
- annual review and update of the Committee's Terms of Reference;
- annual review of the Remuneration Policy; and
- reviewed and considered the impact of changes in regulatory remuneration frameworks.

In the coming year the Committee will continue to focus on linking remuneration to individual and corporate performance based on financial and non-financial measures, and other people-related matters including diversity & inclusion and learning & development.

I would like to thank members of the Committee and our advisors for their support and advice this year.

Caroline Taylor
Chair of the People & Remuneration Committee
27 March 2025

Committee reports (continued)

Nominations Committee

Simon Miller (left)
Non-Executive Board Chair – Chair of the Committee

Finlay Williamson
Non-Executive Director

Caroline Taylor
Non-Executive Director

The Committee's principal tasks are to recommend Director appointments, to review the effectiveness and composition of the Board and to consider Board succession plans.

The Committee held two formal meetings during the year and met informally on various other occasions. Board composition and succession plans were considered and revised Terms of Reference were approved in December.

Two Directors retired from the Board during the year. Graeme Hartop, our former Chief Executive Officer, and Andrew Bell, our former Chief Commercial Officer, resigned from the Board on 1 October and 31 December 2024, respectively. The Committee and the Board are highly appreciative of their contributions.

Tracey Davidson joined the Board as Chief Executive Officer on 2 October 2024, following a thorough search process led by the Committee and Russell Reynolds as headhunter.

An external Board Effectiveness Review reported to the Board in March 2024. This found the Board to be effective and provided useful recommendations for further improvements which have been implemented.

I will retire this year having thoroughly enjoyed my five year term. Work to identify my successor as Board Chair commenced towards the end of last year. Finlay Williamson as Senior Independent Director led the process, supported by Odgers Berndtson as headhunter. I welcome the Board's appointment of David Huntley and, subject to regulatory approval, expect him to take up the role in August.

Simon Miller
Chair of the Nominations Committee
27 March 2025

Directors’ report

The Directors present their report and financial statements for the year ended 31 December 2024. Information regarding future developments and risk management as required by Schedule 7 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the Accounting Regulations) to be contained in the Directors’ Report has been included in the Strategic Report and Chair’s Statement in accordance with section 414C(11) of the Companies Act 2006.

Governance structure

The Bank is led by its Board comprising of a majority of Non-Executive Directors including the Chair. The Board has established four standing committees to support proper discharge of its responsibilities: the Audit Committee, the Risk Committee, the People & Remuneration Committee and the Nominations Committee. Further details of the governance structure are set out on in the Governance section on page 31.

Directors

Details of the Directors who held office during the year are shown in the Company Information section at the end of this document and in the Governance section on pages 28 and 29.

Risk management

Strong risk management is fundamental to achieving the Bank’s strategic objectives and to delivering long-term shareholder value. The Board is responsible for ensuring that the Bank’s Risk Management and Governance Frameworks identify and manage the Bank’s principal risks in line with its risk appetite and regulatory expectations.

The Board sets its risk appetite recognising the Bank’s capacity for risk and its low-risk private banking business model. Risk appetite is reviewed and updated at least annually, and in response to material business, market or regulatory changes.

The Bank is UK-focused, does not undertake proprietary trading, manages capital and liquidity in a controlled manner and seeks to deliver good client outcomes.

The Board considers the Risk Management and Governance Frameworks to be effective and commensurate with the size, scale, and complexity of the business.

Risk governance

The Board Risk Committee meets at least six times per annum and advises the Board on the appropriateness of the Bank’s Risk Management Framework, strategy and risk appetite in alignment to its purpose, goals, strategy, and desired risk culture. The Board Risk Committee is chaired by an independent Non-Executive Director and provides the Board with support and advice on risk governance.

The Board delegates the day-to-day management of risk to Executive Management. Accountable executives are supported, where required, by a governance committee structure, which is designed to facilitate effective risk-based decision-making and to ensure effective management of the Bank’s principal risks.

<table>
<tr><th>Executive owner</th><th>Principal risk</th><th>Executive governance committee</th><th>Escalation pathway</th></tr>
<tr><td rowspan="4">Chief Operating Officer</td><td>Data risk</td><td rowspan="3">Operational Risk Committee</td><td rowspan="14">Board Risk Committee</td></tr>
<tr><td>Operational risk</td></tr>
<tr><td>Cyber risk</td></tr>
<tr><td>Change risk</td><td>Change Portfolio Steering Committee</td></tr>
<tr><td rowspan="2">Chief Executive Officer</td><td>Strategic and business risk</td><td>Executive Management Committee</td></tr>
<tr><td>Conduct risk</td><td>Client Committee</td></tr>
<tr><td rowspan="3">Chief Financial Officer</td><td>Capital risk</td><td rowspan="3">Assets & Liabilities Committee</td></tr>
<tr><td>Funding and liquidity risk</td></tr>
<tr><td>Market risk</td></tr>
<tr><td rowspan="3">Chief Risk Officer</td><td>Credit risk</td><td>Credit Committee</td></tr>
<tr><td>Financial crime risk</td><td rowspan="4">Executive Risk Committee</td></tr>
<tr><td rowspan="2">Regulatory and legal risk</td></tr>
<tr><td>General Counsel</td></tr>
<tr><td>Chief People Officer</td><td>People risk</td></tr>
</table>

Directors' report (continued)

Risk Management is implemented through a 'Three Lines of Defence' (3LoD) model which defines clear responsibilities and accountabilities and ensures that effective independent oversight and assurance activities take place covering key decisions.

- The **First Line of Defence (1LoD)** are the business areas that have primary responsibility for identifying, assessing, accepting, mitigating, monitoring and reporting on risks within their areas of accountability. They must establish effective governance and controls that evidence compliance with Risk Management Framework requirements and operate within risk appetite.
- The **Second Line of Defence (2LoD)** is the Risk and Compliance team, headed by the Chief Risk Officer. The 2LoD is responsible for ownership and management of the Risk Management Framework, Policy Management Framework, reporting on the risk profile of the Bank and for providing oversight and constructive challenge as to the effectiveness of risk decisions taken by Executive Management (1LoD) and their teams.

  The 2LoD supports the Board to promote the implementation of a risk strategy consistent with the Bank's risk appetite and Risk Management Framework. This includes provision of guidance and advice to the Board and Executive Management on horizon scanning, strategic risk and the development of risk appetite.

  The 2LoD provides risk management training and education across the Bank to support the efficient, effective and consistent application of the Risk Management Framework.
- The **Third Line of Defence (3LoD)** is Internal Audit, which is currently outsourced in full to Grant Thornton UK LLP. The 3LoD provides independent assurance to the Board via the Board Audit Committee and is independent of Executive Management (1LoD and 2LoD). Independent assurance is delivered via completion of risk-based audits which consider the design and operating effectiveness of internal controls across the control framework. The final reports for these audits are communicated to Executive Management and the Board Audit Committee. An annual risk-based audit plan considering the Bank's material risk exposure must be presented and approved by the Board Audit Committee, which monitors completion of the plan and receives audit reports over the course of the year. The principles through which 3LoD activity is executed are agreed annually, and published in the Internal Audit Charter, and approved by the Board Audit Committee.

To allow Executive Management and the Board to execute their responsibilities, regular risk reporting is provided to the Governance Committees detailed above.

Risk management framework

The Bank's Risk Management Framework outlines its approach to the management of risk. It enables proactive identification, management, and monitoring of the Bank's risks. It provides a mechanism for developing and embedding risk policies, risk appetite, risk management strategies, and supports commercial risk-taking by ensuring risk is understood and appropriate risk mitigation is established and maintained.

Policy management framework

The Bank maintains a Policy Management Framework which is a subset of the Risk Management Framework and outlines the Bank's approach for the approval, implementation, publication, and review frequency of risk policy documentation. A policy is a high-level document which sets policy objectives through which the Board and Executive Management expects the Bank to be controlled.

Implementation of the Policy Management Framework drives consistency, making policy requirements easier for colleagues to understand and apply, and supports Board and Executive Management to align Bank policies with risk appetite and the effectiveness of the Bank's control environment.

All principal risks must have an associated policy which is subject to annual approval at a Board committee.

Risk culture

The Board and Executive Management set the 'tone at the top' and play a key role in shaping and embedding risk culture by establishing a strong focus on building and sustaining long-term relationships with clients. The Bank aims to build a positive risk culture by designing and embedding risk management through communication and training regarding the Bank's strategy and activities.

Developing a positive risk culture is key in supporting the effective operation of the Risk Management Framework and to enable informed risk-based decision-making across the Bank. A positive risk culture is one in which everyone understands the organisation's approach to risk, takes personal responsibility to manage risk, and encourages others to follow their example.

The Bank seeks to instill a positive risk culture which:

- Supports effective management of risk and embraces open and constructive challenge.
- Seeks to understand root cause when things go wrong and takes action to learn and reduce the likelihood of recurrence.
- Is forward-looking, considering the potential impact of emerging and horizon risks.
- Ensures clear accountability for the ownership of risks and controls.
- Is reflected by 1LoD and 2LoD maintaining operational independence but working together to manage the Bank's risks within agreed risk appetite.
- Encourages all colleagues to escalate matters without fear of any adverse consequences.
- Ensures colleagues are aware of, and operate within, agreed risk appetite and delegated authorities.
- Champions good client outcomes and focuses on developing deep, sustainable long-term client relationships.
- Promotes a robust governance culture, ensuring appropriate segregation of duties and avoiding conflicts of interest.
- Sees colleagues rewarded for demonstrating the right behaviours and culture, aligned to proactive risk management and creation of a long-term sustainable business.
- Leads to a learning organisation where all colleagues are encouraged and supported in their personal development, including risk awareness training at induction and regularly thereafter.

To support delivery of business and risk strategy, Executive Management and their teams are required to understand and manage the risks which could threaten the achievement of business objectives. The business follows a continuous risk lifecycle approach, from identification to reporting, which drives consistency and is intended to manage and mitigate the risks impacting the Bank and to support Executive Management in making informed risk decisions. Details of risks and key controls are maintained on the Bank's risk management system.

Capital structure

Details of the Bank's share capital, together with movements in the Bank's issued share capital are shown in notes 24 and 31.

During 2024 the Bank did not raise any additional capital.

The following shareholders have interests of 3% or more in the voting rights of the Bank.

Shareholder	Number of shares at 31 December 2024	% of voting rights
Drake Enterprises AG	**18,870,357**	19.96%
Euripides Investments Limited	**13,025,984**	13.78%
Miamoo Investments Pty Limited	**12,984,442**	13.74%
Hampden Holdings Limited	**12,604,247**	13.34%
XL Bermuda Limited	**11,557,435**	12.23%

Going concern

The Directors, having made such enquiries as they considered appropriate and having reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future, consider the preparation of the financial statements using the going concern basis of accounting to be appropriate.

In making this assessment the Directors considered:

- business projections;
- the level of capital requirements set by the Prudential Regulation Authority (PRA);
- their evaluation of the Bank's principal risks and uncertainties, including those that could threaten the Bank's business model, its future performance or solvency;
- the ICAAP; and
- the ILAAP.

The Bank's business projections provide the basis for the Bank's financial forecasts which include a detailed annual budget for year one (2025) and forecasts for years two to five (2026-2029). These form an integral part of the assessment of the capital and funding required.

In making this assessment of going concern, the Directors have conducted a review of the business projections and relevant sensitivity analysis and stress scenarios. Key considerations when making this assessment include the sufficiency of capital, client deposit and lending growth, judgements regarding the level of capital requirements set by the PRA, the necessary investment in operational capability and the resultant impact on profitability.

The sensitivity analysis performed demonstrates that throughout the going concern period the Bank would remain above Total Capital Requirements. As a result of these assessments, the Directors have a reasonable expectation that, for a period of at least 12 months from the date that the financial statements have been authorised for issue, the Bank will generate sufficient capital, continue in operation and meet its liabilities as they fall due.

Financial instruments

Information about the use of financial instruments by the Bank is given in notes 19 and 21 to the financial statements.

Research and development

As part of the Bank's commitment to operating with secure, efficient IT systems which meet the demands of our business and clients, during 2024 a major upgrade of the Bank's digital platform was implemented. This upgrade delivers enhanced functionality for clients and improved processes and will enable the Bank to further develop its services.

Statement of disclosure to auditor

The Directors confirm that:

a) so far as they are aware, there is no relevant audit information of which the Bank's auditor is unaware, and
b) they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

Indemnity insurance

The Bank has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Post balance sheet events

Significant events which have arisen between 31 December 2024 and the date of this report are disclosed in note 35.

On behalf of the Board

Tracey Davidson
Chief Executive Officer

27 March 2025

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the 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 the Directors are required to prepare the financial statements in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006. 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 Bank and of the profit or loss of the Bank for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Bank's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Bank's transactions and disclose with reasonable accuracy at any time the financial position of the Bank and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Hampden & Co plc

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Hampden & Co plc (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2024 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 35.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRS Accounting Standards as issued by the IASB.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • The measurement of expected credit losses on loans and advances to clients. Within this report, key audit matters are identified as follows: Similar level of risk
Materiality	The materiality that we used in the current year was £901k which was determined on the basis of 1% of the total equity balance as at 31 December 2024.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes in our approach in the current year.

4. Conclusions relating to going concern

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.

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

- obtaining an understanding of relevant controls around management's going concern assessment;
- evaluating the reliability of management's financial forecasts with reference to historic performance, the specific growth rate strategies that management has put in place, the performance of the company post year-end and forecasts regarding the future macroeconomic environment and how this may affect the company's performance;
- with involvement of prudential regulatory specialists, assessing and challenging the analysis prepared by management to support the going concern assumption, including the company's Internal Capital Adequacy Assessment Process ('ICAAP') and Internal Liquidity Adequacy Assessment Process ('ILAAP'); and
- assessing the appropriateness of the going concern disclosures in the financial statements.

Independent auditor's report to the members of Hampden & Co plc (continued)

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.

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

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 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.

5.1. The measurement of expected credit losses on loans and advances to clients

Key audit matter description	The company has recorded an impairment provision of £315k (31 December 2023: £305k) on loans and advances to clients of £586,208k (31 December 2023: £487,929k). The company measures the impairment provision on loans and advances to clients using an expected credit losses model. Determining expected credit losses is a judgemental area which requires the formulation of assumptions including the probability of default, the exposure at default and the loss given default ('LGD'), all of which should incorporate forward-looking information. Given the degree of judgement involved, we consider that there is a potential for fraud through possible manipulation of this balance. We have determined the most significant areas of management judgement in the measurement of expected credit losses to be: • The calibration of the LGD assumption for loans with a loan to value of over 65% and secured by commercial property or undeveloped land, given the additional judgement required to determine the realisable values of such collateral; and • The incorporation of forward-looking macroeconomic information into the measurement of expected credit losses. Management incorporates four macroeconomic scenarios into the measurement of expected credit losses. The determination of the probability weightings applied to each scenario and the related adjustments to the key model inputs under each scenario requires significant judgement, particularly in light of the current uncertain macroeconomic environment. We have therefore identified a key audit matter in relation to these specific judgements. Impairment provisions on loans and advances to clients are detailed within note 3 and note 13. Management's associated accounting policies are detailed on pages 52 to 57.

How the scope of our audit responded to the key audit matter	We performed the following procedures to evaluate significant areas of management judgement identified in the measurement of expected credit losses on loans and advances to clients: **Risk assessment** We considered as part of our risk assessment and our fraud risk assessment the nature of the company's loan portfolio and the key inputs used in management's modelling of expected credit losses. **Controls** We obtained an understanding of the overall expected credit losses process, and an understanding of the relevant controls over the LGD assumption and the selection of different macroeconomic scenarios, their probability weightings and the adjustments to the key model inputs under each scenario. **LGD calibration** For a sample of loans, we assessed relevant documentation to assess that the company had first charge over the collateral. We obtained the collateral valuation reports which the company had commissioned from an external expert, for exposures with a loan to value of over 65% and secured by commercial property or undeveloped land. With the involvement of our real estate specialists, we challenged the valuation of the collateral that was used as the basis of the LGD calibration, with reference to similar market transactions and other relevant information; and have challenged the collateral haircuts applied by management to assess whether they capture appropriate forced sale discounts, time to sell and the costs to sell. We have also evaluated the competence, capabilities and objectivity of the external expert. **Incorporation of forward-looking macroeconomic information into the measurement of expected credit losses** We challenged the macroeconomic scenarios selected by management, including the related probability weightings, with involvement of our internal economic modelling specialists. This included comparison of the appropriateness of selected macroeconomic variables and weightings to those used in the market for the macroeconomic forecasts, the probability weightings, and the adjustments to the key model inputs under each scenario. We also assessed whether there was sufficient downside risk in the modelled approach given the heightened economic uncertainty. We assessed the performance of the macroeconomic model to assess whether the economic variables previously selected were still appropriate in light of the uncertain economic environment through considering the modelled macroeconomic results relative to those observed in historical recessions and tested their arithmetical accuracy.
Key observations	Based on the work performed, we concluded that the company's expected credit losses on loans and advances to clients were reasonably stated.

6. Our application of materiality

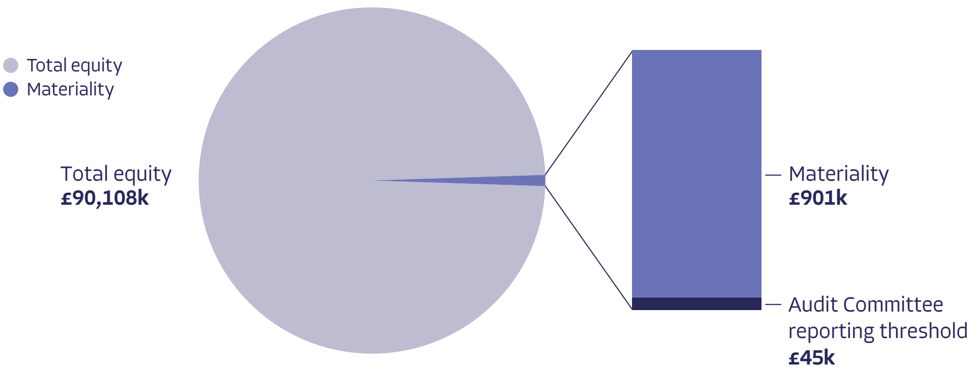
6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

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

Materiality	£901k (2023: £835k)
Basis for determining materiality	1% on the basis of the total equity balance as at 31 December 2024 (2023: 1% of the total equity as at 31 December 2023).
Rationale for the benchmark applied	In our professional judgement, the equity balance was determined as the appropriate measure as income statement results could be volatile given the early stages of the company's profitability, and equity is considered to be the key benchmark assessed by stakeholders at this stage of the development of the company.

Independent auditor's report to the members of Hampden & Co plc (continued)



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2024 audit (2023: 70%).

In determining performance materiality, we considered our understanding of the company and its environment, and our risk assessment including our assessment of the company's overall control environment and that we considered it appropriate to rely on controls over a number of relevant business processes.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £45k (2023: £42k), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An overview of the scope of our audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the company and its environment, including controls, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

7.2. Our consideration of the control environment

The key IT system relevant to our audit is the combined general ledger and banking platform. This is provided to the company by a third party service organisation. This IT system supports the processing of all transactions related to loans and advances to clients and deposits from clients.

We tested the general IT controls of the system and relied on those controls. Our risk assessment included the System and Organisation Controls 1 ('SOC1') report prepared by the independent service auditor of the service organisation, as well as testing the specific controls which operate at the company.

We took a controls reliance strategy over the client lending and deposit product cycles (loans and advances to clients and deposits from clients). This included testing the controls associated with client account opening, the processing of client payments and deposits, foreign exchange income, and the application of interest to client accounts.

We also took a controls reliance strategy over the administrative expenses business cycle, including the processing of staff costs. This included testing controls related to the review and approval of invoices and the review and approval of payroll reports.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the company's business and its financial statements.

The company continues to develop its assessment of the potential impacts of climate change and its related risk management. As stated in the strategic report on page 20, the most material climate-related risks to which the company is exposed are financial risks relating to financial assets. The initial assessment is that the company's exposure to climate-related financial risks is low, due to the nature of its lending activity. We also note that for new lending, an assessment of climate change risk forms part of the underwriting process. This considers the potential impact of climate change on the client's business or income as well as the susceptibility of any property held as security to environmental factors such as flooding. The company will continue to evolve its approach and develop methodologies as its understanding of climate-related risks progresses.

Based on enquiries with management to understand their process for identifying and assessing climate-related risks, their process for managing the identified risks and their determination of mitigating actions as well as the impact on the company's financial statements, we did not identify any additional risks of material misstatement. Our procedures also included reading disclosures included in the strategic report to consider whether they are materially consistent with the financial statements and our knowledge obtained in the audit.

8. Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit, or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors 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.

10. Auditor's 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 auditor's 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.

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 auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

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.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit, the Directors and the Audit Committee about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including prudential regulatory, tax, IT, financial instrument, real estate and economic modelling specialists, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the measurement of expected credit losses on loans and advances to clients. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act and tax legislation.

Independent auditor's report to the members of Hampden & Co plc (continued)

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the requirements of the Prudential Regulation Authority ('PRA') and Financial Conduct Authority ('FCA') which are fundamental to the company's ability to continue as a going concern.

11.2. Audit response to risks identified

As a result of performing the above, we identified the measurement of expected credit losses on loans and advances to clients as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management and the Audit Committee concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the PRA and FCA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Opinion on other matters prescribed by the Capital Requirements (Country-by-Country Reporting) Regulations 2013

In our opinion the information given in note 34 to the financial statements for the financial year ended 31 December 2024 has been properly prepared, in all material respects, in accordance with the Capital Requirements (Country-by Country Reporting) Regulations 2013.

14. Matters on which we are required to report by exception

14.1. Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14.2. Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of Directors' remuneration have not been made.

We have nothing to report in respect of this matter.

15. Other matters which we are required to address

15.1. Auditor tenure

We were appointed by the company at its annual general meeting on 9 March 2015 to audit the financial statements of the company for the period ending 31 December 2015 and subsequent financial periods.

Our total uninterrupted period of engagement is 10 years, covering periods from our initial appointment through to the period ending 31 December 2024.

15.2. Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee we are required to provide in accordance with ISAs (UK).

16. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen Williams ACA (Senior Statutory Auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
Edinburgh

27 March 2025

Statement of comprehensive income

	Note	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Interest receivable and similar income		**53,961**	45,265
Interest payable and similar charges		**(25,613)**	(16,096)
Net interest income	4	**28,348**	29,169
Non-interest income	5	**1,055**	1,043
Income from currency operations		**1,124**	1,278
Net losses from derivatives and hedge accounting	6	**(203)**	(303)
Total income		**30,324**	31,187
Administrative expenses		**(20,873)**	(20,903)
Depreciation and amortisation		**(1,258)**	(1,038)
Operating expenses	7	**(22,131)**	(21,941)
Operating profit before impairment losses		**8,193**	9,246
Impairment charge on loans and advances to clients	13	**(12)**	(103)
Profit before tax	7	**8,181**	9,143
Tax income/(expense)	9	**930**	(1,036)
Profit for the year from continuing operations (attributable to equity holders) and total comprehensive profit		**9,111**	8,107

The notes on pages 52 to 79 form an integral part of these financial statements.

Statement of financial position

	Note	2024 £'000	2023 £'000
Assets			
Cash and balances at central banks	19	**52,771**	104,956
Loans and advances to banks	19	**203,664**	274,523
Debt securities	19	**224,751**	67,066
Loans and advances to clients	13	**585,893**	487,624
Fair value adjustment for hedged risk on loans and advances to clients		**(175)**	759
Derivative financial instruments	22	**1,016**	1,083
Deferred tax asset	17	**5,605**	4,315
Prepayments and accrued income		**1,063**	623
Other assets		**508**	513
Property, plant and equipment	14	**570**	176
Right-of-use assets	15	**4,439**	589
Intangible assets	16	**9,197**	3,936
Total assets		**1,089,302**	946,163
Liabilities			
Deposits from clients	19	**990,720**	857,506
Derivative financial instruments	22	**436**	1,194
Current tax liabilities		**22**	532
Accruals and deferred income	18	**3,472**	3,447
Lease liabilities	15	**3,940**	574
Other liabilities		**87**	21
Provisions	29	**517**	465
Total liabilities		**999,194**	863,739
Equity			
Share capital	24	**4,726**	4,726
Share premium account	24	**25,865**	25,865
Retained earnings	25	**59,517**	51,833
Total equity		**90,108**	82,424
Total liabilities and equity		**1,089,302**	946,163

The financial statements on pages 48 to 79 were approved by the Board of Directors and authorised for issue on 27 March 2025 and were signed on its behalf by:

Tracey Davidson
Chief Executive Officer

Jonathan Peake
Chief Financial Officer

Company Registration No. SC386922

Statement of changes in equity

	Note	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total equity £'000
At 1 January 2023		4,623	24,001	44,228	72,852
Profit for the year and total comprehensive profit		–	–	8,107	8,107
Issue of share capital	24	103	1,956	–	2,059
Direct share issue costs	24	–	(92)	–	(92)
Equity settled share-based payments	12	–	–	186	186
Cancellation of share options	12	–	–	(688)	(688)
At 31 December 2023		4,726	25,865	51,833	82,424
Profit for the year and total comprehensive profit		**–**	**–**	**9,111**	**9,111**
Issue of share capital	24	**–**	**–**	**–**	**–**
Direct share issue costs	24	**–**	**–**	**–**	**–**
Dividends	25	**–**	**–**	**(1,512)**	**(1,512)**
Equity settled share-based payments	12	**–**	**–**	**176**	**176**
Dividend equivalent on share options	12	**–**	**–**	**(91)**	**(91)**
At 31 December 2024		**4,726**	**25,865**	**59,517**	**90,108**

Statement of cash flows

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Cash flows from operating activities		
Profit before tax	**8,181**	9,143
Reconciliation from profit before tax to net cash flows from operating activities:		
Net losses from derivatives and hedge accounting	**203**	303
Depreciation and amortisation	**1,258**	1,038
Equity settled share-based payments	**176**	186
Dividend equivalent on share options	**(91)**	–
Cancellation of share options	**–**	(688)
Impairment charge for the year	**12**	103
Cash generated from operations	**9,739**	10,085
Changes in operating assets and liabilities:		
(Increase)/decrease in prepayments and accrued income	**(441)**	421
Increase in accruals and deferred income	**25**	6
Increase in loans and advances to clients and banks	**(57,243)**	(93,474)
Increase in deposits from clients	**134,544**	67,050
Decrease in other assets	**5**	1,859
Increase/(decrease) in other liabilities and provisions	**117**	(56)
Cash generated from/(used in) operating activities	**86,746**	(14,109)
Tax paid	**(870)**	–
Net cash inflow/(outflow) from operating activities	**85,876**	(14,109)
Cash flows from investing activities		
Purchase of debt securities	**(414,862)**	(67,066)
Sales and maturities of debt securities	**257,177**	–
Purchase of property, plant and equipment	**(902)**	(77)
Purchases/development of intangible assets	**(5,995)**	(2,184)
Net cash outflow from investing activities	**(164,582)**	(69,327)
Cash flows from financing activities		
Repayment of lease liabilities	**(500)**	(427)
Proceeds from issue of shares	**–**	2,059
Direct costs of share issuance	**–**	(92)
Equity dividends paid	**(1,512)**	–
Net cash (outflow)/inflow from financing activities	**(2,012)**	1,540
Net decrease in cash and cash equivalents	**(80,718)**	(81,896)
Cash and cash equivalents at beginning of year	**207,363**	294,851
Effects of foreign exchange rate changes on cash and cash equivalents	**(1,330)**	(5,592)
Cash and cash equivalents at end of year	**125,315**	207,363
Analysis of cash and cash equivalents at end of year		
Cash and balances at central banks	**52,771**	104,956
Loans and advances to banks repayable on demand	**72,544**	102,407
	125,315	207,363

Notes to the financial statements

For the year ended 31 December 2024

1. General information

Hampden & Co plc (the Bank) is a bank incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 20/21 Charlotte Square, Edinburgh, EH2 4DF. The nature of the Bank and its principal activities are the provision of bespoke banking services to high-net-worth clients, their families and associated businesses, delivered through personal service by expert bankers.

1.1 Presentation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board and adopted by the United Kingdom, including interpretations issued by the IFRS Interpretations Committee, and in conformity with the requirements of the Companies Act 2006. The impact of IFRSs and interpretations issued but not yet effective is summarised in note 33. The financial statements are presented in sterling.

1.2 Going concern

The Directors have assessed the outlook of the Bank over a period longer than 12 months and therefore consider the Bank to be sufficiently capital generative to support planned business growth, whilst also meeting its regulatory capital requirements for a period of not less than 12 months following the date of signing the accounts. The Directors, having made such enquiries as they considered appropriate and having reasonable expectation that the Bank has adequate resources to continue in operational existence for the foreseeable future, consider the going concern basis of preparation to be appropriate.

2. Summary of significant accounting policies

The financial statements have been prepared on the historical cost basis, except for the valuation of derivative financial assets and liabilities held at fair value through profit or loss. The principal accounting policies adopted are set out below.

2.1 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold improvements	10 years
Computer equipment	5 years

The residual values, useful lives and methods of depreciation are reviewed at each financial period end and adjusted prospectively, if appropriate. Property, plant and equipment are reviewed annually for indicators of impairment. If there are any indicators of impairment the recoverable amount is determined and compared to the carrying amount to identify whether an impairment loss should be recognised. The recoverable amount is the greater of the fair value less cost to sell and value in use. Any impairment losses are recognised immediately in profit or loss.

2.2 Intangible assets

Intangible assets, which represent developed software specific to the Bank and perpetual software licences, are measured on initial recognition at cost. Staff and development costs in relation to the development of software are capitalised at cost and are recognised when it is deemed probable that the future economic benefits that are attributable to the asset will flow to the Bank. Intangible assets arising from development are recognised when it is demonstrated that the asset can be identified and will be available for use or sale, it is probable that the asset will generate future economic benefit and the expenditure attributable to the intangible asset during its development can be reliably measured.

Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation commences on development assets when the intangible asset is available for use.

Intangible assets are deemed to have a finite life and are amortised over 5 to 7 years using the straight-line method and are reviewed for indicators of impairment annually. If there are any indicators of impairment the recoverable amount is determined and compared to the carrying amount to identify whether an impairment loss should be recognised. The recoverable amount is the greater of the net realisable value of the asset and the amount recoverable from its future use. Any impairment losses are recognised immediately in profit or loss.

2.3 Cash and balances at central banks

Cash and balances at central banks represent balances held with the Bank of England and any cash holdings. These are stated at amortised cost, which is equivalent to their fair values.

2.4 Cash and cash equivalents

Cash is cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Investments normally only qualify as cash equivalents if they have a short maturity of three months or less from the date of acquisition.

2.5 Equity

Equity is recorded at the proceeds received. Direct incremental costs relating to the issue of shares and other equity transactions are charged to equity through the share premium account.

2.6 Leases

At the inception of a contract, the Bank assesses whether it is, or contains, a lease. A right-of-use asset and a corresponding lease liability are recognised for all lease arrangements where the Bank is the lessee, except for short-term leases (12 months or less) and leases of low value assets (typically office equipment). For these leases the Bank recognises the lease payments as an operating expense on a straight-line basis over the lease term.

The lease liability is initially recognised based on the present value of the future lease payments, discounted at the interest rate implicit in the lease or, if that rate cannot be readily determined, at the Bank's incremental borrowing rate. Generally, the Bank uses its incremental borrowing rate as the discount rate, determined as the market swap rate for the lease term plus a margin based on the Bank's size and credit rating and any lease-specific adjustment as deemed appropriate, estimated at the inception of the lease contract. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount for the lease payments made. The Bank has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

The right-of-use asset comprises the initial measurement of the corresponding lease liability. It is depreciated on a straight-line basis over the shorter of the lease term or the asset's useful life. The right-of-use asset is subsequently measured at cost less accumulated depreciation and impairment losses. Impairment losses are assessed and accounted for as described in note 2.1 Property, plant and equipment.

When the Bank incurs an obligation for costs to restore a leased asset to the condition required by the terms and conditions of the lease, a provision is recognised and, where appropriate, the costs are included in the related right-of-use asset.

2.7 Taxes

Current tax

Current tax assets and liabilities for the current period are measured at the amount that it is expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the United Kingdom.

Deferred tax

Deferred tax assets are recognised only to the extent that it is probable that losses carried forward will be recoverable against future taxable profits. The recognition of deferred tax requires management to make estimates and judgements about future conditions and events, changes in which could have a material impact on the Bank's reported financial position or performance.

Deferred tax assets are measured on a non-discounted basis at the tax rates that are expected to apply when the related asset is realised.

2.8 Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the Bank operates (its functional currency).

Transactions in currencies other than the Bank's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains or losses on translation are recognised in the statement of comprehensive income in the period in which they arise.

2.9 Financial instruments

Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Notes to the financial statements (continued)

For the year ended 31 December 2024

2. Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned and are initially measured at fair value, plus transaction costs.

From a classification and measurement perspective IFRS 9 requires all financial assets except equity instruments and derivatives to be assessed based on the Bank's business model for managing assets and the instruments' contractual cash flow characteristics. Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at fair value through profit and loss, are classified and subsequently measured at amortised cost. The carrying value of these financial assets is adjusted by expected credit losses. All financial assets are measured at amortised cost as the Bank's business model is to hold the assets to collect the contractual cash flows and those cash flows meet the SPPI condition.

For the purposes of the SPPI assessment, 'principal' is defined as the fair value of the financial asset at initial recognition, and 'interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basis lending risks and costs (e.g. liquidity risk and administrative costs) as well as profit margin. In assessing whether the contractual cash flows meet the SPPI condition, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset has a contractual term that could change the timing or amount of contractual cash flows such that it would not meet the condition. In making this assessment the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claims to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodic reset of interest rate).

Effective interest rate method

The effective interest rate (EIR) method is a way of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The EIR is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the initial carrying amount. Interest income is calculated on the gross carrying amount unless the financial asset is credit impaired, in which case interest income is calculated on the net carrying amount, after allowance for expected credit losses (ECLs).

In order to determine the EIR an estimate must be made of the expected life of the underlying financial asset. These estimates are based on historical experience and expected future client behaviour and are reviewed regularly. The accuracy of the EIR will be affected if actual client behaviour differs from expectations, for example as the result of unexpected market movements.

Impairment of financial assets

The Bank assesses ECLs associated with its financial assets, including the exposures arising from loan commitments, on a case-by-case basis and does not measure ECLs on an overall portfolio basis.

The measurement of ECLs reflects reasonable and supportable information that is available without undue cost or effort at the reporting date.

All loan commitments provided by the Bank are contracts that include a loan and an undrawn committed facility. The ECLs on undrawn loan commitments are recognised as a loss provision.

The carrying amount of financial assets are reduced by the impairment loss. The low credit risk exemption has not been applied.

Determining significant increase in credit risk since origination

ECLs are calculated in line with the requirements of IFRS 9 using a three-stage impairment model which assesses significant changes in credit risk since origination of financial assets. The measurement of ECLs is dependent on the classification stage of the assets.

Stage 1: For assets that are not credit impaired and have not had a significant increase in credit risk since initial recognition, 12 months ECLs are recognised.

Stage 2: For assets that have experienced a significant increase in credit risk since initial recognition but are not credit impaired at the reporting date, lifetime ECLs are recognised.

Stage 3: For financial assets that are credit impaired at the reporting date, lifetime ECLs are recognised.

The Bank uses a credit scorecard methodology for assessing significant increase in credit risk based on a number of quantitative, qualitative and backstop measures.

Quantitative criteria:

For each financial asset, if the credit score, determined by the credit scorecard methodology, has increased by more than a predetermined threshold relative to the origination score.

Qualitative criteria:

A number of qualitative criteria are also used to assess significant increase in credit risk:

- bankruptcy;
- forbearance;
- borrowers who are placed on watch list; and
- pre-delinquency information.

Backstops:

As defined within IFRS 9, the following backstops have been factored into the Bank's credit scorecard:

1. The Bank considers that if an asset's contractual payments are more than 30 days past due then a significant increase in credit risk has taken place;
2. If a position is greater than 90 days past due it is considered to be in default.

Definition of default

At each reporting date the Bank assesses whether or not any financial assets carried at amortised cost are credit impaired (stage 3); the Bank's definition of credit impaired is aligned with the definition of default. A position is defined as in default when it meets one of the following criteria:

- A facility's contractual payment is more than 90 days past due;
- It is considered that the client is unlikely to pay their credit obligation to the Bank in full, without recourse actions such as the realisation of security (if held). Evidence that a financial asset is credit impaired may include events such as:
  - bankruptcy;
  - bereavement, divorce or separation; and
  - a material covenant breach.

An instrument is considered to be no longer credit impaired when it no longer meets the above default criteria and has returned to being up to date on its contractual repayments.

This definition of default is aligned with that used for regulatory reporting purposes.

Write-off policy

In situations where it is evident that a non-performing loan/debt is not going to be repaid or there is a shortfall following realisation of security then the Bank may take the decision to write-off the residual debt but may still pursue the client for recovery of the debt.

Assets written-off during the year ended 31 December 2024 were £nil (2023: less than £1k).

Model inputs and assumptions

The ECLs are measured on a 12 month or lifetime basis depending on whether or not a significant increase in credit risk has occurred since initial recognition. The IFRS 9 model developed by the Bank has a number of inputs and assumptions:

- ECLs are determined by assessing the probability of default (PD), loss given default (LGD), exposure at default (EAD) and discount factor for each individual exposure. The four components are multiplied together in order to derive expected ECLs for the relevant period.
- PD represents the likelihood of a borrower defaulting on their financial obligation either over the next 12 months or over the remaining lifetime of the obligation, depending on what stage the financial asset is in at the reporting date. The Bank uses an external consultant to provide PD data that has been profiled against the Bank's lending book. As the Bank historically has limited instances of default it is not possible to use internally collected data to derive PD rates. PD rates remain under constant review and are adjusted to reflect the potential impact of differing future economic scenarios.
- LGD is based on collateral recovery value to give an expected loss at default, defined as a percentage of EAD. The model uses the market value less a defined haircut to work out the value of collateral for calculating LGD. The haircuts typically vary between 20-50% and are assessed on a case-by-case basis depending on the type, location, size and nature of the collateral. The haircut to the market value of the collateral includes assumptions to reflect the cost of liquidating collateral in a forced sale, legal costs and the time value of money. Haircut percentages and values remain under constant review with the option to increase or decrease to reflect any market movements or forward- looking macro-dependencies of LGD. If the expected proceeds from the collateral exceeds the amount loaned, the entity may have an LGD of 0% and hence an ECL of zero.
- EAD – the model predicts EAD as the expected principal balance outstanding plus three months interest at the time of default. Partial prepayment is excluded from the modelling of EAD as the Bank does not have sufficient prepayment information to accurately predict prepayment rates.
- Discount factor – IFRS 9 expects credit losses to reflect the time value of money, which is achieved by discounting the estimated losses at the reporting date. The Bank has applied an operational simplification to use the interest rate at the time of origination as the basis for the discount rate as an approximation of the EIR. This operational simplification of using the interest rate at origination rather than the EIR is deemed to have an immaterial impact on the ECLs. ECLs are discounted to the reporting date.
- Lifetime ECLs – Lifetime ECLs are the ECLs that result from all possible default events over the contractual life of the financial instrument. For revolving credit facilities, such as overdrafts, the contractual term is 12 months. The lifetime of the overdraft facility is therefore taken to be 12 months.

Notes to the financial statements (continued)

For the year ended 31 December 2024

2. Summary of significant accounting policies (continued)

2.9 Financial instruments (continued)

- Forward-looking macroeconomic judgements – IFRS 9 requires ECLs to reflect a range of possible outcomes and consider possible future economic conditions. The Bank has addressed these requirements using several economic scenarios to represent a range of possible outcomes. These economic scenarios are described in note 13, which also sets out their impact on the measurement of ECLs.

The Bank continues to enhance its credit risk assessment of the potential impact climate change on underlying collateral values, refinance risk, clients' ability to repay and ECLs in different economic scenarios.

Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. A financial asset that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement is made on substantially different terms.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities

Financial liabilities are classified as 'financial liabilities at amortised cost'.

Financial liabilities at amortised cost

Financial liabilities at amortised cost, including borrowings, are initially measured at fair value, net of transaction costs.

Financial liabilities are subsequently measured at amortised cost using the EIR method, with interest expense recognised on an effective yield basis.

The EIR method is a way of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented within the statement of financial position if, and only if, there is a legally enforceable right to offset the amounts and there is an intention either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Derivative financial instruments and hedge accounting

The Bank applies the hedge accounting standards in IAS 39, as permitted by IFRS 9.

The Bank uses derivative financial instruments for economic hedging purposes, to manage its exposures to foreign exchange and interest rate risks as they arise from operating activities. It does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are initially measured at fair value on the contract date and are remeasured at fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognised as they arise.

Where the documentation, eligibility and testing criteria for hedge accounting as set out in IAS 39 are met, the Bank applies hedge accounting on a portfolio basis and designates the derivatives into hedge accounting relationships, either fair value hedges or cash flow hedges.

Fair value hedges are used to hedge changes in the fair value of financial assets and liabilities, such as fixed rate loans and deposits. Changes in the fair value of derivatives that are designated in fair value hedge relationships are recorded in the Income Statement under net gains/(losses) from derivatives and hedge accounting together with the change in fair value of the hedged asset or liability that is attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the relationship is de-designated and the adjustment to the carrying value of the hedged item is amortised in the Income Statement over the period to maturity.

The Bank had no cash flow hedge relationships in the current or prior year.

If derivatives are not designated in hedge accounting relationships then changes in fair value are recognised immediately in the Income Statement.

2.10 Non-interest income

Non-interest income is recognised on an accruals basis when the underlying performance obligation has been satisfied.

2.11 Interest receivable and payable

Interest income is recognised when it is probable that the economic benefits will flow to the Bank and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the EIR applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

2.12 Pension costs

As part of the Workplace pension law, the Bank has organised that an independent specialist pension provider offers members of staff a defined contribution pension scheme. Payments to the defined contribution pension scheme are recognised as an expense when employees have rendered service entitling them to the contributions. The assets of the scheme are administered separately from those of the Bank in independently administered funds.

2.13 Share-based payments

Employees have the opportunity to receive part of their remuneration in the form of share-based payment transactions, whereby employees render services in exchange for options in the Bank's shares. The fair value of share options at the grant date is recognised as an employee expense in the statement of comprehensive income over the vesting period on a straight-line basis, based on the Bank's estimate of equity instruments that will eventually vest. The overall cost of the award is calculated using the number of options expected to vest and the fair value of the options at the grant date.

The fair value of the share option plan is calculated at the grant date using either a Binomial valuation model or Black Scholes valuation model, depending on the rules of the scheme. Inputs into the valuation model include the risk-free interest rate and volatility assumptions. Further details regarding the determination of the fair value of equity settled share-based transactions are set out in note 12. The fair value includes the effect of non-vesting conditions and any market-based performance conditions.

2.14 Provisions

Provisions are liabilities that are uncertain in timing or amount. A provision is recognised when the Bank has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. If appropriate, the Bank makes provisions with respect to potential client redress and legal claims and at 31 December 2024 the amount provided was £250k (2023: £250k). The Bank informs the Regulator of any such matters within its regular engagement.

2.15 Contingent liabilities

Contingent liabilities can occur during the ordinary course of business where the Bank may be subject to threatened or actual legal proceedings, which may result in a cash outflow.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank's accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Judgements, estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Key sources of estimation uncertainty which the Directors consider to be significant are those relating to deferred tax and loan impairment provisions, as follows.

Deferred tax

The Bank has recognised a deferred tax asset of £5.6m representing all unutilised historical tax losses which, based on the latest financial forecasts approved by the Board, will be fully utilised to reduce future tax charges within the next three years. The forecast is inherently sensitive to the assumptions used, particularly those relating to the macroeconomic environment, and is dependent on successful execution of the Bank's strategy. As such, the actual future utilisation of the deferred tax asset may be significantly different.

Using a three-year forecast period to set the deferred tax asset is a significant judgement. If the estimation period was shortened by a year, the deferred tax asset would reduce to £4.3m.

Impairment: Forward-looking macroeconomic scenarios

The Bank has used a number of probability-weighted forward-looking macroeconomic scenarios to reflect a range of possible outcomes. These scenarios have been used to model impacts on ECLs based on the estimated effect of economic variables on key risk inputs, assessed using long term historical data and expert judgement. Particular attention is given to the calibration of LGD assumptions for loans with a loan to value of over 65% and secured by commercial property or undeveloped land. The scenarios and probability weightings as set out in note 13.4 were approved by Credit Committee but it is recognised that there is considerable uncertainty about the actual outcome. Further details regarding the range of possible outcomes are provided in the Economic Conditions section of note 13.5.

Notes to the financial statements (continued)

For the year ended 31 December 2024

4. Net interest income

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Interest receivable on instruments held at amortised cost:		
Interest income and receivables from banks and central banks	**14,529**	17,259
Interest income on debt securities	**5,274**	578
Interest income on loans and receivables to clients	**33,238**	26,715
	53,041	44,552
Interest receivable on instruments held at fair value through profit or loss	**920**	713
Interest receivable	**53,961**	45,265
Interest payable on instruments held at amortised cost:		
Interest expense on deposits from clients	**(25,579)**	(16,038)
Interest expense on lease liabilities	**(34)**	(58)
	(25,613)	(16,096)
Interest payable on instruments held at fair value through profit or loss	**–**	–
Interest payable	**(25,613)**	(16,096)
Net interest income	**28,348**	29,169

5. Net non-interest income

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Banking income	**1,055**	1,043
Net non-interest income	**1,055**	1,043

6. Net losses from derivatives and hedge accounting

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Derivatives designated as fair value hedges		
Gains/(losses) on derivatives designated as fair value hedges	**776**	(1,159)
Movement in fair value of hedged items attributable to hedged risk	**(934)**	1,015
	(158)	(144)
Losses on other derivatives	**(45)**	(159)
Net losses from derivatives and hedge accounting	**(203)**	(303)

Gains and losses on other derivatives include derivatives used for economic hedges but which are not currently in a hedge accounting relationship.

7. Profit before tax

Profit before tax is stated after charging:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Staff costs & Directors' remuneration	14,328	12,676
Depreciation of property, plant and equipment (note 14)	52	44
Depreciation of right-of-use assets (note 15)	472	443
Amortisation of intangible assets (note 16)	734	551
Other property-related expenses	635	742
Other administrative expenses	5,910	7,485
Operating expenses	**22,131**	21,941

8. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Fees payable to the Bank's auditor and its associates for:		
Audit of the Bank's annual financial statements*	272	268
Total audit fees	**272**	268
Review of interim net profit verification	36	–
Total audit-related assurance services	**36**	–
Total non-audit fees	–	–
Total fees	**308**	268

* The fees for 2023 include £12k in respect of the audit of the 2022 financial statements that was billed in 2023.

All of the amounts in the table above include VAT.

9. Taxation

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Current tax		
Corporation tax charge on profit for the year	(359)	(532)
Prior year adjustment charge	(1)	–
Total current tax	**(360)**	(532)
Deferred tax		
Current year credit/(charge)	1,290	(602)
Effect of change in tax rate	–	98
Total deferred tax	**1,290**	(504)
Total tax credit/(charge) for the year	**930**	(1,036)

Notes to the financial statements (continued)

For the year ended 31 December 2024

9. Taxation (continued)

The differences between the total tax credit/(charge) shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Profit before tax	**8,181**	9,143
Tax on profit before tax at UK corporation tax rate of 25 per cent (2023: 23.5 per cent)	**2,045**	2,149
Effects of:		
– Expenses not deductible for tax purposes	**30**	71
– Prior year adjustment charge	**1**	–
– Recognition of a deferred tax asset on losses generated in prior periods	**(2,748)**	(891)
– Recognition of a deferred tax asset on other temporary differences	**(302)**	(282)
– Deferred tax credit attributable to changes in tax rates	**–**	(98)
– Increase in unrecognised deferred tax assets	**44**	87
Total tax (credit)/charge for the year	**(930)**	1,036

10. Employees

The monthly average Full Time Equivalent number of employees (including Directors) was 157 (2023: 135). Aggregate remuneration for the year comprised:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Wages and salaries	**11,075**	10,001
Social security costs	**1,751**	1,536
Pension costs	**1,326**	953
Share-based payments	**176**	186
	14,328	12,676

11. Directors' remuneration

The aggregate remuneration of the Directors is set out below in aggregate for each of the categories specified in IAS 24 *Related Party Disclosures*.

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Short term employee benefits	**1,698**	1,495
Share-based payment benefits	**29**	186
Post-employment benefits	**13**	26
	1,740	1,707

The total amount of Directors' remuneration in accordance with Schedule 5 to the Accounting Regulations was £1,727k (2023: £1,681k) relating to salary and variable pay and £13k of contributions to a money purchase pension scheme (2023: £26k).

One Director has retirement benefits accruing under a defined contribution scheme (2023: one). No Directors exercised share options during the year.

Remuneration of the highest paid Director in respect of qualifying services was £420k (2023: £662k). For 2023 this included a one-off cash consideration paid in exchange for agreeing to cancel share options issued under the Share Option Plan (see note 12). The Bank does not have a defined benefit pension scheme so there are no defined benefit pension arrangements for the highest paid Director.

12. Share-based payments

The Bank operates a share option scheme with two parts, the details of which are set out below. Options were granted under Part 2 of the scheme during 2024 (2023: Part 2).

Part 1 – Share Option Plan

The Share Option Plan (SOP) is for the Executive Management Team and was launched during 2017 to replace the previous share-based management incentive scheme. The options have a five-year vesting period and, if they remain unexercised after a period of twenty years from the grant date, the options expire. All options are equity settled and have non-market performance conditions. Some of the options also include non-vesting conditions. It is expected that, at the end of the five-year vesting period, all of the share options will vest. Option-holders are entitled to receive a cash payment equivalent to dividends declared by the Bank on a one-for-one basis as if each share under option was an ordinary share held by the option-holder, provided that this will be scaled down if the number of options held by an option-holder exceeds the number of B and C shares they held previously.

The Bank declared its first dividend in 2024 and option-holders received a dividend equivalent total cash payment of £91k. As the options are equity-settled, the total payment made to the option-holders has been accounted for as a deduction from equity.

During 2023 6,250,000 options which had vested but not yet been exercised were cancelled. Six option-holders received a total cash consideration of £687,500 in return for agreeing to forfeit their options and the associated rights and obligations. The cash consideration reflects the fair value of the options at the cancellation date. As the options are equity-settled, the total payment made to the option-holders was accounted for as a deduction from equity.

Part 2 – Company Share Option Plan

A HMRC approved Company Share Option Plan (CSOP) was introduced during 2018 and offered to all employees including Executive Directors. Each employee share option converts into one ordinary share on exercise and no amounts were payable by the recipient on receipt of the option. Options may be exercised at any time from the date of vesting to the date of their expiry. The vesting period is five years and, if they remain unexercised after a period of ten years from the date of grant, the options will expire. There are no performance conditions or vesting conditions other than a five-year service condition. Options are forfeited if the employee leaves the Bank before the options vest, except for retirals where the options may be exercised within six months of the date of retirement. It is expected that, at the end of the five-year vesting period, 76 per cent of the share options will vest.

The movement in share options outstanding during the year was as follows:

	2024		2023	
	SOP	CSOP	SOP	CSOP
At 1 January	**7,179,500**	**2,570,140**	13,429,500	1,970,383
Granted during the year	**–**	**955,221**	–	759,657
Exercised during the year	**–**	**–**	–	–
Forfeited during the year	**–**	**(108,000)**	(6,250,000)	(89,000)
Expired during the year	**–**	**–**	–	(70,900)
At 31 December	**7,179,500**	**3,417,361**	7,179,500	2,570,140
Exercisable at the end of the year	**6,250,000**	**480,712**	6,250,000	480,712
Weighted average remaining contractual life	**13.2 years**	**7.4 years**	14.2 years	7.6 years
Weighted average exercise price (pence)	**126.1**	**104.2**	126.1	105.6
Fair value of options awarded (pence)	**–**	**30.7**	–	33.9

The fair value of options awarded was estimated on the grant date using a Black Scholes option-pricing model based on the following inputs:

	2024		2023	
	SOP	CSOP	SOP	CSOP
Weighted average share price (pence)	**–**	**100.0**	–	100.0
Weighted average exercise price (pence)	**–**	**100.0**	–	100.0
Expected volatility Expected life	**–**	**38%**	–	31%
Risk-free rate	**–**	**5 years**	–	5 years
Risk-free rate	**–**	**3.77%**	–	3.57%

Notes to the financial statements (continued)

For the year ended 31 December 2024

12. Share-based payments (continued)

Part 2 – Company Share Option Plan (continued)

As an unlisted entity, the expected volatility was determined by considering the expected volatility of publicly quoted companies that have private banking/wealth management operations in the UK, and also of recently listed companies with banking operations. The expected life used in the fair value models has been adjusted, based on management's best estimates, for the effects of exercise restrictions and behavioural considerations.

During 2024 the Bank recognised a total expense of £176k related to equity settled share-based payments transactions (2023: £186k).

13. Impairment of loans and advances to clients

This note sets out information on the Bank's impairment provisioning under IFRS 9 for loans and advances to clients which are all held at amortised cost.

13.1 Impairments by stage

Total impairment allowances

An analysis of the Bank's loan portfolio and impairment allowances by IFRS 9 stage is set out below.

As at 31 December 2024	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances to clients	562,580	17,094	6,534	586,208
Impairment allowances	(102)	(164)	(49)	(315)
Net loans and advances to clients	**562,478**	**16,930**	**6,485**	**585,893**
Coverage ratio	**0.018%**	**0.959%**	**0.750%**	**0.054%**

As at 31 December 2023	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross loans and advances to clients	471,836	13,154	2,939	487,929
Impairment allowances	(67)	(218)	(20)	(305)
Net loans and advances to clients	471,769	12,936	2,919	487,624
Coverage ratio	0.014%	1.657%	0.680%	0.063%

Under the Bank's credit management processes, stage 1 and stage 2 accounts are handled within the client servicing function with those in stage 2 subject to specific account management arrangements where appropriate. Stage 3 will include any cases subject to recovery or similar processes together with those which are being managed on a long-term basis. All cases in stage 3 are classified as defaulted accounts for regulatory reporting purposes.

Analysis of stage 2 loans

The table below analyses the accounts in stage 2 between those not more than 30 days past due where a significant increase in credit risk has nonetheless been identified from other information, and accounts more than 30 days past due which, under the backstop, are defined as having a significant increase in credit risk.

As at 31 December 2024	< 30 days past due £'000	>30 <= 90 days past due £'000	Total £'000
Gross loans and advances to clients	14,064	3,030	17,094
Impairment allowances	(164)	–	(164)
Net loans and advances to clients	**13,900**	**3,030**	**16,930**
Coverage ratio	**1.166%**	**–**	**0.959%**

As at 31 December 2023	< 30 days past due £'000	>30 <= 90 days past due £'000	Total £'000
Gross loans and advances to clients	13,154	–	13,154
Impairment allowances	(218)	–	(218)
Net loans and advances to clients	12,936	–	12,936
Coverage ratio	1.657%	–	1.657%

Analysis of stage 3 loans

The table below analyses the accounts in stage 3 between those greater than 90 days past due, where full recovery is possible but which are considered in default for regulatory purposes, and those in the process of realisation.

As at 31 December 2024	> 90 days past due £'000	Realisations £'000	Total £'000
Gross loans and advances to clients	6,534	–	6,534
Impairment allowances	(49)	–	(49)
Net loans and advances to clients	**6,485**	–	**6,485**
Coverage ratio	**0.750%**	–	**0.750%**

As at 31 December 2023	> 90 days past due £'000	Realisations £'000	Total £'000
Gross loans and advances to clients	2,939	–	2,939
Impairment allowances	(20)	–	(20)
Net loans and advances to clients	2,919	–	2,919
Coverage ratio	0.680%	–	0.680%

13.2 Movements in impairment allowances

Year ended 31 December 2024	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loss allowance as at 1 January 2024	**67**	**218**	**20**	**305**
Changes in the loss allowance				
– (Decrease)/increase in credit risk due to transfers between stages	(2)	1	1	–
– Increase/(decrease) due to change in risk parameters	21	(18)	28	31
New financial assets originated or purchased	47	40	–	87
Financial assets that have been derecognised due to repayment	(31)	(77)	–	(108)
Loss allowance as at 31 December 2024	**102**	**164**	**49**	**315**

Year ended 31 December 2023	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Loss allowance as at 1 January 2023	111	67	16	194
Changes in the loss allowance				
– (Decrease)/increase in credit risk due to transfers between stages	(23)	22	1	–
– (Decrease)/increase due to change in risk parameters	(8)	129	3	124
New financial assets originated or purchased	3	3	–	6
Financial assets that have been derecognised due to repayment	(16)	(3)	–	(19)
Loss allowance as at 31 December 2023	67	218	20	305

Notes to the financial statements (continued)

For the year ended 31 December 2024

13. Impairment of loans and advances to clients (continued)

13.2 Movements in impairment allowances (continued)

There were no modifications or renegotiations that resulted in derecognition of financial assets. Information about significant changes in gross carrying amount of loans and advances to clients during the year that contributed to changes in the loss allowance is provided in the table below:

Year ended 31 December 2024	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying amount as at 1 January 2024	**471,836**	**13,154**	**2,939**	**487,929**
Changes in the gross carrying amount				
– Transfer to stage 1	**653**	**(653)**	**–**	**–**
– Transfer to stage 2	**(9,028)**	**9,812**	**(784)**	**–**
– Transfer to stage 3	**(4,651)**	**–**	**4,651**	**–**
New financial assets originated or purchased	**203,677**	**3,066**	**428**	**207,171**
Financial assets that have been derecognised due to repayment	**(86,610)**	**(6,721)**	**–**	**(93,331)**
Other changes	**(13,297)**	**(1,564)**	**(700)**	**(15,561)**
Gross carrying amount as at 31 December 2024	**562,580**	**17,094**	**6,534**	**586,208**

Year ended 31 December 2023	Stage 1 £'000	Stage 2 £'000	Stage 3 £'000	Total £'000
Gross carrying amount as at 1 January 2023	432,518	15,223	128	447,869
Changes in the gross carrying amount				
– Transfer to stage 1	1,307	(1,307)	–	–
– Transfer to stage 2	(10,111)	10,111	–	–
– Transfer to stage 3	(376)	(2,386)	2,762	–
New financial assets originated or purchased	169,480	889	–	170,369
Financial assets that have been derecognised due to repayment	(105,902)	(8,455)	–	(114,357)
Other changes	(15,080)	(921)	49	(15,952)
Gross carrying amount as at 31 December 2023	471,836	13,154	2,939	487,929

13.3 Impairments charged to income

The amounts charged to the income statement in the period are analysed as follows:

	Year ended 31 December 2024 £'000	Year ended 31 December 2023 £'000
Impairment charge on loans and advances to clients	**10**	111
Impairment charge/(credit) on loan commitments	**2**	(8)
Total impairment charge	**12**	103

13.4 Forward-looking macroeconomic scenarios

IFRS 9 requires that ECLs reflect a range of possible outcomes and consider possible future economic conditions. The Bank has addressed these requirements using four distinct economic scenarios, chosen to represent a range of possible outcomes. The Bank used five economic scenarios in 2023 to meet this requirement.

In developing its economic scenarios, the Bank considers analysis from reputable external sources to form a general market consensus which informs its central (base case) scenario. For 2024 these sources included forecasts produced by the Office of Budget Responsibility (OBR) and the PRA as well as private sector economic research bodies.

The four economic scenarios comprise a base case, which carries the highest probability weighting, an upside case and two downside cases. The downside cases are based on the 2024 Demand Shock and Supply Shock scenarios published by the PRA. In both downside cases there is a domestic and global recession.

There are no post-model adjustments as the impact of the different assumptions are fully reflected in the modelled ECL for each economic scenario.

Base case	The most likely scenario, based on the Economic and Fiscal Outlook published by the OBR in October 2024. The economy is expected to grow in 2025, but stalls over the remainder of the forecast. Budget policies push up inflation, which rises in 2025 before gradually falling back to target.
Upside	A more positive scenario where geopolitical tensions ease and inflation declines, allowing further cuts in bank rate. Unemployment levers continue to be low and house prices and commercial property prices grow at an even rate.
Demand shock	A severe negative global aggregate demand shock and global recession, resulting in falling inflation. This prompts bank rate to fall rapidly, remaining below 0.50% for two years, to support the recovery and return inflation to target.
Supply shock	A severe negative global aggregate supply shock from an increase in geopolitical tensions and global commodity prices and supply-chain disruptions. This leads to persistent higher-than-expected inflation across advanced economies. Global policymakers increase interest rates to bring inflation back to target and in the UK bank rate rises to 9%, staying at that level for a year.

The economic variables and their projected average values over the first three years of the forecast period are set out below:

2024	**Weighting**	**Annual growth in GDP**	**Bank of England bank rate**	**Annual house price inflation**	**Unemployment**
Base case	**65%**	**1.8%**	**3.92%**	**2.1%**	**4.1%**
Upside	**10%**	**2.4%**	**3.17%**	**2.4%**	**3.9%**
Demand shock	**15%**	**1.2%**	**0.30%**	**-9.1%**	**8.3%**
Supply shock	**10%**	**0.3%**	**7.07%**	**-9.1%**	**8.3%**

2023	Weighting	Annual growth in GDP	Bank of England bank rate	Annual house price inflation	Unemployment
Base case	60%	1.4%	4.53%	-0.3%	4.5%
Upside	15%	1.7%	3.83%	0.8%	3.8%
Rates up	5%	-0.9%	6.63%	-10.3%	8.3%
Rates down	10%	-0.9%	1.15%	-10.3%	8.3%
Very severe downside	10%	-3.5%	7.67%	-10.0%	9.1%

The asymmetry in the scenarios is demonstrated by comparing the probability-weighted impairment allowance at 31 December 2024 with the impairment allowance from the base case scenario.

	2024 £'000	2023 £'000
Probability-weighted impairment allowance	**320**	308
Base case scenario impairment allowance (100% weighted)	**230**	243
Effect of multiple economic scenarios	**90**	65

13.5 Sensitivities

The calculation of impairment allowances is subject to a variety of uncertainties arising from assumptions and forecasts of future conditions. To illustrate the impact of these uncertainties, sensitivity calculations have been performed for those which have the most significant effect.

Economic conditions

The table below shows the potential impact of differing future economic scenarios, by comparing the impairment allowance which would arise if each of the economic scenarios were 100% weighted with the probability-weighted impairment allowance of £320k (2023: £308k):

2024	**Impairment allowance £'000**	**Difference £'000**
Base case	**230**	**(90)**
Upside	**6**	**(314)**
Demand shock	**597**	**277**
Supply shock	**799**	**479**

Notes to the financial statements (continued)

For the year ended 31 December 2024

13. Impairment of loans and advances to clients (continued)

13.5 Sensitivities (continued)

2023	Impairment allowance £'000	Difference £'000
Base case	243	(65)
Upside	14	(294)
Rates up	482	174
Rates down	362	54
Very severe downside	996	688

Loss given default

The principal assumptions impacting on LGD are the estimated security values. If the market value reductions in residential and commercial property values assumed in the ECL model were increased by a factor of 1.5, which is a reasonably possible movement based on historic data, then the impairment allowance under the base case scenario would increase by £5k (2023: £23k).

Significant increase in credit risk

The model incorporates a roll rate for accounts moving from stage 1 to stage 2 and from stage 2 to stage 3. If the roll rates of accounts from stage 1 to stage 2 and from stage 2 to stage 3 assumed in the model were increased by 50%, then the impairment allowance under the base case scenario would increase by £57k (2023: £94k).

14. Property, plant and equipment

	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2024	**305**	**302**	**607**
Additions	**12**	**434**	**446**
At 31 December 2024	**317**	**736**	**1,053**
Depreciation			
At 1 January 2024	**204**	**227**	**431**
Charge for the year	**20**	**32**	**52**
At 31 December 2024	**224**	**259**	**483**
Net book value			
At 31 December 2024	**93**	**477**	**570**

	Leasehold improvements £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2023	241	289	530
Additions	64	13	77
At 31 December 2023	305	302	607
Depreciation			
At 1 January 2023	181	206	387
Charge for the year	23	21	44
At 31 December 2023	204	227	431
Net book value			
At 31 December 2023	101	75	176

15. Leases

Right-of-use assets

	2024 £'000	2023 £'000
Cost		
At 1 January	**2,768**	2,450
Additions	**4,322**	318
At 31 December	**7,090**	2,768
Depreciation		
At 1 January	**2,179**	1,736
Charge for the year	**472**	443
At 31 December	**2,651**	2,179
Carrying amount		
At 31 December	**4,439**	589

The Bank leases three offices, two in Edinburgh and one in London. The lease of the Bank's new office in Edinburgh, to which it had committed in 2023, commenced in 2024. The average original lease term is 7 years 4 months, and the average remaining lease term at 31 December 2024 was 3 years 4 months (2023: 1 year 4 months).

The total future cashflows for leases to which the Bank is committed but which had not yet commenced are as follows:

	2024 £'000	2023 £'000
Property	**–**	4,712

Amounts recognised in the statement of comprehensive income

	2024 £'000	2023 £'000
Depreciation expense on right-of-use assets	**472**	443
Interest expense on lease liabilities	**34**	58
Expense relating to leases of low-value assets	**–**	–

Total cash outflow for leases during the year ended 31 December 2024 was £534k (2023: £484k).

Lease liabilities

	2024			2023		
	Current £'000	Non-current £'000	Total £'000	Current £'000	Non-current £'000	Total £'000
Lease liabilities – property	**207**	**3,733**	**3,940**	412	162	574

None of the leases have variable lease payments not included in the measurement of lease liabilities.

The weighted average incremental borrowing rate at 31 December 2024 was 6.63% (2023: 7.20%).

A maturity analysis of lease liabilities is included within note 21.

Notes to the financial statements (continued)

For the year ended 31 December 2024

16. Intangible assets

	Developed software £'000	Software licences £'000	Total £'000
Cost			
At 1 January 2024	**7,101**	**2,046**	**9,147**
Additions	**5,300**	**695**	**5,995**
At 31 December 2024	**12,401**	**2,741**	**15,142**
Amortisation			
At 1 January 2024	**4,229**	**982**	**5,211**
Charge for the year	**623**	**111**	**734**
At 31 December 2024	**4,852**	**1,093**	**5,945**
Net book value			
At 31 December 2024	**7,549**	**1,648**	**9,197**

The total carrying value of intangible assets whereby amortisation had not yet commenced was £1,712k at 31 December 2024 (2023: £1,956k).

	Developed software £'000	Software licences £'000	Total £'000
Cost			
At 1 January 2023	5,452	1,510	6,962
Additions	1,649	536	2,185
At 31 December 2023	7,101	2,046	9,147
Amortisation			
At 1 January 2023	3,772	888	4,660
Charge for the year	457	94	551
At 31 December 2023	4,229	982	5,211
Net book value			
At 31 December 2023	2,872	1,064	3,936

17. Deferred tax

2024	Tax losses carried forward £'000	Fixed assets £'000	Employee benefits £'000	IFRS 9 and IFRS 16 transitional adjustments £'000	Total deferred tax asset £'000
At 1 January	**4,067**	**131**	**114**	**3**	**4,315**
Credited/(charged) to the Income Statement	**1,138**	**82**	**72**	**(2)**	**1,290**
At 31 December	**5,205**	**213**	**186**	**1**	**5,605**

2023	Tax losses carried forward £'000	Fixed assets £'000	Employee benefits £'000	IFRS 9 and IFRS 16 transitional adjustments £'000	Total deferred tax asset £'000
At 1 January	4,799	–	14	6	4,819
(Charged)/credited to the Income Statement	(732)	131	100	(3)	(504)
At 31 December	4,067	131	114	3	4,315

The Bank has recognised a deferred tax asset of £5,605k (2023: £4,315k), most significantly in respect of tax losses carried forward that it expects to utilise over 2025-2027. Of the total deferred tax asset of £5,605k, £3,889k is expected to be recovered after more than 12 months.

The Bank has used a three-year forecast period to set the deferred tax asset. All tax losses carried forward are expected to be utilised within three years and, as such, there is no unrecognised deferred tax asset on tax losses carried forward at 31 December 2024.

18. Accruals and deferred income

	2024 £'000	2023 £'000
Deferred fee income	**142**	154
Expense accruals	**3,330**	3,293
	3,472	3,447

19. Financial instruments

Categories of financial instruments

	2024			2023		
	Amortised cost £'000	**Fair value through profit or loss £'000**	**Total £'000**	Amortised cost £'000	Fair value through profit or loss £'000	Total £'000
Financial assets						
Cash and balances at central banks	**52,771**	**–**	**52,771**	104,956	–	104,956
Loans and advances to banks	**203,664**	**–**	**203,664**	274,523	–	274,523
Debt securities	**224,751**	**–**	**224,751**	67,066	–	67,066
Loans and advances to clients	**585,893**	**–**	**585,893**	487,624	–	487,624
Derivative financial instruments	**–**	**1,016**	**1,016**	–	1,083	1,083
Total financial assets	**1,067,079**	**1,016**	**1,068,095**	934,169	1,083	935,252
Financial liabilities						
Deposits from clients	**990,720**	**–**	**990,720**	857,506	–	857,506
Derivative financial instruments	**–**	**436**	**436**	–	1,194	1,194
Lease liabilities	**3,940**	**–**	**3,940**	574	–	574
Total financial liabilities	**994,660**	**436**	**995,096**	858,080	1,194	859,274

All debt securities held are UK Government or US Department of Treasury debt securities and, as set out in note 21, all debt securities have a residual maturity of less than one year. At 31 December 2024 none were pledged as collateral under sale and repurchase agreements (2023: none).

20. Fair value

Fair value measurements

The information set out below provides information about how the Bank determines fair values of various financial assets and financial liabilities.

The following provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Notes to the financial statements (continued)

For the year ended 31 December 2024

20. Fair value (continued)

Fair value measurements recognised in the statement of financial position

Debt securities are held at amortised cost and valued using quoted market prices (classified as Level 1). Their fair value is not materially different from their carrying value.

For other financial assets and liabilities held at amortised cost, as the majority are at variable rates of interest, the fair value (classified as Level 3) is not materially different from the carrying value.

Derivative financial instruments are interest rate swaps and are measured at fair value via a discounted cash flow model which uses interest yield curves derived from publicly quoted rates (classified as Level 2).

There were no transfers between levels during the current or prior year.

21. Financial risk management

Financial risk management objectives

The Bank's Treasury function provides services to the business, co-ordinates access to financial markets, monitors and manages the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), counterparty credit risk and liquidity risk.

The Bank seeks to minimise the effects of these risks by using both natural hedging and derivative financial instruments to hedge these risk exposures. The use of financial derivatives is governed by the Bank's policy principles (approved by the Board of Directors), which provide written principles on foreign exchange risk, interest rate risk, counterparty credit risk, the use of financial derivatives and non-derivative financial instruments, and the investment of excess liquidity. The Bank does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Treasury function reports monthly to the Assets and Liabilities Committee (ALCo) and appropriate metrics are reported monthly to the Board and the Executive Risk Committee. Metrics are also presented quarterly to the Board Risk Committee, an independent body that monitors risks and policies implemented to mitigate risk exposures.

Market risk

Foreign currency risk management

The Bank undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts where required.

The Bank does not maintain any material open currency positions, and as such has no material exposure to the effects of fluctuations in foreign exchange rates. No material open positions arose during 2024 and none existed at the year end (2023: nil). The Bank's foreign exchange rate risk is managed by natural hedges and/or FX Forward contracts to leave no material FX open positions.

Interest rate risk management

The Bank is exposed to interest rate risk because the Bank accepts deposits from clients and other counterparties at both fixed and floating rates and lends money at both fixed and floating rates. The risk is managed by the Bank by maintaining an appropriate mix between fixed and floating rate assets and liabilities, and by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with the defined risk appetite; ensuring the most cost-effective hedging strategies are applied. Details of interest rate swaps held at 31 December 2024 are included in note 22.

Interest rate sensitivity analysis

The Bank's interest rate exposure is shown in the interest rate repricing table below. The assets and liabilities are shown at the carrying amounts, categorised by the earlier of the next contractual interest repricing date and the maturity date.

Lease liabilities are classified as non-interest bearing as they are not sensitive to changes in market interest rates.

At 31 December 2024	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
Assets							
Cash and balances at central banks	52,771	–	–	–	–	–	52,771
Loans and advances to banks	126,244	57,565	19,855	–	–	–	203,664
Debt securities	84,812	79,012	60,927	–	–	–	224,751
Loans and advances to clients	234,688	8,581	45,624	294,381	2,534	85	585,893
Non-interest bearing assets	–	–	–	–	–	22,223	22,223
Total assets	498,515	145,158	126,406	294,381	2,534	22,308	1,089,302
Liabilities							
Deposits from clients	702,495	136,551	149,150	2,524	–	–	990,720
Non-interest bearing liabilities	–	–	–	–	–	8,474	8,474
Total liabilities	702,495	136,551	149,150	2,524	–	8,474	999,194
Effect of derivatives	10,000	13,000	47,000	(70,000)	–	–	–
Interest rate sensitivity gap	(193,980)	21,607	24,256	221,857	2,534	13,834	
Cumulative gap	(193,980)	(172,373)	(148,117)	73,740	76,274	90,108	

At 31 December 2023	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Non-interest bearing £'000	Total £'000
Assets							
Cash and balances at central banks	104,956	–	–	–	–	–	104,956
Loans and advances to banks	181,858	12,711	79,954	–	–	–	274,523
Debt securities	13,943	21,781	31,342	–	–	–	67,066
Loans and advances to clients	219,615	2,015	27,446	237,369	1,034	145	487,624
Non-interest bearing assets	–	–	–	–	–	11,994	11,994
Total assets	520,372	36,507	138,742	237,369	1,034	12,139	946,163
Liabilities							
Deposits from clients	591,218	98,646	160,999	6,643	–	–	857,506
Non-interest bearing liabilities	–	–	–	–	–	6,233	6,233
Total liabilities	591,218	98,646	160,999	6,643	–	6,233	863,739
Effect of derivatives	46,500	–	7,500	(54,000)	–	–	–
Interest rate sensitivity gap	(24,346)	(62,139)	(14,757)	176,726	1,034	5,906	
Cumulative gap	(24,346)	(86,485)	(101,242)	75,484	76,518	82,424	

The Bank monitors its exposure to interest rate risk and reports this to ALCo. The position at the year end was such that an upward shift in rates of 200bps would result in an adverse impact on the economic value of £1,631k (2023: adverse impact of £926k), whilst a downward shift of 200bps would result in a positive impact of £1,780k (2023: positive impact of £1,005k).

Notes to the financial statements (continued)

For the year ended 31 December 2024

21. Financial risk management (continued)

Liquidity risk

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short, medium and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining a high-quality liquid assets buffer, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. It also has access to deposit aggregators as an additional funding stream, when required. The Bank's liquidity risk is monitored by ALCo.

Liquidity risk tables

The table below analyses the contractual undiscounted cash flows receivable and payable for non-derivative financial instruments, including future interest receipts and payments of interest, by contractual maturity. The amounts presented below differ from those in the statement of financial position due to the inclusion of contractual future interest flows.

At 31 December 2024	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Financial assets						
Cash and balances at central banks	**52,771**	**–**	**–**	**–**	**–**	**52,771**
Loans and advances to banks	**126,299**	**57,937**	**20,299**	**–**	**–**	**204,535**
Debt securities	**84,990**	**79,565**	**61,918**	**–**	**–**	**226,473**
Loans and advances to clients	**24,042**	**13,670**	**53,960**	**416,628**	**299,615**	**807,915**
Total financial assets	**288,102**	**151,172**	**136,177**	**416,628**	**299,615**	**1,291,694**
Financial liabilities						
Deposits from clients	**702,833**	**137,375**	**151,991**	**2,554**	**–**	**994,753**
Lease liabilities	**73**	**130**	**260**	**2,326**	**2,940**	**5,729**
Total financial liabilities	**702,906**	**137,505**	**152,251**	**4,880**	**2,940**	**1,000,482**
Maturity gap	**(414,804)**	**13,667**	**(16,074)**	**411,748**	**296,675**	
Cumulative gap	**(414,804)**	**(401,137)**	**(417,211)**	**(5,463)**	**291,212**	

At 31 December 2023	Up to 1 month £'000	1-3 months £'000	3-12 months £'000	1-5 years £'000	Over 5 years £'000	Total £'000
Financial assets						
Cash and balances at central banks	104,956	–	–	–	–	104,956
Loans and advances to banks	182,038	12,804	82,516	–	–	277,358
Debt securities	14,000	22,000	32,000	–	–	68,000
Loans and advances to clients	26,724	9,237	41,048	327,763	284,144	688,916
Total financial assets	327,718	44,041	155,564	327,763	284,144	1,139,230
Financial liabilities						
Deposits from clients	591,563	99,337	164,803	6,809	–	862,512
Lease liabilities	25	117	305	171	–	618
Total financial liabilities	591,588	99,454	165,108	6,980	–	863,130
Maturity gap	(263,870)	(55,413)	(9,544)	320,783	284,144	
Cumulative gap	(263,870)	(319,283)	(328,827)	(8,044)	276,100	

Credit risk

Credit risk management
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Bank. The Bank has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

Credit risk arises from lending to clients, a mix of private individuals and SME business lending, and to treasury counterparties. Credit policies, principles and risk appetite metrics aim to ensure the credit portfolio is of high quality, with a low overall percentage of unsecured lending and relatively low monetary limits for individual unsecured lending cases. Client lending propositions are subject to thorough credit assessment, including affordability and stress testing at increased rates at a percentage over the prevailing rate at loan origination.

In the event that a client faces financial difficulty, the Bank seeks to make early contact and to work with them in a responsible and reasonable way, usually via a bespoke solution. The early identification and management of clients in financial difficulty is one of the principal ways in which the Bank manages asset quality and improves the outcome for both the client and the Bank.

The Bank only transacts with treasury counterparties that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available, and if not available, the Bank uses other publicly available financial information and its own trading records to rate its major clients. The Bank's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by ALCo annually.

The Bank structures its level of credit risk by placing limits on the amount of risk it takes by individual borrower, groups of borrowers, in addition to concentration risk by product, industry and geographical sectors. These limits are monitored monthly at CC and Board. CC is responsible for governance and oversight of changes in the key assumptions to the ECL model and the impact of forward-looking macroeconomic scenarios. Further details on the recognition and measurement of financial assets and liabilities can be found in note 2.9.

Maximum exposure to credit risk
The table below details the value of collateral held against the Bank's loans and advances to clients.

	2024 £'000	2023 £'000
Exposure	**629,975**	549,189
Collateral	**1,488,890**	1,353,959
Cover	**236%**	247%

Collateral held includes investment portfolios against which the Bank holds a charge, in addition to commercial and residential property.

Credit quality
Credit risk is also differentiated by credit ratings using a combination of the value of security held and utilising an external ratings agency. In addition, the Bank's credit policy requires that all mortgages, term loans, overdraft facilities and charge card facilities greater than £10k are reviewed on an annual basis with knowledge of the client's financial affairs being of paramount importance in the credit assessment process.

The internal credit grades (ICG) are based on the following ratings:

ICG 1: Very strong affordability, negligible risk of default and/or very low loan to security value
ICG 2: Strong affordability, minimal risk of default and/or low loan to security value
ICG 3: Good affordability, very unlikely to result in default and/or acceptable loan to security value
ICG 4: Satisfactory affordability, unlikely to result in default and/or either partially secured or unsecured
ICG 5: Affordability/repayment ability questionable, much greater risk of default and/or security may have deteriorated

No balances were in category ICG 5 in 2024 or 2023.

Debt securities are all issued by the UK Government and are considered to have low credit risk, as they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. At 31 December 2024 the ECL recognised against debt securities was £nil (2023: £nil). Management consider 'low credit risk' for debt securities to be an investment grade credit rating.

Notes to the financial statements (continued)

For the year ended 31 December 2024

21. Financial risk management (continued)

Credit risk (continued)

The table below provides a summary of the Bank's asset quality analysed by ICG. At 31 December 2024 the ECL was £315k against loans and advances (2023: £305k) and £5k against commitments (2023: £3k).

The accruing past due category captures any exposures that are up to 90 days past due.

At 31 December 2024	ICG 1 £'000	ICG 2 £'000	ICG 3 £'000	ICG 4 £'000	Accruing past due £'000	Non-accrual £'000	Impairment allowance £'000	Total £'000
Cash and balances at central banks:								
– Stage 1	**52,771**	–	–	–	–	–	–	**52,771**
Loans and advances to banks:								
– Stage 1	**203,664**	–	–	–	–	–	–	**203,664**
Debt securities:								
– Stage 1	**224,751**	–	–	–	–	–	–	**224,751**
Loans and advances to clients:								
– Stage 1	**461,413**	**16,413**	**80,319**	**4,435**	–	–	**(102)**	**562,478**
– Stage 2	**3,721**	**5,235**	**5,106**	**2**	**3,030**	–	**(164)**	**16,930**
– Stage 3	**2,467**	–	**4,067**	–	–	–	**(49)**	**6,485**
Derivatives:								
– Stage 1	**1,016**	–	–	–	–	–	–	**1,016**
	949,803	**21,648**	**89,492**	**4,437**	**3,030**	-	**(315)**	**1,068,095**
Commitments:								
– Stage 1	**34,401**	**147**	**2,686**	**6,146**	–	–	**(4)**	**43,376**
– Stage 2	–	**5**	**7**	**5**	–	–	–	**17**
– Stage 3	**680**	–	**10**	–	–	–	**(1)**	**689**
	35,081	**152**	**2,703**	**6,151**	–	–	**(5)**	**44,082**

At 31 December 2023	ICG 1 £'000	ICG 2 £'000	ICG 3 £'000	ICG 4 £'000	Accruing past due £'000	Non-accrual £'000	Impairment allowance £'000	Total £'000
Cash and balances at central banks:								
– Stage 1	104,956	–	–	–	–	–	–	104,956
Loans and advances to banks:								
– Stage 1	274,523	–	–	–	–	–	–	274,523
Debt securities								
– Stage 1	67,066	–	–	–	–	–	–	67,066
Loans and advances to clients:								
– Stage 1	394,622	21,339	52,646	3,229	–	–	(67)	471,769
– Stage 2	6,344	5,238	1,565	7	–	–	(218)	12,936
– Stage 3	2,810	–	129	–	–	–	(20)	2,919
Derivatives:								
– Stage 1	1,083	–	–	–	–	–	–	1,083
	851,404	26,577	54,340	3,236	–	–	(305)	935,252
Commitments:								
– Stage 1	49,846	15	1,219	10,468	–	–	(3)	61,545
– Stage 2	8	–	–	12	–	–	–	20
– Stage 3	–	–	–	–	–	–	–	–
	49,854	15	1,219	10,480	–	–	(3)	61,565

Collateral

The Bank has £281k (2023: £270k) of financial assets which it has pledged as collateral.

22. Derivative financial instruments and hedge accounting

Derivative financial instruments

Derivative financial instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract, such as interest rates. The Bank enters into interest rate swap contracts to hedge interest rate risk on fixed rate loans and deposits. The Bank also uses cross currency swaps to hedge foreign exchange risk but none were held at the year end (2023: £nil).

All derivatives entered into by the Bank are for hedging purposes but not all are designated as such for accounting purposes. The table below shows the value of derivatives by type:

	2024			2023		
	Contract or underlying principal amount £'000	Positive fair value £'000	Negative fair value £'000	Contract or underlying principal amount £'000	Positive fair value £'000	Negative fair value £'000
Interest rate swaps						
Designated in fair value accounting hedges	70,000	991	418	56,500	901	1,161
Not designated in accounting hedges	50,000	25	18	47,000	182	33
Total derivatives held for hedging	120,000	1,016	436	103,500	1,083	1,194

The following table analyses derivatives by contractual and residual maturity:

	2024		2023	
	Notional principal amount £'000	Replacement cost £'000	Notional principal amount £'000	Replacement cost £'000
Under 1 year	50,000	25	49,500	227
1 to 5 years	70,000	991	54,000	856
Total derivatives	120,000	1,016	103,500	1,083

Hedge accounting

The Bank is exposed to interest rate risk through fixed rate loans and mitigates this risk via pay-fixed interest rate swaps.

The interest risk that arises from fixed rate loans is managed by entering into interest rate swaps on a periodic basis. The exposure from fixed rate loans fluctuates due to new loans, loan maturities and repayments and the Bank uses a dynamic hedging strategy to manage the exposure.

The Bank uses macro fair value hedges to recognise the change in fair value of the hedged items (fixed rate loans) due to changes in interest rates. This helps to offset the impact on the Income Statement that would arise if only the changes in fair value of the interest rate swaps was recognised.

The notional value of interest rate swaps designated into fair value hedge accounting relationships is as follows, analysed by maturity date:

	2024			2023		
	Under 1 year £'000	1 to 5 years £'000	Total £'000	Under 1 year £'000	1 to 5 years £'000	Total £'000
Macro hedge of loans and advances to clients						
Swap notional	–	70,000	70,000	2,500	54,000	56,500
Average fixed interest rate	–	3.90%	3.90%	2.86%	3.80%	3.75%

Notes to the financial statements (continued)

For the year ended 31 December 2024

22. Derivative financial instruments and hedge accounting (continued)

Hedge accounting (continued)

The tables below analyse the impacts of hedge accounting on the statement of financial position and the income statement:

2024	Notional amount £'000	Carrying amount: Assets £'000	Carrying amount: Liabilities £'000	Line item in statement of financial position that includes the hedging instrument	Changes in fair value of hedging instrument used for recognising ineffectiveness in the year £'000	Total ineffectiveness recognised in income statement £'000	Line item in income statement that includes hedge ineffectiveness
Interest rate swaps							
Hedge of loans and advances to clients	**70,000**	**991**	**(418)**	**Derivative financial instruments**	**776**	**194**	**(Losses)/gains on derivatives and hedge accounting**

2023	Notional amount £'000	Carrying amount: Assets £'000	Carrying amount: Liabilities £'000	Line item in statement of financial position that includes the hedging instrument	Changes in fair value of hedging instrument used for recognising ineffectiveness in the year £'000	Total ineffectiveness recognised in income statement £'000	Line item in income statement that includes hedge ineffectiveness
Interest rate swaps							
Hedge of loans and advances to clients	56,500	901	(1,161)	Derivative financial instruments	(1,159)	221	(Losses)/gains on derivatives and hedge accounting

2024	Carrying amount £'000	Accumulated amount of fair value adjustments on the hedged item: Assets £'000	Accumulated amount of fair value adjustments on the hedged item: Liabilities £'000	Line item in statement of financial position that includes the hedged item	Changes in fair value used to calculate ineffectiveness £'000	Accumulated amount of fair value adjustments remaining in statement of financial position due to items that have ceased to be adjusted for hedging gains or losses £'000
Hedged items						
Loans and advances to clients	**69,123**	**650**	**–**	**Fair value adjustment for hedged risk on loans and advances to clients**	**(582)**	**(825)**

2023	Carrying amount £'000	Accumulated amount of fair value adjustments on the hedged item: Assets £'000	Accumulated amount of fair value adjustments on the hedged item: Liabilities £'000	Line item in statement of financial position that includes the hedged item	Changes in fair value used to calculate ineffectiveness £'000	Accumulated amount of fair value adjustments remaining in statement of financial position due to items that have ceased to be adjusted for hedging gains or losses £'000
Hedged items						
Loans and advances to clients	56,089	1,232	–	Fair value adjustment for hedged risk on loans and advances to clients	1,380	(473)

23. Reconciliation of liabilities arising from financing activities

	At 1 January 2024 £'000	Financing cash flows £'000	Non-cash movements £'000	At 31 December 2024 £'000
Lease liabilities	**574**	**(500)**	**3,866**	**3,940**
Financing liabilities	**574**	**(500)**	**3,866**	**3,940**

	At 1 January 2023 £'000	Financing cash flows £'000	Non-cash movements £'000	At 31 December 2023 £'000
Lease liabilities	756	(427)	245	574
Financing liabilities	756	(427)	245	574

24. Share capital

Ordinary shares

	2024		2023	
	Number	**£'000**	Number	£'000
Allotted, called up and fully paid				
At 1 January (£0.05 per share)	**94,517,864**	**4,726**	92,459,698	4,623
Issued ordinary shares	**–**	**–**	2,058,166	103
At 31 December (£0.05 per share)	**94,517,864**	**4,726**	94,517,864	4,726

No ordinary shares were issued during 2024. In 2023 2,058,166 ordinary shares were issued at a gross premium of £1,956k and direct share issue costs of £92k associated with fundraising were recorded in the share premium account.

At 31 December 2024 121,683,854 (2023: 121,683,854) ordinary shares were authorised with a par value of £0.05 (2023: £0.05).

There are currently no conditions or restrictions in respect of dividends, voting or repayment of capital. Ordinary shares cannot be issued at a discount to par.

Share premium account

	2024 £'000	2023 £'000
At 1 January	**25,865**	24,001
Premium arising on issue of equity shares	**–**	1,956
Direct share issue costs	**–**	(92)
At 31 December	**25,865**	25,865

25. Retained earnings

	2024 £'000	2023 £'000
At 1 January	**51,833**	44,228
Profit for the year attributable to equity holders	**9,111**	8,107
Dividends paid during the year	**(1,512)**	–
Equity settled share-based payments	**176**	186
Cancellation of share options	**–**	(688)
Dividend equivalent on share options	**(91)**	–
At 31 December	**59,517**	51,833

A dividend of 1.6p per ordinary share was paid in June 2024 (2023: nil). This dividend was recommended by the Directors and approved by shareholders at the Annual General Meeting on 14 May 2024.

Notes to the financial statements (continued)
For the year ended 31 December 2024

26. Control
The Directors have assessed that there is no overall controlling party.

27. Related parties
In accordance with IAS 24 *Related Party Disclosures*, the Bank's key management personnel, being those persons having responsibility for planning, directing and controlling the Bank's activities, are considered to be the Directors. Directors' remuneration for the year is disclosed in note 11.

Key management personnel and their close family members' aggregate deposits were £545,721 (2023: £642,935) and aggregate lending was £nil (2023: £165,605) at year end. Committed loans at 31 December 2024 were £nil (2023: £nil).

Noble & Company (UK) Limited is a related party by virtue of the significant influence of a member of the Bank's key management personnel. During 2024 Noble & Company (UK) Limited charged fees of £nil (2023: £nil) and at 31 December 2024 the amount owed by the Bank to Noble & Company (UK) Limited was £nil (2023: £nil). Noble & Company (UK) Limited's aggregate deposits were £303,676 (2023: £61,371) at year end.

No impairment losses have been recognised in respect of amounts owed by related parties (2023: £nil). These transactions were made on terms equivalent to those that prevail in arm's length transactions.

28. Commitments
The commitments shown in the table below provide an indication of the business volume committed and committed spend on intangible assets at the year end. Commitments to lend include loan commitments and unutilised overdraft facilities. The standard contractual maturity of loan commitments is 90 days.

	2024 £'000	2023 £'000
Commitments to lend	**44,082**	61,565
Commitments for intangible asset development	**–**	1,371
	44,082	62,936

29. Provisions

	2024			2023		
	Dilapidation provision £'000	**Loss provision £'000**	**Other provision £'000**	Dilapidation provision £'000	Loss provision £'000	Other provision £'000
At 1 January	**212**	**3**	**250**	115	11	250
Provided/(released) during the year	**50**	**2**	**–**	97	(8)	–
Utilised during the year	**–**	**–**	**–**	–	–	–
At 31 December	**262**	**5**	**250**	212	3	250

The dilapidation provision relates to the anticipated costs of restoring leased assets to their original condition. It is expected that the provision will be utilised at the end of the lease terms, the longest of which is due to end in 2025.

The loss provision represents ECLs on undrawn lending commitments.

The other provision is in respect of client redress and a potential legal claim on an individual client account.

30. Contingent liabilities
Contingent liabilities can occur during the ordinary course of business where the Bank may be subject to threatened or actual legal proceedings, which may result in a cash outflow. One such claim is outstanding at the year end. Based on analysis of the claim, no material adverse impact on the financial position of the Bank is expected to arise. The Bank has appropriate insurance arrangements in place to cover any such matters and therefore the Directors assess the net financial impact of all such liabilities as £nil (2023: £nil).

31. Capital management policy

The Bank's capital is measured using the regulatory framework defined by the Capital Requirements Directive and Capital Requirements Regulation (together CRD IV) as implemented and enforced in the UK by the PRA.

The framework consists of three pillars:

- Pillar 1 sets minimum capital requirements that firms must meet for credit, market and operational risk.
- Pillar 2 requires that firms undertake an overall assessment of their capital adequacy, taking into account all risks to which the firm is exposed and whether additional capital should be held to cover risks not adequately covered by Pillar 1 requirements.
- Pillar 3 complements Pillars 1 and 2 and improves market discipline by requiring firms to disclose information on their capital resources and requirements, risk exposures and their risk management framework.

The Bank's primary objective in managing capital is to ensure that it has capital which is permanent and meets the requirements of the regulator. The Bank monitors its capital regularly and ensures that its capital exceeds its regulatory requirements. This is in line with the Bank's Capital Management Policy to maintain a strong base that is comfortably above the minimum capital level set for it by the PRA.

The Bank has not elected to take advantage of the IFRS 9 transitional arrangements set out in Article 473a of the Capital Requirements Regulation, which allows the impact of ECLs to be phased in over a five-year period.

32. Adoption of new and amended IFRSs

During the year the Bank did not adopt any new accounting standards or amendments to standards which became effective in the current year which had any significant impact on its accounting policies or reporting.

33. New accounting standards and interpretations not adopted

The International Accounting Standards Board (IASB) has issued a number of improvements and amendments to IFRSs effective from 1 January 2025 and subsequent years, including amendments to IFRS 9 *Financial Instruments* (effective 1 January 2026) and amendments to IFRS 7 *Financial Instruments: Disclosures* (effective 1 January 2026) and IAS 21 *The Effects of Changes in Foreign Exchange Rates* (effective 1 January 2025). These improvements and amendments are not expected to have a significant impact on the Bank.

The IASB has also issued a number of new IFRSs effective from 1 January 2027. These include IFRS 18 *Presentation and Disclosure in Financial Statements* which replaces IAS 1 *Presentation of Financial Statements*. The impact of this standard is being assessed and it has not yet been endorsed for use in the UK.

34. Country by country reporting

The following disclosures are made under the Capital Requirements (Country-by-Country Reporting) Regulations 2013:

a) Name, nature of activities and geographical location

This information is provided in note 1.

b) Turnover

Total income is set out in the statement of comprehensive income on page 48.

c) Average number of employees

The average number of employees on a full-time equivalent basis is disclosed in note 10.

d) Profit or loss before tax

Profit or loss before tax is set out in the statement of comprehensive income on page 48.

e) Corporation tax paid

Corporation tax paid is £870,000. Further information is provided in note 9.

f) Public subsidies received

The Bank does not receive public subsidies.

35. Post balance sheet events

The Directors recommend the payment of a dividend of 3.2p (2023: 1.6p) per share. This dividend, if approved by members at the 2025 Annual General Meeting, will be paid in June 2025 to shareholders on the register at close of business on 9 May 2025.

The Bank has committed to the lease of a new office in London which is due to commence on 21 April 2025. This commits the Bank to future cashflows of £2,047k.

Company information

Directors
S E C Miller*
T A Davidson (Chief Executive Officer) (appointed 2 October 2024)
J C N Peake (Chief Financial Officer)
D C Huntley*
C H Taylor*
F F Williamson*
R A Macpherson*
K J Somasundaram*

* Non-Executive Director

Secretary
G M Syme

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