Annual report & accounts

2025

Cynergy Bank

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Strategic report

Cynergy Bank

2025 highlights

We were founded to support the sustainable growth of UK businesses and savers.

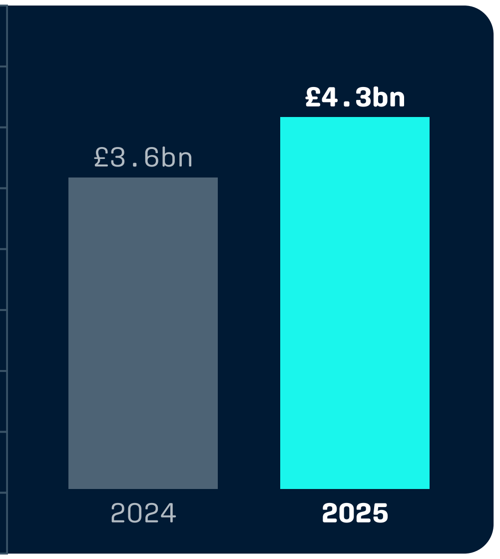
Our Human Digital model combines relationship banking with digital support.

Our vision is to serve small and medium businesses (SMEs), scale-ups, professionals and high net worth individuals with the tools to achieve their business goals.

We do this by offering tailored banking solutions, delivered by real people and supported by the latest technology. This approach allows us to continually enhance the experience our customers rely on as they navigate new opportunities and challenges.

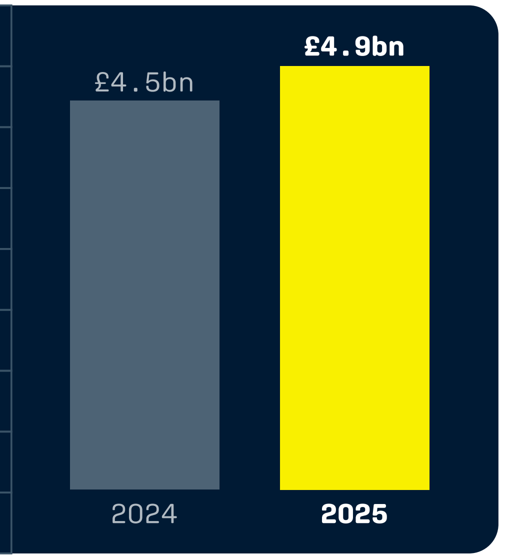
£4.3bn
Customer lending[1]

2024: £3.6bn
▲ £0.7bn
▲ 19%



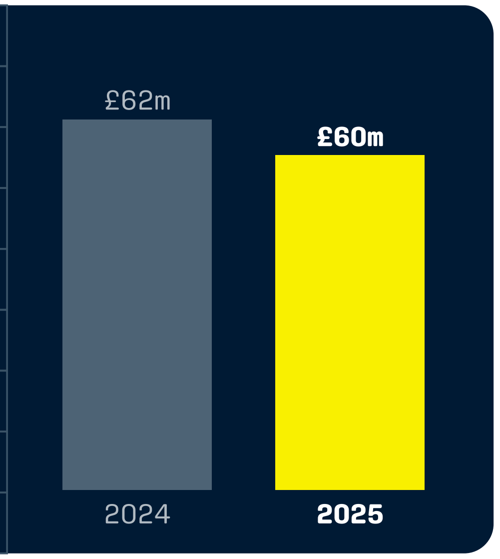
£4.9bn
Customer deposits

2024: £4.5bn
▲ £0.4bn
▲ 9%



£60m
Underlying profit before tax[2]

2024: £62m
▼ £2m

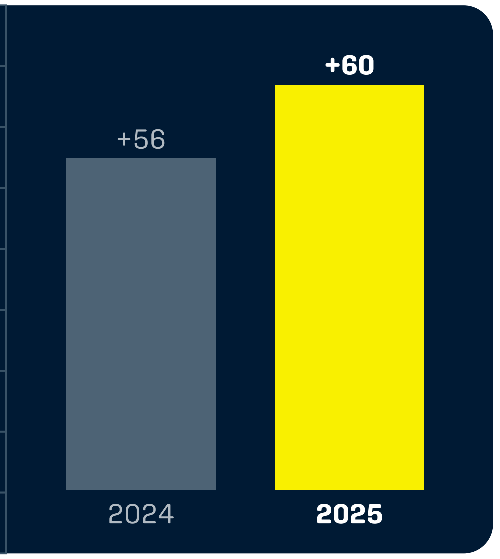


£52m
Statutory profit before tax

2024: £53m
▼ £1m

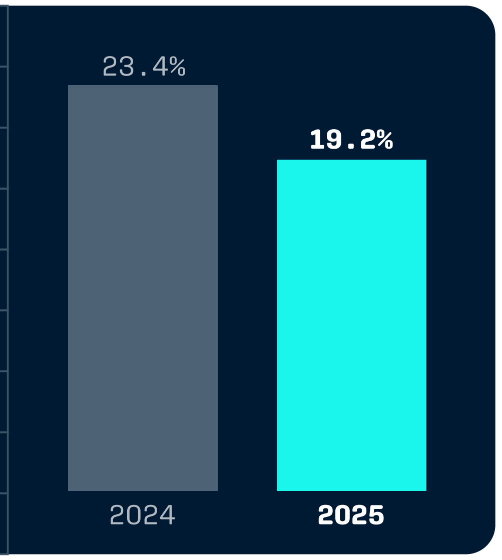
+60
Net Promoter Score (NPS)

2024: +56
▲ 4



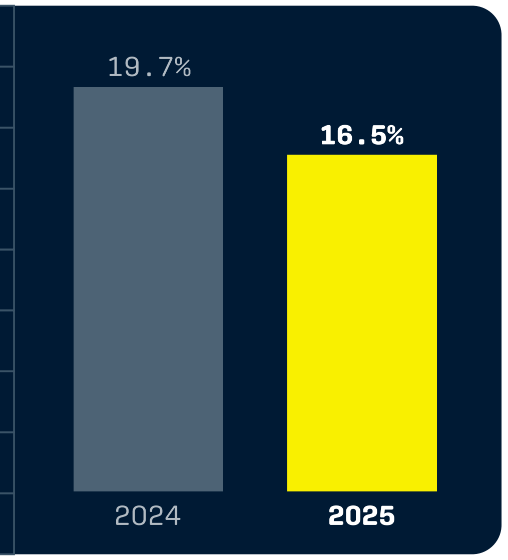
19.2%
Underlying return on required equity

2024: 23.4%
▼ 4.2%



16.5%
Statutory return on required equity

2024: 19.7%
▼ 3.2%



[1] Customer lending includes originated and serviced loans (including derecognised securitised assets) and committed undrawn facilities.
[2] Underlying profit is calculated as statutory profit before tax, adjusted for amortisation & depreciation (given the Bank's significant investment in the Human Digital Platform), write-offs, and the impact of long-term incentive plan revaluations. A full reconciliation to statutory results is provided within 'Alternative performance measures'.

Chair's statement

> We have strengthened our position as the Human Digital Bank and empowered our colleagues to deliver for our customers.

I've long held the view that businesses are – first and foremost – about people. From our customers to our colleagues and strategic partners, it's the people who have made Cynergy Bank what it is today.

Our lending growth in the past year has been driven by an outstanding team, all of whom are dedicated to the ever-changing needs of our customers. Together we've achieved strong profitability and record levels of deposits and loans under management, reduced our cost of risk and successfully scaled our footprint in a highly competitive market.

While the macroeconomic conditions have been (and remain) challenging for many SMEs, I'm greatly encouraged by the stability and growth of our business and those of our customers. As our latest edition of the Cynergy Bank Business Births & Deaths Index has shown, sectors such as real estate, health and social care are in rude health, buoyed by resilient demand and continued policy focus on housing and healthcare supply in the UK.

Looking ahead, we're entering more uncertain territory in regard to interest rates – where we had a level of assuredness that interest rates would continue to fall in 2026, the influence of recent geopolitical events may yet reverse that prediction. We remain, as ever, close at hand for our customers and continue to support them.

In 2025, Cynergy Bank responded to the increase in demand from mid-sized businesses, enhancing our banking proposition and promoting it widely with high profile advertising campaigns. The launch of the Solicitor's Client Account is further proof of our ability to adapt to market demands at pace.

All of this is underpinned by our Human Digital ethos – making the human superhuman with innovative technology that 'gives time back' to colleagues so they can focus on delivering the best possible outcomes for our customers. The blend of AI and cutting-edge technology with our dedicated relationship managers is a unique proposition and a real point of difference for us as a challenger bank.

As I reflect on my final year as Chair of Cynergy Bank, I'm proud to see just how far we've come. We have strengthened our position as the Human Digital Bank – a high tech, high touch challenger that champions SMEs and savers in the UK – and we've empowered our colleagues to deliver for our customers. We've achieved amazing things together and I'm excited about what the future holds.

I am also delighted to advise that the Board and our shareholders have invited Kim Rebecchi, my good colleague and our current Senior Independent Director, to replace me as Chair. Kim is an excellent choice and I know the Bank will be in safe hands under her stewardship.

Ultimately, it all comes back to people. So, to all of our customers, colleagues, partners, my fellow Board members and our shareholders, I offer my sincere gratitude for your support.

Euan Hamilton
Chair
22 April 2026

CEO review

> We delivered acceptable results in 2025, maintaining profitability as we continued to scale.

2025 has been a year of growth for our customers, our capabilities and our business. For our customers this has been most evident in the increased demand for lending, as well as for business banking products such as current and deposit accounts that meet their needs as they scale up. I appreciate that our customers have a choice of where to bank and it's particularly satisfying to see our lending and deposit volumes reach record levels, as more SMEs and savers choose Cynergy Bank.

As the demands and expectations of our customers have increased, we have been quick to respond, enhancing our products and developing technology that enables us to provide the best possible customer outcomes and reaffirms our position as the UK's Human Digital Bank.

The pace of change is fast, and our colleagues have embraced the opportunities and challenges presented. This has been most keenly felt in our implementation of AI technology that has already delivered significant time saving benefits, ultimately enabling our colleagues to spend less time on manual, time-consuming tasks, and more time focusing on the needs of our customers.

Customer first

We remain committed to delivering exceptional service to our customers, through our relationship managers and our award-winning app and Online Banking platform. As part of our Human Digital approach, our customers have access to their relationship managers at the touch of a button in the app or can elect to self-serve using our feature-rich online banking platform.

Customer satisfaction is at its highest level and we're delighted to receive so much positive feedback from our customers – with more than 5,000 positive reviews received to date. Our net promoter score was +60 (an increase of 4 points from 2024), and our Trustpilot score has reached 4.3/5 (up from 4/5 in 2024).

Our team has grown, serving the needs of mid-market businesses looking for a relationship-led approach to banking. Our Solicitor's Client Account is a new addition, designed to meet the needs of solicitors looking for greater transparency and fairness in how client money is managed and rewarded. We also enhanced our business current and savings accounts to offer more features and attractive rates of interest for SMEs.

2025 performance

We delivered acceptable results in 2025, maintaining profitability as we continued to scale. Underlying profit before tax remained robust at £60m, thanks to our consistent flow of new loans and the delivery of our first securitisation transaction.

Net interest margin pressure impacted our revenue while costs including depreciation & amortisation driven by our technology investments resulted in a modest reduction in statutory profits.

Our total lending grew from £3.6bn to £4.3bn (+19%) and we saw a significant increase in fees received on a cash basis to £24.1m in 2025 from £15.2m in 2024. Customer deposits reached £4.9bn (up from £4.5bn in 2024), supporting our lending ambitions for mid-market businesses.

While we maintained our position as a market leader in medium-sized business banking, we also ensured risk was 'front and centre' in our minds. Our cost of risk further decreased in 2025, reflecting our strong position on credit quality, underwriting discipline and overall risk management.

The Human Digital Bank

We continue to develop our Human Digital proposition, with investment in technology and AI. With a focus on 'giving time back' to our colleagues and customers, we have developed AI tools that have improved processes, shortened underwriting timelines and safely introduced automation in key areas of the bank.

Ultimately our aim is to maintain our balance of the Human (our people, who are focused on delivering the best customer outcomes) and the Digital (our fintech capabilities and AI tools that empower our colleagues and customers).

We're well underway on our AI journey and continue to develop technology that adds value to our colleagues and customers. As a challenger bank with a 'digital disruptor' mindset, we've been able to adopt new technologies quickly, and our customers are already seeing the benefits.

We've been thrilled to receive recognition from the industry, with 10 award wins, including:

- MoneyAge Awards: Bank of the Year
- MoneyComms: Business Savings Provider of the Year

- Global FinTech Innovation Awards: Best Super App and Best Digital Banking Platform
- Props: Property Lender of the Year

In June we kicked off a new era for our brand, as we became the Official Banking Partner of Brentford FC. As well as giving us Premier League brand exposure, this partnership has enabled us to reach more SMEs with our 'bank for businesses' message. We also launched our SME-focused 'Scale-Up Sessions' podcast, which reached #4 in the Apple UK podcast charts.

First securitisation

In December we completed our debut securitisation of £439m, backed by buy-to-let mortgages and secured on residential and commercial properties. The innovative transaction, named Lovelace in honour of mathematics pioneer Ada Lovelace, derecognised loans for capital purposes while still supporting existing customers as they grow.

With a two year replenishment period, the transaction gives us the flexibility to support borrowers with refinancing or product switches.

Our impact

Our environmental and social impact remains a key focus for the bank, as we look to further reduce our carbon footprint, assist our customers with their climate impact transition, and support our communities.

We remain committed to achieving net zero emissions by 2050 and are currently ahead of schedule, having reduced our Scope 1 and 2 emissions by more than 50% (and reduced energy consumption by more than 109,000 kWh in 2025).

Our EPC C+ loans now make up more than 60% of our commercial investment book (up from 57%) and 54% of our residential book (up from 51%). We continue to work with our customers to assist their transition to greener outcomes.

As our colleagues embrace new ways of working, we have built a culture of innovation and experimentation, enhancing our capabilities and skillsets as we continue our AI journey.

We're proud to hold an Inclusive Employers Standard Bronze Award and have focused our inclusion and diversity efforts to drive meaningful change in our female representation and diversity across the bank. Our events to celebrate International Women's Day and Ada Lovelace Day brought to life the challenges faced and headway made by under-represented groups and allies. We also ran our Reverse Mentoring scheme, enabling our senior leaders to gain perspective from colleagues with a range of diverse backgrounds.

Our colleagues remain highly engaged with the community, having volunteered and raised funds for Noah's Ark Children's Hospice. We also held our first environmental impact volunteering event, working with Royal Parks to build dead hedges to support biodiversity in Kensington Gardens.

Looking ahead

At the time of writing, we are in an environment of material geopolitical and business uncertainty but are remaining vigilant and adjusting course as necessary. Our aim remains to grow our lending book and scale our deposit and current accounts, supporting businesses and the wider economy. To achieve this, we will deliver our 'Human Digital 3.0' proposition, harnessing the emerging capabilities of AI to empower our organisation.

As we continue our growth journey, our priorities include:

- Scaling our SME lending and deposits, supporting businesses in their growth journeys
- Managing NIM compression through diversification
- Managing cost growth through technology including AI
- Empowering our colleagues through our technology, our culture and our workplace
- Developing our AI technology to further enhance our Human Digital capabilities
- Navigating Basel 3.1 implementation

The year ahead brings opportunities as we continue to scale and deliver our Human Digital service to more SMEs. I am confident that our investment into technology will continue to power our growth and we are well-equipped to tackle any challenges head-on.

2026 will also bring a change of Chair at the Bank. Congratulations to Kim Rebecchi on her appointment as Chair, the team and I look forward to working with Kim going forward. Under Euan's Chairmanship the Bank has gone from strength to strength. I would like to extend a huge thank you to Euan on behalf of the Cynergy Bank team for his leadership, counsel, and direction during his tenure.

Finally, I'd like to offer my thanks to our customers and partners for their support, and to our colleagues for their hard work and commitment.

Nick Fahy
Chief Executive Officer
22 April 2026

Our customer promises

How we deliver our service is crucial to our ongoing success and growth. Our customer promises for business owners and savers set out the standards our customers and colleagues can expect.

Business owners and entrepreneurs	Personal banking customers
• **Understand your business:** We'll make sure you're always in good hands with accessible, knowledgeable people who understand your needs.	• **Value and reward:** Our best deals are always available to our existing customers.
• **Relationship-driven:** We'll work with you to find appropriate solutions for the evolving needs of your business.	• **Safe and secure:** Eligible deposits are protected by the Financial Services Compensation Scheme, up to £120,000.
• **Speed and certainty:** Our experts are empowered to make fast decisions that you can rely on.	• **Direct access:** 24/7 access to your accounts via online banking and our mobile banking app, as well as help from our knowledgeable customer service team.

Our operational standards

Data protection, ISO certification

We have been ISO 27001 certified for information security management systems since 2010. This internationally recognised standard, published by the International Organization for Standardization (ISO), supports our ability to manage information securely by applying a structured risk management framework. This is an independent assurance of our commitment to safeguarding the confidentiality, integrity and availability of customer information. It shows we have controls to mitigate information security threats, support regulatory compliance and maintain stakeholder trust.

Business continuity

We are ISO 22301:2019 certified for business continuity management. This means we follow and achieve the recognised business processes, applications, people and supporting infrastructure standards, as audited by the British Standards Institution.

Anti-corruption

We conduct our business in a fully open and honest way, and we have a zero tolerance approach to bribery and corruption. All colleagues get regular training to make sure they can fulfil all of their regulatory and ethical obligations.

Whistleblowing

We want all our colleagues to know they can raise any concerns in a secure and safe way, without fear of recrimination. That's why we have dedicated channels for making such reports.

Taxation

Our taxable income is generated wholly within the UK, and we comply fully with all tax obligations. We co-operate fully and openly with tax authorities when required. For more about how we make sure we comply with tax laws and filing obligations, see cynergybank.co.uk.

Health and safety

We take the health and safety of our colleagues very seriously. We regularly test our working environments for colleague safety, whether in the office or at home, so our people can give our customers the best possible service. Our Board is briefed on health and safety on a regular basis throughout the year.

Supplier relationships

We work with a large number of suppliers across all areas of our work. Our suppliers are essential to the level of service we offer our customers. We treat all our suppliers fairly and, in return, expect all our suppliers to share our commitments to our customers.

Robust processes and governance make sure we'll continue to meet our customers' needs and fulfil our customer promises.

An award-winning year

Winner of 10 business banking awards, including:

MoneyAge – Bank of the Year

Cynergy Bank was recognised for proving itself ahead of its peers when it comes to product provision, customer service, general excellence in everything it does and demonstrating a true understanding of the needs of its customers and of the changing needs of the market.

MoneyComms Top Performers – Business Savings Provider of the Year

The awards recognise institutions based on competitive interest rates, product features, transparency and service, with Cynergy Bank taking the top honour for business savings.

IBS Intelligence Global FinTech Awards – Best Digital Banking Platform

IBS Intelligence Global FinTech Awards – Best Banking Channel

Cynergy Bank won Best in Class for both Digital Banking Platform (Retail) and Banking Channels (Super App). The awards highlighted excellence in digital channels, with a focus on platforms that enhance customer experience and adoption.

PROPS – Property Lender of the Year Under £20m

The awards recognise industry leaders excelling in the UK property sector. Cynergy Bank demonstrated expertise through a series of strategic property finance transactions that showcased deep industry knowledge and ability to structure tailored financial solutions for diverse customer needs.

Our vision

As the UK's Human Digital Bank, we support small and medium businesses (SMEs), professionals and high net worth individuals by building real relationships, supported by the latest digital technology.

Who we are

We serve scaleup SMEs, mid-market professionals, high net worth and mass affluent individuals. We recognise that professional and personal priorities often overlap, and so our mission is to help our customers achieve their ambitions by offering a suite of banking solutions. Whether it is a quick decision on short-term finance, competitive returns on personal or business savings, support or transactional banking and more complex long-term lending solutions.

As the Human Digital Bank, we aim to balance excellent personal service with digitally enabled convenience and accessibility for every customer. Customers can engage through a range of digital channels, including our main website, dedicated online banking platform and the mobile banking app. For customers requiring more complex, bespoke lending needs, we offer personal expertise through our specialist teams based in London, Manchester, Birmingham and Glasgow, as well as via our extensive introducer network.

We're owned by a collective of investors, who are experienced UK business owners with deep knowledge of retail and medium-sized businesses. Having worked together for several years, they've built successful business interests and investments across a wide range of sectors including retail, wholesale, property and financial services.

What makes us unique

AI is powering our Human Digital model, making the human superhuman. This means more efficient processes, faster problem solving and the ability to implement innovation into our business as we continue to scale.

We are well on our journey to becoming an AI-powered organisation, having already deployed two bespoke AI assistants to enhance our speed of underwriting and to support our colleagues with their HR needs.

Much of the benefit of these technologies is in their ability to give time back, time that is being spent focusing on the needs of our customers and helping them to grow their businesses.

Our business

We are the Human Digital Bank – using the latest digital technology to empower our colleagues to deliver outstanding customer service.

Our customers are at the heart of everything we do at Cynergy Bank, and we are committed to delivering the best possible customer outcomes. In 2025 we enhanced our Human Digital proposition with the launch of our enhanced online banking platform and a plethora of new features added to our mobile banking app.

The improvements and innovations in our technology have enabled customers to more easily and quickly self-serve. We have also further integrated the Human into the Digital, as our lending customers can now make appointments with their relationship managers at the touch of a button in the app.

Our product suite was further enhanced in 2025, with our business current and savings accounts offering highly competitive rates and features for SMEs. We have enhanced our bespoke banking offering for mid-market businesses, with a new team of relationship managers in place to offer one-to-one service.

Lending

Our bespoke property, commercial and business lending proposition, which serves the needs of growing UK SMEs.

Cynergy Business Finance

Our Asset Based Lending arm, Cynergy Business Finance, provides funding against business assets (including receivables, plant and machinery, inventory, property and cashflow lending) for UK businesses seeking growth, acquisition or turnaround along with block discounting facilities for asset finance businesses.

Private banking

High net worth products and services for UK families.

Business bank accounts

Interest-paying business current and savings accounts designed for businesses that are scaling up.

Personal savings accounts

Award-winning personal savings and current account products for UK savers.

Cynergy Business Finance

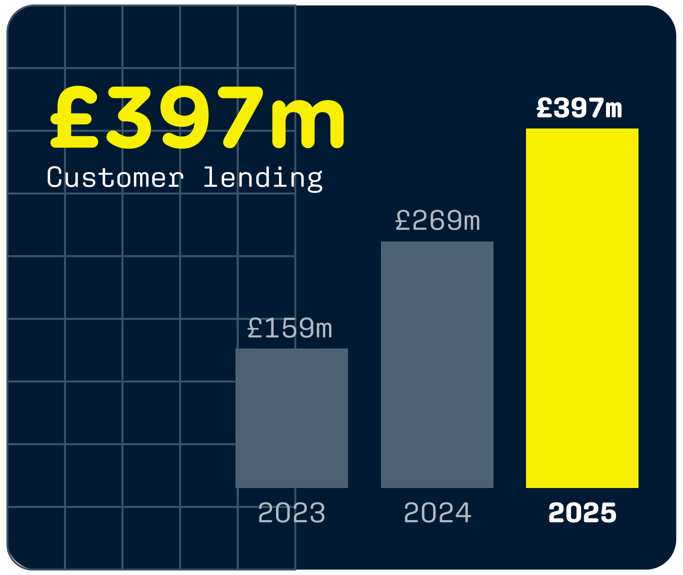
Cynergy Business Finance (CBF) is our asset-based lending (ABL) subsidiary. We are committed to delivering a comprehensive set of services to meet the evolving needs of our clients and provide a range of finance solutions.

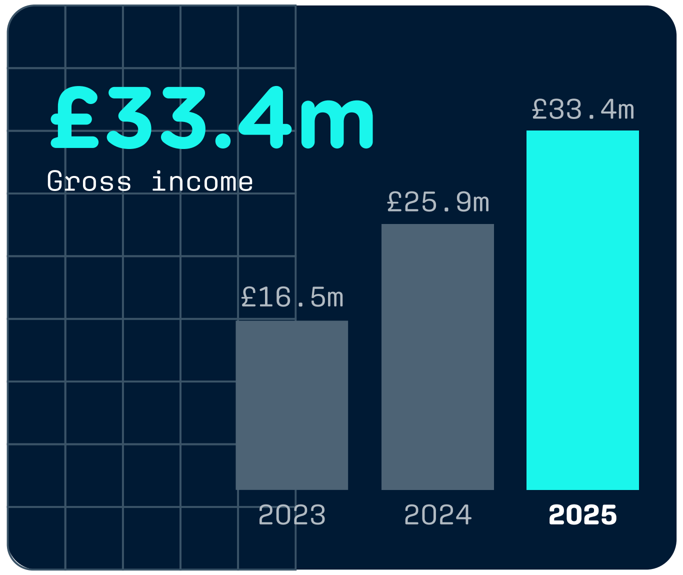
> "It has been another record year with strong growth in client numbers, debts factored and lending, all underpinned by excellent client service."

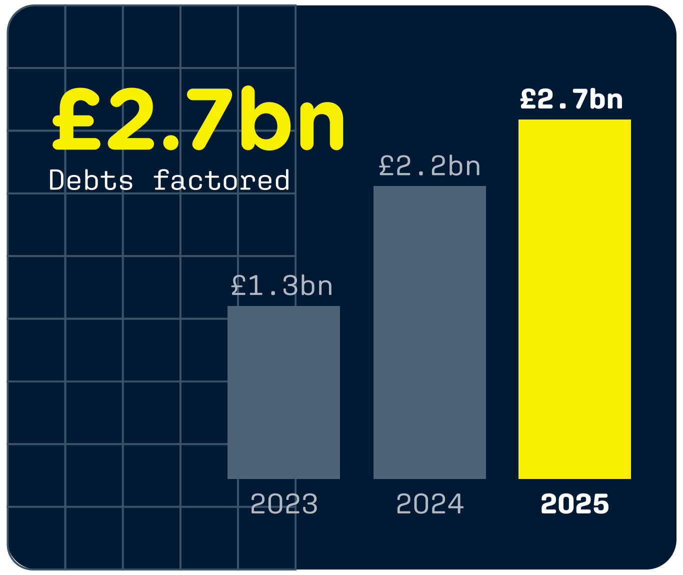
Our ABL subsidiary, CBF, is celebrating four years of operations, marking significant lending and growth milestones, and achieving a Trustpilot score of 4.9 out of 5. In 2025, CBF reached total lending of £397m, achieved a Cost Income Ratio of 31%, increased client numbers to 497, generated Gross Income of £33.4m, and grew Debts Factored to £2.7bn, supported by a team of 51 colleagues. CBF has provided funding lines totalling £800 million to businesses across the country and increased its headcount to 51. Since launch, CBF has developed a comprehensive suite of Asset Based Lending products and services to help support SMEs across the UK with their growth ambitions.

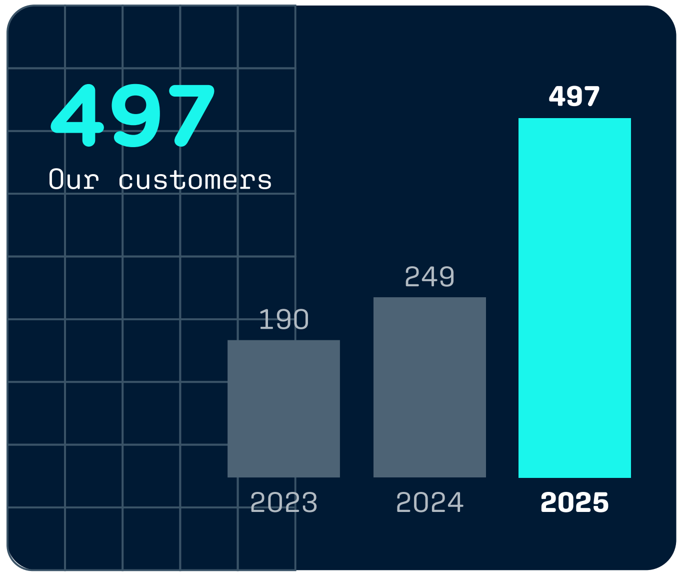
CBF provides funding against business assets, including receivables, plant and machinery, inventory and property, in a flexible, fast and efficient way. CBF also offers cash flow loans, standalone asset finance (HP), as well as block discounting funding (to asset financiers). We work closely with intermediaries and advisors to ensure effective collaboration and speed of turnaround for customers, recognising a variety of different objectives: growth, acquisition, turnaround and expansion.

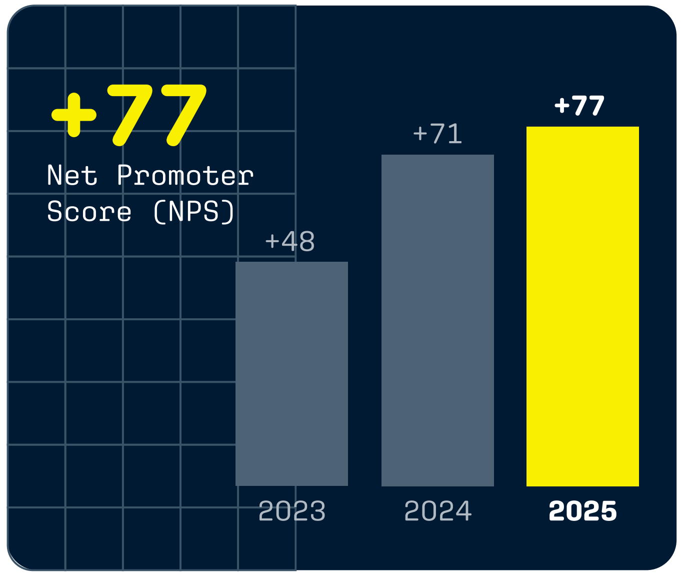
Block discounting, launched 18 months ago, has helped diversify CBF into new sectors and grown its balance sheet to over £100 million. It has strengthened CBF's ties with a variety of leading asset finance providers, allowing them to significantly expand their businesses and maximise the capital they have to support their customers. Over the summer, CBF launched its standalone asset finance (HP) product, with the aim to grow this arm to over £200 million by 2028, widening support for UK-based SMEs.











Our customers

Case study

Buzzworks Holdings

Propelling growth plans in Scotland

Ayrshire based Buzzworks Holdings secured funding from Cynergy Bank to further support its growth ambitions. The award-winning Scottish hospitality group is embarking on the next stage of its journey to becoming a £100m+ family-run business, as it continues to grow its footprint across Scotland.

The funding provided by Cynergy Bank supports the refinancing of existing facilities, a management buyout and provides capital for future acquisitions. The investment will enable Buzzworks to add new bar and restaurant sites, as well as venues that combine hospitality and accommodation.

Buzzworks, which currently operates 22 venues and employs over 850 staff, has earned a strong reputation for quality, community focus and innovation. As the business scales, it will continue to deliver the same high-quality customer experience that has earned it national recognition. This deal underpins Cynergy Bank's presence in the Scottish market, demonstrating its commitment to supporting ambitious, high-growth businesses across the region.

Funding was raised through Alchemy Partners and the transaction was supported by West Coast Capital who will remain a key investor.

Kenny Blair, Co-Founder and Managing Director of Buzzworks, added: "Our ambition is clear: to become a £100m+ Scottish hospitality business that brings people together and lifts the communities we're part of. We'll be creating new roles, welcoming new talent and ensuring that the support and infrastructure are in place to help Buzzworks reach its full potential.

"This deal gives us the momentum to move further, faster – investing in people, places and new formats including venues with rooms in more towns and suburbs across the country. We aim to more than double the size of the business and create hundreds of new sustainable jobs along the way. The next stage of the Buzzworks journey is about to begin."

We have received more than 5,000 positive reviews and are currently rated 4.3 out of 5 on Trustpilot.

"First class customer service."

"The new online banking is now a breeze to use."

"Great App and account opened quickly and efficiently online."

Our partners

Case study

Delancey

Establishing a real estate credit partnership

Cynergy Bank and Delancey, a UK-focused real estate asset and investment manager, established a strategic lending partnership targeting up to £1.5bn of property-related debt transactions over the next three years.

Formed as a non-exclusive, multi-year programmatic joint venture, the partnership focuses on originating and executing senior and whole loans ranging from £10m to £80m. These loans will be funded either solely by Cynergy Bank or jointly by both parties.

Delancey is leading sourcing and structuring activities through its vast network of sponsors. The joint venture is targeting financing opportunities from high-quality sponsors in development, transitional and investment assets across London and core UK regional cities. A robust pipeline of opportunities has already been identified in office, industrial, retail, living, mixed-use, self-storage and healthcare.

The venture marks Cynergy Bank's first sector-specific collaboration with an alternative lender. It's a significant step in our strategy to broaden access to UK real estate lending products and asset categories, while expanding Delancey's debt platform and its ability to deliver bespoke capital solutions at scale.

Cynergy Bank strengthens its position in the market by providing innovative financial products and services. This includes loans that cater to the diverse requirements of businesses, like a £45m three-year back leverage facility to Zenzic Capital in May for their residential development finance arm. We focus on understanding the unique needs of each client to support their growth ambitions.

Delancey, which manages £6bn in assets across debt and equity strategies, brings a strong track record in wholesale and mezzanine lending. The firm has participated in landmark transactions across different asset classes, such as the £235m refinancing of 280 Bishopsgate – a c275,000 square foot, Grade A, BREEAM Outstanding office building in the City of London – and the £135m refinancing of the Notting Hill Gate Estate: a rare, near fully-let, c185,000 square foot freehold estate.

The joint venture reflects a growing trend. As institutions seek to meet increasing borrower demand for flexible, bespoke funding solutions delivered with speed and certainty of execution, partnerships are growing between traditional banks and alternative lenders.

Martin Kom, Head of Credit at Delancey, commented: "This is a further example of the diverse capital solutions we can offer to investors and borrowers at a time when they are seeking new ways to access attractive risk-adjusted opportunities across the capital stack. This partnership will accelerate the scaling of our debt platform while providing Cynergy with a new route into the UK real estate debt market.

"With our active deal flow, extensive sponsor network and comprehensive equity underwriting approach, we are confident in delivering high-quality loans at scale that meet Cynergy Bank's underwriting standards and growth of Delancey's investment products."

Ravi Sidhoo, Managing Director at Cynergy Bank, added: "As one of the UK's longest established independent private real estate managers, Delancey has an unrivalled network that will drive origination, unlocking new opportunities for Cynergy Bank within the UK real estate market.

"With over £55bn of UK real estate loans maturing in the near term, we believe there is a compelling lending opportunity – driven by traditional banks retrenching, rebased equity values, anticipated interest rate cuts, and recovering transaction volumes."

Ian Guthrie, Senior Managing Director at JLL, commented: "This arrangement is the first lending partnership of its type involving a UK challenger bank and a non-bank lender and follows an extensive process, led by JLL on behalf of Cynergy Bank, to identify a strategic partner closely aligned to the bank's strategic objectives. We're confident this collaboration will deliver both significant value and innovative financing solutions that meet the diverse needs of today's real estate investors, developers and operators."

Environmental and social report

Cynergy Bank

In 2023, Cynergy Bank carried out a comprehensive double materiality exercise with guidance from an experienced third party. The resulting material impacts, risks and opportunities formed the basis of our environmental, social and governance (ESG) plans, which focus on four priority areas aligned to our purpose and commercial strategy:

1. **Assist customers' transition**
2. **Reduce our carbon footprint**
3. **Embed climate management into governance and culture**
4. **Support communities and society**

Details on the first three priorities are outlined in the Environment section, while priority four – where Cynergy Bank has the greatest material impact – is covered in Social.

Environment (including climate-related financial disclosures)

The following disclosures comply with the UK Streamlined Energy and Carbon Reporting (SECR) framework and the Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 (SI 2022/31) and constitute the Company's Non-Financial and Sustainability Information Statement.

Governance

The Board	• Sets, oversees and embeds our ESG strategy, including climate considerations, across the organisation. Climate-related risks and opportunities are a key component in this strategy. All new climate targets, updates to our assessment of climate-related risks and opportunities, or updates to the net zero transition plan are reviewed and approved by the Board. • Neil Fuller, Non-Executive Director, sponsors ESG at Board-level and oversight is supported by the Board Risk Committee (BRC). • To date, given that climate-related issues are assessed as not material over the short, medium and long term, so far there have been no changes to strategy or trade-offs for the Board to consider.
Board Risk Committee (BRC)	• As set out in its terms of reference, the BRC oversees the integration of ESG into our enterprise risk management framework and monitors sustainability risk metrics, key performance indicators, financial disclosures and climate stress and scenario analysis.
Board Audit Committee	• Oversees sustainability disclosures, reporting, controls and compliance.
Executive Committee	• The Executive Committee has, according to its terms of reference, responsibility for developing and implementing Cynergy's ESG strategy and targets and overseeing the management of ESG risks in collaboration with the Executive Conduct & Risk Committee (ECRC).
Executive Conduct & Risk Committee (ECRC)	• Reviews our analysis of, and approach to, financial risks from climate change, including scenario analysis, and reviews physical and transition risks from climate change in the context of our short, medium and long-term strategy and objectives. • Based on this review, the ECRC makes recommendations to the BRC.
Board Remuneration, Nominations & Corporate Governance Committee	• Considers sustainability performance when deciding executive pay.

Strategy

Cynergy Bank provides tailored banking solutions to support business owners, entrepreneurs and savers to achieve their goals.

Organisations in the carbon reporting sector (like the non-profit CDP) estimate that about 95% of a bank's Scope 3 emissions typically arise from financed emissions. As such, these have been our priority since establishing our ESG plans in 2023. Our residential and commercial real estate investment portfolios are the most significant sources of climate-related issues. They comprise over 60% of lending and the Task Force on Climate-Related Financial Disclosures Implementation Guidance (2021) defines this as an industry with heightened exposure to climate-related risks.

We have committed to achieving net zero emissions by 2050, in line with the UK's 2050 net zero target. To support this, we have set interim targets for our operational emissions and are phasing in interim targets for our financed emissions.

Operational Emissions Interim Targets	Financed Emissions Interim Targets
• As of the end of 2025, we have reduced our operational absolute emissions (Scope 1 and 2) by over 50%. • As such achieving our 2030 target, based on a 2023 baseline, ahead of schedule.	• In 2025, we introduced a Commercial Investment Property emissions intensity reduction target, for the period 2026 to 2030, increasing our target coverage to 65.3% of lending. • We also continued efforts to reduce emissions from the Residential Investment Property portfolio, in line with our existing 2030 intensity reduction targets.

Our financed emissions reduction targets and associated actions focus on levers within our control, incrementally improving the Energy Performance Certificate (EPC) profile of our lending balances through front-book EPC risk appetite limits. However, significant industry challenges remain around data availability, quality and financed emission calculation methodologies.

Our analysis of climate-related issues, our data and measurement capabilities and how we monitor the external landscape all continue to mature.

Climate-related issues that could potentially have a material financial impact on the organisation over the short, medium and long term are considered annually as part of our financial planning cycle and Enterprise Risk Management Framework (ERMF) refresh. The issues and their associated impacts are covered in the following section. Overall, in the relevant period, these issues had no material impact on our financial performance or position.

Climate-related risks and opportunities

Transition risks

Transition risks stem from the shift towards a low-carbon economy: through changes in policy and regulation, new technologies or business models, evolving market expectations and stakeholder preferences, shifting legal interpretations and potential reputational impacts.

Our main transition risks arise from the UK's 2050 net zero commitment, alongside recent signals from the UK Climate Change Committee (CCC) that current progress is off-track. This heightens the possibility of a rapid tightening of carbon-reduction expectations, new policies and regulation, and a 'disorderly transition'. For Cynergy Bank, these risks could materialise as follows:

Risk	Current / Short-term Impact	Potential Medium to Long-term Impact
More onerous climate regulations for businesses	We are addressing current and emerging climate reporting and prudential oversight requirements by: • Embedding climate risk into our business operations • Investing in data and analytical capabilities • Enhancing our climate and sustainability disclosures • Developing and implementing our transition plan **Financial: increased operating costs. Not currently material.**	More policy changes could increase the operational burden of managing climate risk, particularly if introduced with short lead times. If future climate regulations or carbon taxes impact our small to medium business (SME) customers, this could affect their cash flows or asset values, reducing their capacity to repay bank debt. **Financial: risk of increased operating costs or fines; risk of credit exposure from higher loan impairments.** **Not expected to be material.**
More onerous energy regulations for buildings	We are responding to existing and anticipated transition requirements for UK buildings through: • Our established EPC C+ risk appetite limit in residential and commercial lending • Maintaining a minimal footprint, limited to our modern London head office, which is due to eliminate natural gas in 2026 **Financial: negligible.**	Future policies aimed at rapidly greening the UK's building stock could create significant costs for building owners in our residential and commercial investment portfolios. **Financial: risk of credit exposure from mortgage write-offs and impaired building values.** **Not expected to be material – maximum upgrade costs based on EPC data fall well within our loan-to-value limits even for drastic emissions reduction scenarios.**

Physical risks

Physical climate risks arise from exposure to climate-related changes and hazards, which can disrupt business operations or damage physical assets.

These risks can be classified as either:

- Acute: arising from event-based hazards such as storms or floods
- Chronic: resulting from gradual shifts in weather patterns, such as increasing water stress

The main physical risks that could affect Cynergy Bank are flooding (acute) and subsidence (chronic).

The UK Environment Agency has identified these as the most prevalent and costly physical impacts of climate change on the UK's property sector. Particularly we have deduced that the most impactful flooding events occurred under flooding from surface water, as opposed to flooding from rivers and seas, due to the prevalence of surface water flooding across the UK.

For us, these risks may materialise primarily through our lending book. Our own operational footprint is comparatively small and low-risk, given our modern central London location and the ability for all colleagues to work from home.

Risk	Current / Short-term Impact	Potential Medium to Long-term Impact
Increase in frequency and severity of flooding events (acute)	Recognising the growing prevalence of flood risk in the UK, we have: • Invested in our internal ability to analyse flooding scenarios • Set risk appetite limits for our residential lending books to mitigate potential future exposure **Financial: Not currently material.**	Increasingly frequent and extreme flooding events may lead to: • Damage to and/or devaluation of residential and commercial investment properties we finance • Business continuity challenges for the trading businesses we finance **Financial: risk of credit exposure from impaired building values and higher default probability.** **Not expected to be material –under the most severe (1 in 1,000 years) precipitation events, estimated potential losses in our residential portfolio were 0.7% of this portfolio's total value out to 2070.**
Increased subsidence (chronic)	To address this longer-term risk, we mapped the properties we fund against subsidence risk maps and established risk appetite limits for the residential and commercial lending books to mitigate potential future exposure. **Financial: negligible. Not currently material.**	Subsidence may damage and/or devalue residential and commercial investment properties we finance. **Financial: risk of credit exposure from mortgage write-offs and impaired building values.** **Not expected to be material.**

Climate-related opportunities

Climate-related opportunities arise from new revenue streams, operational efficiencies and enhanced resilience associated with the transition to a low-carbon, climate-resilient economy. For Cynergy Bank, primary opportunities may be linked to evolving customer demand for commercially sustainable green and transition financing solutions.

To proactively assess market appetite, we introduced two transition-focused loan products in 2023: a residential EPC C+ term loan and a residential property improvement loan. Initial market uptake was subdued. We attribute this largely to the UK Government's decision to revise proposed policies that would have required landlords to upgrade properties to an EPC C rating by 2025 for new tenancies, and 2028 for existing tenancies.

Future transition-related lending opportunities remain contingent on clearer regulatory frameworks for residential and commercial properties, to stimulate sustained customer demand. We're committed to supporting customers' transition journeys, but until policy certainty improves, we will maintain a considered approach to modelling and disclosing specific financial targets for these opportunities.

Resilience of our strategy

To support our assessment of climate-related risks and opportunities, and to test the resilience of our strategy, we conduct annual top down qualitative and bottom-up quantitative scenario analysis.

Our bottom-up scenario analysis examines:

- Flood risk from surface water, rivers and seas, under a range of United Nations Intergovernmental Panel on Climate Change (UN IPCC) climate scenarios across three time horizons: 2025, 2030 and 2070. For these scenarios, we use insurance data on flood damage values to assess potential impacts across different rainfall events with probabilities of 1 in 20 (5%), 1 in 50 (2%), and 1 in 100 (1%).
- Property transition risk under a range of emissions reduction scenarios defined by the Network for Greening the Financial System (NGFS), using EPC data to estimate the cumulative cost of upgrading properties to a higher band by 2050, assuming these costs translate into an equivalent reduction in property values.

In 2025, we continued to use the Bank of England's Climate Biennial Exploratory Scenarios to refresh our top-down stress test of lending at a qualitative, sectoral level.

This analysis uses the Bank of England's Late Action scenario, where transition is delayed and disorderly, and warming is limited to 1.8°C. We assessed loans by sector on a high to low scale for transition risk (regulatory, technology, stakeholder and legal) and physical risk (acute and chronic). This assessment involved contributions from across our bank, including finance, credit risk, first- and second-line defence, and relationship management team. Our refresh using year-end 2025 balances continued to show only moderate or minor transition and physical risks across the sectors we lend to.

These results reinforce our view that neither our current strategy nor our financial performance or position will be materially affected by climate-related risks and opportunities.

Continued implementation of our transition plan and progress toward our interim and long-term climate targets are expected to position us well to mitigate climate-related risks and capitalise on emerging climate-related opportunities.

In 2026, we are reviewing our scenario analysis capabilities, in our response to the Bank of England Prudential Regulation Authority's Supervisory Statement 5/25 (SS5/25) and in early anticipation of any future incoming UK Sustainability Reporting Standards (UK SRS).

Risk management

Climate risk is embedded in our Enterprise Risk Management Framework (ERMF) under the principal risk of 'strategic risk'.

We use a combination of horizon scanning (such as political and regulatory context and net zero pathways), quantitative assessment (financed emissions and loan-level flood risk scenario modelling, for example) and qualitative assessment (sectoral assessment of transition and physical risks, for example) approaches to determine the size and scope of climate-related risks. These inputs are refreshed at least annually as part of the broader financial planning cycle.

As a strategic risk embedded into our ERMF, climate risk has a dedicated Risk Appetite Statement (RAS), metrics and key risk indicators. These mechanisms are fully integrated into our overall risk management approach, and used to monitor and manage climate risk against agreed thresholds. They are subject to governance and oversight, consistent with all risk types, as defined by the broader ERMF.

Where relevant, such as for front-book EPC C+ risk appetite thresholds, climate metrics are integrated into front line (first line of defence) credit policy.

Metrics and targets

This section includes disclosures in line with the UK Streamlined Energy and Carbon Reporting (SECR) guidelines. Greenhouse gas (GHG) emissions were assessed in accordance with ISO 14064-1:2018 and calculated using the operational control approach, following the Greenhouse Gas Protocol.

Energy consumption fell by 30%, driven by consolidating our office footprint from multiple London office locations to a single energy-efficient building which is transitioning to air source heat pumps.

Metrics

Operational emissions and energy[1]

		2025	2024	2023
Emissions (tCO_2e)	Emissions from heating and own transport (Scope 1)	**20.66**	41.17	94.27
	Emissions from the use of purchased electricity (Scope 2 – location-based)	**60.71**	88.43	96.15
	Emissions from the use of purchased electricity (Scope 2 – market-based)	**3.61**	7.30	24.14
	Total emissions (Scope 1 and 2) (location-based)	**81.37**	129.60	190.42
	Total emissions (Scope 1 and 2) (market-based)	**24.27**	48.47	118.41
	Scope 3 emissions from business travel	**73.49**	67.89	66.67
	Scope 3 emissions from commuting and homework	**192.97**	123.25	207.68
	Total GHG emissions (location-based)	**347.83**	320.74	464.77
	Total GHG emissions (market-based)	**290.73**	239.61	392.76
Energy (kWh)	Total energy use for emissions calculations (Scope 1 and 2)	**455,901**	652,243	695,480
Intensity metrics (location-based)	Scope 1 and 2 emissions (tCO2e) per £m operating income	**0.57**	0.96	1.19
	Scope 1 and 2 emissions (tCO2e) per full-time equivalent	**0.20**	0.35	0.48

Scope 1 emissions from heating fell significantly following the installation of air source heat pumps, which were commissioned over the summer to provide all building cooling. In winter, these were phased in to provide heating alongside the existing ground source heat pump, enabling phased removal of the gas boilers. Later in 2026, all heating and cooling in the building should be powered by electricity.

All electricity purchased for our single head office is 100% renewable, backed by externally verified Renewable Energy Guarantee of Origin (REGO) certificates (ISAE 3000 standards).

Scope 3 emissions increased mainly due to workforce growth, which led to higher business travel and commuting. We also received more staff responses to our commuting and homeworking survey, and saw an increase in average commuting distance.

[1]Methodology
We calculate our GHG emissions in line with ISO 14064-1:2018, using the latest Department for Environment, Food & Rural Affairs (DEFRA) and Department for Business, Energy & Industrial Strategy (BEIS) emission conversion factors, and the operational control approach. Scope 2 emissions are reported using a dual reporting method (location and market-based), reflecting grid-average factors and the use of renewable energy where applicable. For Scope 3 Category 6 (business travel), we use actual distances travelled where available, or expenditure-based data where distance data was missing, applying DEFRA 2025 emissions factors. For Scope 3 Category 7 (employee commuting), emissions from commuting and homeworking are based on staff survey responses covering travel modes, distances and homeworking environments. We combine this data with working patterns and relevant DEFRA and International Energy Agency factors.

Financed emissions[2]

	2025	2024	2023	2022
Lending balances included in financed emissions calculations				
Total lending (£bn)	**3.8**	3.7	3.6	3.3
Residential investment lending (£bn)	**1.8**	1.7	1.7	1.5
Commercial investment lending (£bn)	**0.7**	0.8	N/A	N/A
Residential investment property emissions				
Emissions intensity (kilograms CO2e/m2)	**18.43**	19.68	19.84	20.28
EPC rating of C+ or above (%)	**54.3**	50.6	47.3	44.3
PCAF data quality score (1-5)	**3.5**	3.4	4	4
Commercial investment property emissions				
Emissions intensity (kilograms CO2e/m2)	**20.25**	20.83	N/A	N/A
EPC rating of C+ or above (%)	**60.3**	57.4	N/A	N/A
PCAF data quality score (1-5)	**3.5**	3.5	N/A	N/A

*PCAF: Partnership for Carbon Accounting Financials

The residential investment property emissions and the percentage of lending with an EPC rating of C+ or above for 2022, 2023 and 2024 have been restated from the figures reported in the 2024 Annual Report and Accounts to maintain comparability following updates in underlying data and refinements to our modelling approach.

In 2025, the share of residential investment lending with an EPC rating of C+ rose by 7.3% and we saw a 4.4% reduction in the emissions intensity, which is calculated as total property emissions over total property floor area.

Commercial investment property emissions were measured and reported for the first time for 2024 and 2025. Year on year, the percentage of EPC C+ lending rose by 5% and we saw a 2.9% reduction in emissions intensity.

We do not apply an internal carbon price.

Targets

The Board has approved the following climate-related targets.

2050 Net Zero Target (in line with current UK targets)

We recognise current challenges around the expectation on lenders to validate that customers have achieved net zero, particularly for our

[2]Methodology
We use a property-centric data aggregator to improve EPC matching in our residential investment books (65% in 2023, 67% in 2024 and 68% in 2025) and to enhance commercial property EPC coverage (c20%, c50% and c55% respectively). We continue to apply industry standard PCAF methodology to calculate financed emissions and emissions intensity for residential and commercial investment segments, assigning a PCAF data quality score based on the accuracy of the calculation from 1 (best) to 5 (worst). Financed emissions are derived by applying an attribution factor to building emissions and absolute emissions intensity is calculated as total emissions divided by total floor area.

customer base of SMEs and private individuals, as well as the absence of agreed methodologies for certain smaller portfolios in our book. However, we have set this target in good faith that pragmatic solutions will be found between now and 2050.

We have interim (2030) targets in place for Scope 1, 2 and a growing proportion of Scope 3 Investments (Category 15).

Interim (2030) Operational Emissions Target

We targeted a 50% reduction in our absolute Scope 1 and 2 (market-based) emissions by 2030, from a 2023 baseline, covering the entire entity. As of end of 2025, we have achieved this through consolidating our offices into a single modern energy efficient office and by the fitting of air source heat pumps in the building.

As the heat pumps have been brought online in a staggered way, the full benefit will be seen from the second quarter of 2026. By this time, the building will be powered, heated and cooled by 100% renewable electricity, backed by Renewable Energy Guarantee of Origin Certificates externally verified to ISAE 3000 standards.

Although our analysis of physical climate risk showed negligible potential losses in the residential property investment portfolio, we have set risk appetite limits for this portfolio to support the monitoring and maintenance of this position, particularly if climate impacts become more significant or imminent than currently projected.

Limits to the residential investment property book:

- Minimum 70% of the book to be in a negligible flooding and subsidence risk area
- Maximum 3% of the book to be in a high flooding risk area
- Maximum 15% of the book to be in a high subsidence risk area

Interim (2030) Financed Emissions Targets

Portfolio	Target[1]	On Track?
Residential investment property lending[2]	• Reduction in portfolio emissions intensity (kgCO2e/m2) of 20% by 2030 from a 2022 baseline.	Yes
Commercial investment property lending (new target)	• Reduction in portfolio emissions intensity (kgCO2e/m2) of 10% by 2030, from a 2024 baseline.	Yes

Targets were modelled using a straight-line convergence pathway to the UK CCC's Balanced (1.5°C) Net Zero Pathway in the UK CCC's Seventh Carbon Budget, converging in 2050. This implies a 23% reduction in residential emissions intensity and a 44% reduction in commercial emissions intensity. However, internal modelling – on how much we could realistically influence improvements in the EPC distribution of our property-related lending over the period – highlighted a gap to these convergence pathways.

Our targets reflect an ambitious but realistic assessment of what we can directly influence. While we believe the gap to the 1.5°C pathway could be closed if UK policy, regulation and consumer behaviours were to accelerate beyond their current trajectory, we have not factored these external shifts, over which we have limited influence, into our targets.

We monitor the EPC distribution of both our front book and total book lending, and set front book RAS limits to support our interim financed emissions targets. In 2025, limits applied only to the residential investment portfolio as the commercial target was in development; from 2026, targets are in place for both segments of our lending book. We recognise the limitations in EPC methodology as relates to GHG emissions, but we still think this is the best pragmatic solution currently available to manage real-world mitigation action across our portfolios.

Flooding and subsidence risk appetite limits

Differences in potential losses across emissions pathways and time horizons were negligible for each return period, indicating that the scale of damage from extreme flooding events is driven primarily by the severity of the event, rather than by the emissions trajectory or when the event occurs.

[1]These targets cover 65.3% of our in-scope lending activities.
[2]This is a restatement of the target published in last year's report, where we said we aimed to reduce the emissions intensity of our Residential Investment lending portfolio by 21%. We're restating this after the publication of the UK CCC's Seventh Carbon Budget in February 2025, which required us to remodel our reduction pathway. As a result, our revised trajectory shows a slight decrease in the expected reduction for our residential portfolio by 2030.

Residential Investment Property – Flooding and Subsidence Risk Profile

Risk Level	Risk Type	2025	Limit	Status
Negligible risk	Flooding	84.7%	≥70%	Within limits
	Subsidence	90.4%	≥70%	Within limits
High risk	Flooding	0.9%	≤3%	Within limits
	Subsidence	7.5%	≤15%	Within limits

Our analysis shows that the portfolio remains well within the residential investment property book's risk appetite limits. In 2025, 84.7% of the portfolio fell within negligible flooding risk areas and 90.4% within negligible subsidence-risk areas, both exceeding the 70% minimum. Exposure to high-risk zones was also low, with only 0.9% of properties located in high flooding-risk areas (below the 3% limit) and 7.5% in high subsidence-risk areas (below the 15% limit). These results indicate that the portfolio is well-positioned to manage the physical risk impact of extreme flooding and subsidence events, and remains fully aligned with our established risks appetite.

Social

We want to have a positive impact on our customers, colleagues and local communities, always mindful of our social goals.

Our people strategy aims to transform ways of working and prepare our workforce for the huge shift and opportunities that technological advancement brings. We see AI integrating into our teams to work alongside our colleagues; evolving how we work, creating new opportunities, and introducing new capabilities and skills to develop. Our strategy focuses on empowering and equipping colleagues to navigate these changes.

We focus on colleague experience – we want everyone to be happy, engaged and enabled in their careers with Cynergy Bank. This approach is grounded by established mission and vision statements, keeping our commitment to our colleagues front and centre.

Our colleague mission:

To create a culture which empowers our colleagues, celebrates success and allows all colleagues to feel a sense of belonging. Through our digitally enabled frameworks we will attract, develop and retain our colleagues, embracing difference and encouraging agility; and by doing the right thing, we will become a material positive contributor to society, the communities we serve and the environment.

Our colleague vision:

To help our colleagues succeed and grow to their full potential.

Our people

Building a diverse, high-performing, agile, engaged and digitally enabled team is the overarching focus of our people strategy. This in turn is a key enabler of our strategic ambitions. In particular, we focus on:

- AI adoption: creating a culture of innovation and experimentation through building new skills and capability, psychological safety and rethinking ways of working
- Inclusive and diverse colleague base: diverse, cohesive and collegiate teams led by a strong bench of diverse leaders who set the right tone, model our cultural values, deliver consistently and are ambassadors for our brand and vision
- Culture and colleague engagement: embracing our values and brand identity to deliver an engaging employee proposition that attracts and nurtures talent, motivates high performance, enables delivery of our ESG objectives and encourages open and transparent communication channels
- Fair, transparent and responsible reward: driving equity and fairness and linking reward to both performance and behaviours. This reinforces a culture where how we achieve success is as important as what we deliver, supporting engagement and motivation and rewarding high-performance
- Agile delivery: an agile organisation that embraces technology and the productivity of hybrid working and enhances collaboration internally and with external service partners to remove barriers to effectiveness
- Ensuring our succession and talent considerations are seen through a diverse lens, with a focus on diverse succession lists

A focus on inclusion and diversity

We use targets and draw on external benchmarks to help keep us focused on achieving and maintaining a diverse colleague base. We work towards these targets through intentional interventions and investments, with inclusion and belonging as a central goal. We understand that having a colleague population that reflects our customer base will ensure the best outcomes for current and prospective customers.

We're proud to hold an Inclusive Employers (IE) Standard Bronze Award, an evidence-based workplace assessment and accreditation for inclusion and diversity (I&D).

Although we are not a FTSE 350 firm, we embrace the recommendations and targets set out in the FTSE Women Leaders Review (formerly the Hampton-Alexander review).

As of February 2024, FTSE 350 Boards have met a voluntary target of 40% female representation. The top 50 private companies have reached 31% female representation on the Board and 36% in senior leadership roles. The Parker review recommends at least one director from a minority ethnic background on the Board. We aspire for the diversity of our Board and Senior Leadership to reflect our wider team and the communities we serve.

Cynergy Bank has set the aspiration to meet a 33% target for female representation at senior leadership level and above. To make year on year progress towards this aspiration, we:

- Have established an in-house direct sourcing model
- Use diverse interview panels for hiring activity
- Strongly recommend diverse shortlists from our recruitment partners (50/50 gender balance)
- Use technology to anonymise CVs to remove demographic identifiers, so we can conduct blind hiring at the shortlisting stage
- Ensure our succession and talent considerations are seen through a diverse lens, with a focus on diverse succession lists

We focus on growing our internal pipeline of female talent by hiring both internally and externally. Looking inward, we try to elevate women into senior technical or leadership positions through robust succession planning, development plans and investment and development initiatives. Our values-driven approach provides a strong foundation for advancement. Like many organisations, our commitment is long-term. We will continue to build on it to make meaningful and authentic progress.

Our colleagues contribute to our aspirations through a volunteer led I&D network. This grassroots approach, supported by guidance and sponsorship from an Executive Committee and Board member, is central to how we champion this agenda and hold the organisation to account. After a recent refresh, the network is now prioritising race and ethnicity, neurodiversity and female representation through to 2026.

To complement this, our I&D strategy calls for an evolving focus on social mobility in 2026.

I&D performance in 2025

- Female representation on the Board: **22%** (2024: 22%)
- Female representation in senior leadership: **24%** (2024: 24%)
- Directors of minority ethnic background on the Board: **2** (2)
- Our mean (average) gender pay gap decreased in recent years from 37% in 2020 to **26%** (2024: 26%)

People highlights

Appreciate, our recognition platform, celebrated its second year. This peer-to-peer recognition approach promotes and strengthens our values and culture of recognition.

Our PROUD values drive how we conduct ourselves and interact with each other, our customers and stakeholders.

- **P**utting the customer first
- **R**isk front and centre
- **O**pportunity, empowerment and innovation
- **U**nited team that's inclusive and diverse
- **D**oing the right thing

Our PROUD values were instrumental in the evolution of our learning and development (L&D) framework. In 2025, we aligned our L&D

offering under the 'PROUD Development' banner, launching two flagship initiatives:

- PROUD Development Days: dedicated learning sessions featuring internal and external speakers. These workshops provide colleagues with fresh perspectives and enhance skills in areas ranging from commercial acumen to personal growth
- PROUD Leaders: a programme to strengthen senior leadership capability. By fostering a collaborative peer network, the initiative helps leaders navigate the complexities of an evolving employment landscape with more confidence and support

We had a range of different ways to gain insights into our organisational dynamics – and to make sure the Consumer Duty permeates all aspects of our cultural development. These included:

- An independent review of our culture
- Leader open door sessions
- Monthly townhalls and Q&As
- Mid-year and year end engagement surveys

We have been rolling out a psychometric insight tool called Emergenetics across the organisation. This tool, provided to all colleagues, enhances our understanding of individual and team behaviours, styles and dynamics.

We took good care of each other by promoting our employee assistance programme, and holding a wellbeing week and a benefits showcase fortnight. All to make sure our colleagues can get support when they need it through our diverse range of colleague benefits.

We have a group of mental health champions who offer peer-to-peer support and a listening ear.

We all had to complete training on:

- ESG
- Consumer Duty
- Conduct rules
- Inclusion and diversity

Evolving our colleague experience

In 2025, we launched new joiner inductions to give colleagues the best welcome and start to their time at Cynergy Bank. These sessions help address the usual new joiner queries but then take a tour through our history and strategy. Importantly, they also provide time with a member of our Executive Committee.

We made sure colleagues felt informed and aligned to our strategy by holding an all-colleague strategy day – hosted by our new partners, Brentford FC, at their home ground. We reflected and looked forward, spending time with each other and celebrating achievements. We took this opportunity to introduce our new 'strategy on a slide' material to help embed what we heard on the day through the rest of the year.

We are using AI to significantly improve our people proposition. Microsoft Copilot is now embedded in our daily workflows, while AI-driven collaborations have optimised our recruitment and talent acquisition capabilities. At the end of 2025, the People and Culture team launched a pilot of Buzz, an AI assistant designed to give colleagues instant, on-demand support with internal enquiries. The goal is to have this assistant available to colleagues across the Bank through 2026.

We invested in leadership capability, knowing how critical this is for colleague experiences and recognising the complexity of being a leader today. We supplemented our own PROUD Leaders programme with creative role play based training, access to coaching, mentoring and 360 feedback.

We are building a sense of belonging, both at work and with our communities. A second cohort of colleagues took part in our reverse mentoring programme, led by our I&D Network, which empowers people from underrepresented backgrounds. Colleagues from various backgrounds were matched with senior leaders and Executive Committee members. We continued our diversity data drive and exceeded our internal targets for voluntary diversity data disclosure. We continued our partnerships with Women in Business Finance and Inclusive Employers, hosting events and webinars to support colleagues personally and professionally.

Our latest engagement data reflects a high level of confidence in our direction: 85% of colleagues feel optimistic about Cynergy Bank's future and recognise our commitment to building a diverse and inclusive organisation. Not only that: 77% of our people are proud to work here, and 76% would recommend Cynergy Bank as an employer of choice. We continue to showcase our culture externally, ending 2025 with a Glassdoor rating of 4.1.

While these results are encouraging, we will keep addressing areas where our colleagues tell us we can improve. Our mission is underpinned by a values-led, digitally enabled culture that prioritises social responsibility. Looking ahead, we commit to increasing diversity within our senior leadership team and narrowing the gender pay gap. To support this, we are improving the quality of our voluntary demographic data, so our future initiatives are both evidence-based and tailored to our colleagues' needs.

Our community

The impact we can make in our local community is important to our Board and Executive Committee, as well as the wider organisation. This is reflected in our ESG strategic action plan to support our colleagues and communities.

Our teams have the freedom – and our support – to give something back to charity and the community.

Community highlights in 2025

Our colleagues volunteered and helped raise funds throughout the year for Noah's Ark Children's Hospice, our long-standing nominated charity partner. Noah's Ark is a community-based hospice that gives clinical, practical and emotional support to babies, children and young people with life-limiting or life-threatening conditions in north and central London.

- Colleagues organised and took part in workplace fundraising initiatives and challenge events, including football matches, the London Marathon, mountain hikes and relay races in aid of Noah's Ark and other charities throughout the year.
- We match employee fund-raising for charitable causes.
- We match regular donations to colleagues' chosen charities through our Give As You Earn scheme.
- All our colleagues are eligible for helping hands days: two days of paid leave each year to volunteer with charities close to their hearts.
- To support students from underrepresented socio-economic backgrounds, we hosted a bespoke in-house work experience programme with a local school. By providing mentorship and sharing our skills, we offered these students a meaningful introduction to the financial services sector, helping them build professional networks and confidence for their future careers.
- We continued our partnership with Business Education Events (BEE) and sponsored a mock interview event. Colleagues used their helping hands days to volunteer their time and expertise. Colleagues also volunteered at various other BEE events across the year at a variety of schools, helping with mock interviews and presentation skills.

Corporate governance report

Board of Directors

Euan Hamilton,
Chair
Appointed to the Board
in March 2016[1]

Euan was appointed as Chair in June 2021 after Philip Nunnerley's retirement.

Euan was a Director, Restructuring & Recoveries, with Bank of Cyprus Group. Before joining Bank of Cyprus, Euan held a range of senior executive roles with the Royal Bank of Scotland, including Deputy CEO of the Bank's Non-Core Division and Global Head of its Sponsor Coverage and Leveraged Finance businesses.

Euan is a Fellow of the Chartered Institute of Bankers in Scotland.

Kim Rebecchi,
Deputy Chair – Senior Independent Non-Executive Director, Chair of Remuneration, Nominations & Corporate Governance Committee
Appointed to the Board in July 2017

Kim has over 40 years' experience in financial services. Kim has spent the majority of her career in the building society sector, her last role being the Commercial Director of Leeds Building Society.

Kim has extensive Non-Executive Director experience, having sat on the Boards of a number of financial services businesses.

Kim holds the Financial Times Non-Executive Diploma, is a Fellow of the Chartered Institute of Bankers and holds a postgraduate diploma in financial services.

[1]Directors appointed before November 2018 would have been appointed to the Board of Bank of Cyprus UK Limited, before its change of ownership and rebrand to Cynergy Bank Limited, and subsequently, Cynergy Bank plc.

Catherine Moroney,
Independent Non-Executive Director
Appointed to the Board in November 2023

Catherine has extensive financial experience, including roles as Head of Business Banking at AIB Bank, Chair of AIB's Corporate Finance Business and Member of the AIB Retail Executive. Catherine is a former President and Chair of Dublin Chamber of Commerce and has formerly held Board directorships at Aviva Insurance and AIB General Insurance Businesses.

Catherine currently holds a Non-Executive Directorship at PTSB Bank and Intact Insurance (Ireland) and is a Director of a private consulting firm, Saburai Consulting Limited.

Catherine holds a BComm in Banking & Finance, and is a Chartered Director (IOD), a Certified Bank Director and a Fellow of the Institute of Bankers in Ireland.

Neil Fuller,
Independent Non-Executive Director, Chair of Board Risk Committee
Appointed to the Board in April 2023

Neil has over 40 years' experience in retail banking and financial services. He has held senior roles at Bank of Ireland UK plc, including Chief Risk Officer, Executive Board Director and, for a short time, Interim Chief Executive Officer. Prior to that, Neil was Chief Risk Officer at GE Capital Bank Ltd and held a variety of roles, including Risk Director and Chief Risk Officer, in the UK retail division of Royal Bank of Scotland and NatWest. Neil's experience and knowledge of risk management in the financial services sector enriches and strengthens the Board.

Neil is an independent Non-Executive Director of Leeds Building Society and the Chair of their Board Risk Committee.

Mike Newman,
Independent
Non-Executive Director,
Chair of Board Audit Committee
Appointed to the Board in September 2019

Mike has a wealth of banking, financial management, audit and regulatory experience having spent 30 years with PwC, including 20 years as a Senior Audit Partner.

During his career, Mike has worked with large UK and US banks as well as a variety of UK-based building societies and banks, motor finance, asset finance and private banking businesses. Mike is a Fellow of the Institute of Chartered Accountants and is currently also a Non-Executive Director of Société Generale International Limited and Union Bancaire Privee (UK) Limited.

Stefano Combi,
Chief Financial Officer
Appointed to the Board in December 2024

Stefano has extensive financial services experience. He first joined Cynergy Bank in April 2024 as Transformation Director and Head of Strategic Finance before becoming CFO. Prior to joining Cynergy Bank, Stefano spent 22 years in investment banking, of which 12 were at HSBC, where he was a Managing Director for its Financial Institutions Group.

Stefano also spent 5 years at PwC, where he qualified as a Chartered Accountant.

Pradip K Dhamecha,
Non-Executive Director
Appointed to the Board in September 2018 after the acquisition of Cynergy Bank by Cynergy Capital Limited

Pradip is the CEO of Dhamecha Group, Cash & Carry Food Wholesalers, serving some 18,000 independent retailers in the London and Midlands areas. He is responsible for the strategy and overall performance of the Dhamecha family business.

Pradip was awarded an OBE in June 2018 for services to Exports, Economic Growth and Philanthropy.

Nick Fahy,
Chief Executive Officer
Appointed to the Board
in January 2016

Nick is a highly experienced financial professional, having worked within the banking sector for over 30 years across the UK, Ireland and Australia.

Nick has been CEO of Cynergy Bank since it was formed in December 2018, after the acquisition of Bank of Cyprus UK. Nick had been CEO of Bank of Cyprus UK since December 2015 and oversaw the acquisition by Cynergy Capital Limited in December 2018.

Nick has led franchise growth from a loan book of £700m to £4.3bn by the end of 2025. Nick has ambitious plans for the future of Cynergy Bank. He is actively working to grow its franchise as a leading technology-native business bank specialising in medium businesses, and to redefine small to medium enterprise (SME) banking with the Human Digital Bank model.

Nick joined Cynergy Bank from the Westpac Banking Corporation, where he was State General Manager for the bank's retail and business banking operation in Western Australia. Prior to Westpac, Nick spent 17 years with the Bank of Ireland Group in a variety of leadership roles, including Chief Operating Officer for their retail banking division, Managing Director for Northern Ireland and Managing Director for the Post Office's UK-wide financial services operation.

Bal Sohal,
Non-Executive Director
Appointed to the Board in September 2018 following the acquisition of Cynergy Bank by Cynergy Capital Limited.

Bal is an accomplished investor with extensive experience in the real estate and lending sectors both in the UK and overseas. He has been involved in complex property transactions and brings deep expertise in deal structuring, financing and successfully realising value from projects.

Bal is a seasoned business leader with a strong track record of building and scaling ventures across residential, commercial development and financial markets.

Board and committee attendance

Attendance at Board and Committee meetings is set out below. There are several ad-hoc meetings and workshops outside the calendar where Directors also attend.

During months with no Board meeting, the Directors are provided with key performance reports. When Directors are unable to attend meetings, they still receive the relevant documents and submit any questions or comments to the Chair.

Directors	Board*	Audit Committee	Risk Committee	Remuneration, Nominations & Corporate Governance Committee	Credit Committee	IT & Resilience Committee
Euan Hamilton	15/15	-	12/12	6/6	5/5	5/5
Kim Rebecchi	13/15	8/8	-	6/6	4/5	5/5
Michael Newman	13/15	8/8	10/12	-	-	-
Neil Fuller	14/15	7/8	12/12	-	5/5	5/5
Catherine Moroney	15/15	-	12/12	6/6	-	-
Nick Fahy	15/15	-	-	-	4/5	-
Stefano Combi	15/15	-	-	-	-	-
Bal Sohal	11/15	-	-	4/6	-	-
Pradip Dhamecha	8/15	-	-	5/6	-	-

*Board meetings during the year comprised nine scheduled meetings and six unscheduled meetings.

Changes to the Board

There were no changes to the Board this year.

Work of the Board

This year, as well as its review of standard reports, the Board considered and approved a number of significant matters, including:

- Approval of the 2024 Report and Accounts
- The Bank's Recovery Plan and Resolution Plan
- Share transfer of North Star Audit Limited to Cynergy Business Finance Limited
- New Online Banking Platform
- Private Banking Strategy
- Anti-Modern Slavery Statement
- Consumer Duty Annual Report
- ICAAP
- ILAAP
- Solvent Exit Analysis
- Operational Resilience Assessment
- Board Skills Matrix
- Launch of the Securitisation Derecognition Transaction
- Human Digital Strategy to 2028

The Board of Directors has delegated a number of its responsibilities to five Board Committees.

Board Audit Committee

The Board Audit Committee oversees financial reporting, audit, internal controls, compliance and financial crime frameworks across Cynergy Bank.

The Committee assures the Board of the integrity of financial statements, the effectiveness of internal control systems and the independence and performance of internal and external audit functions. The Committee supports the Board meet regulatory obligations, including those of the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and relevant statutory laws.

Membership is restricted to Non-Executive Directors. The Board Chair is not permitted to be a member.

The Audit Committee's terms of reference include:

- Overseeing the integrity, accuracy and fairness of all financial statements and related disclosures
- Reviewing the adequacy and effectiveness of internal controls, information systems and whistleblowing arrangements
- Monitoring the independence, performance and resourcing of the Internal Audit Function and approving its annual plan
- Assessing the independence, objectivity and effectiveness of the external auditor and recommending their appointment or removal and remuneration
- Overseeing the effectiveness of the compliance and financial crime functions, including appraising and appointing their leaders
- Reviewing significant financial reporting judgements, accounting policies, going-concern assessments and litigation provisions
- Monitoring management's response to internal audit, external audit, compliance and financial crime findings and recommendations
- Ensuring alignment with regulatory requirements, including Consumer Duty and prescribed responsibilities
- Ensuring effective co-ordination with the Board Risk Committee to support complete and consistent risk and assurance coverage

Matters the Board Audit Committee dealt with this year included:

- Annual Compliance Report
- Annual Money Laundering Reporting Officer (MLRO) Report
- Combined Assurance Plan
- Internal Audit Plan
- External Audit Plan
- Tax Strategy
- Model Governance
- Related Parties Disclosures
- Exceptions to Policies
- The 2025 Financial Statements and External Auditors' report
- IFRS 9 Expected Credit Loss Provisions
- Pillar 3 Disclosure

The Board Audit Committee holds at least one private meeting a year with Internal and External Audit, the Head of Financial Crime & MLRO and the Compliance Director, without management present.

Board Risk Committee

The Board Risk Committee oversees the Bank's overall risk management framework by advising the Board on its current and future risk appetite and tolerances, monitoring the Bank's aggregated risk profile, and ensuring that risk strategy, controls and governance remain robust and appropriate in light of the Bank's business plans and external environment.

The Risk Committee also oversees the independence and performance of the risk function, including the Chief Risk Officer, and co-ordinates with other risk relevant committees to support comprehensive and coherent risk oversight across Cynergy Bank.

Membership is restricted to Non-Executive Directors.

The Risk Committee's terms of reference include:

- Overseeing our overall risk management framework, including risk appetite, tolerances and enterprise-wide risk strategy
- Advising the Board on current and future risk appetite, approving the Risk Appetite Framework and monitoring our aggregated risk profile
- Identifying, monitoring and challenging principal, emerging and thematic risks, making sure our risk profile remains appropriate in changing internal and external conditions
- Overseeing the implementation and effectiveness of the Enterprise Risk Management Framework, including risk culture, controls, systems and information flow
- Reviewing and recommending for Board approval key regulatory documents such as ICAAP, ILAAP, RRP, SEA and annual stress-testing results
- Overseeing the independence, adequacy and performance of the risk function, including appointing and appraising of the Chief Risk Officer
- Overseeing information security, cyber-security, operational resilience, sustainability risk metrics and material data protection incidents
- Overseeing the expansion of credit policies for Cynergy Business Finance, our asset-based lending subsidiary
- Co-ordinating with the Board Audit Committee and other risk-relevant Committees to ensure full and consistent risk coverage and escalation

Matters the Board Risk Committee dealt with this year included:

- Enterprise Risk Management Framework
- Risk Appetite Framework including the Risk Taxonomy
- Risk Management Strategy
- Cyber Incident Response Plan
- Review of Credit and Regulatory Reporting Policies
- Recovery Plan
- Resolution Plan
- Operational Resilience Assessment
- ICAAP
- ILAAP
- Stress Testing
- Solvent Exit Analysis
- Risk Culture
- ESG Initiatives

Board Remuneration, Nominations & Corporate Governance Committee

The Board Remuneration, Nominations & Corporate Governance Committee maintains an effective, diverse and well-governed leadership structure by overseeing Board and executive appointments, succession planning and governance arrangements. It shapes and monitors organisational culture and People and Culture risk. This Committee also sets a remuneration framework that is fair, compliant with regulatory expectations and aligned to Cynergy Bank's strategic objectives.

The Committee makes sure that the Board and Senior Management collectively possess the appropriate skills, experience, independence and values, and that remuneration structures incentivise sustainable performance and sound behaviours – while safeguarding against undue risk.

Membership is restricted to Non-Executive Directors, including the two shareholder representatives.

The Remuneration, Nominations & Corporate Governance Committee's terms of reference include:

- Overseeing Board and Executive Management appointments, recruitment and succession planning, ensuring the appropriate skills, experience, independence and diversity across leadership
- Reviewing the structure, size, composition and effectiveness of the Board, its committees and individual Directors, including performance evaluations
- Setting and maintaining our Corporate Governance Framework, ensuring adherence to best practice and regulatory expectations
- Overseeing People and Culture risk, including organisational culture, conduct, engagement and alignment with our PROUD values
- Overseeing our Remuneration Policy, making sure we're complying with FCA and PRA requirements and aligning with sound risk management, fairness and competitiveness
- Approving pay awards, variable pay structures and individual remuneration packages for the Executive Directors and Material Risk Takers under the Senior Managers and Certification Regime (SMCR)
- Overseeing Board Inclusion and Diversity policies, setting or recommending targets for underrepresented groups and monitoring progress
- Reporting to the Board on governance, remuneration, succession and evaluation outcomes, and keeping all related policies under review

Matters the Board Remuneration, Nominations & Corporate Governance Committee dealt with this year included:

- Gender Pay Gap Report
- Board Diversity Policy
- Remuneration Policy
- Review of SMF's and Material Risk Takers Population
- CEO Pay
- Performance Awards
- Long-Term Incentive Plan Awards
- Review of Employee Benefits
- Employee Engagement Survey Results
- Succession Planning
- Corporate Governance Policy
- Board Manual
- Inclusion & Diversity Activity and Planning
- Workers Protection Act

Board Credit Committee

The Board Credit Committee oversees our most material credit decisions: those that exceed the delegated authority of the Executive Credit Committee. Through this oversight, the Committee safeguards Cynergy Bank's credit risk profile, assures the appropriateness of major credit exposures, and supports the Board in fulfilling its overall responsibility for our approach to credit risk.

Membership includes Non-Executive Directors and the CEO.

The Credit Committee's terms of reference include:

- Approving credit facilities that fall outside the delegated authority of the Executive Credit Committee, ensuring independent Board-level oversight of material lending decisions
- Considering and approving any credit policy exceptions where total connected exposure is above the set criteria
- Reviewing and approving all related-party lending requests in accordance with the Related Party Lending Policy
- Approving non-material amendments to previously sanctioned credit commitments, including minor pricing or covenant changes
- Reviewing information, analysis and assurances required to support credit decisions, ensuring they are sufficient, robust and objective
- Reporting regularly to the Board on its decisions, activities and oversight of the Bank's credit portfolio within its delegated remit

Matters the Board Credit Committee dealt with this year included:

- Credit Facilities
- Credit Policy Exceptions
- Related-Party Lending Requests

Board IT & Resilience Committee

The Board IT & Resilience Committee oversees our technology strategy, major IT investments and the resilience of our technology environment by making sure all significant technological initiatives, expenditures and programmes align with our strategic objectives and risk appetite.

Through this oversight, the Committee serves as a strategic sounding board for technology related decisions, enhances the Bank's preparedness for technology driven threats and opportunities, and supports the Board in maintaining strong operational and resilience governance.

Membership is restricted to Non-Executive Directors.

The Board IT & Resilience Committee's terms of reference include:

- Overseeing our IT strategy, making sure major technology decisions and investments align with our strategic objectives
- Reviewing major technological investment proposals, expenditures and budgets for strategic fit, commercial viability and operational impact
- Monitoring progress against the approved IT strategy, including challenging management on progress, risks, resourcing and timelines
- Reviewing reports on IT governance, including technology operations, software development, project performance, IT architecture and significant technology issues
- Overseeing key IT resilience areas such as business continuity, disaster recovery, IT security and relevant internal controls (with overall risk oversight retained by the Board Risk Committee)
- Evaluating technology trends, innovation and the wider competitive landscape to assess impacts on our business, opportunities and threats
- Reviewing material IT and transformation projects, including go-live readiness, timelines and strategic impact
- Reviewing regulatory reports on technology failures in the wider industry to identify and embed lessons learned
- Holding delegated authority to approve IT-related expenditure and make urgent go/no-go decisions on material deployments

Matters the IT & Resilience Committee dealt with this year included:

- New Technical Operations Provider
- New Open Banking Platform
- IT Strategy including AI
- Transformation Projects
- ISO 20022

Executive Committees

Oversight of Cynergy Bank's day-to-day operations is managed through our Executive Committees:

- Executive Committee
- Assets & Liabilities Committee
- Conduct & Risk Committee
- Products & Services Committee
- People Committee
- Transformation Committee
- Model Governance Committee
- Credit Committee
- Pricing Committee

For more about each committee's remit, see the 'Risk report'.

Executive Team

Executive Team, from left to right: **Claire Head** Chief People & Culture Officer, **Stefano Combi** Chief Financial Officer, **Ted Winterton** Managing Director, Portfolio Management & Cynergy Business Finance, **Sharon Maguire** Chief Operating Officer & Chief Product Officer, **Paul Street** Chief Risk Officer, **Ravi Sidhoo** Managing Director, Origination, **Nick Fahy** Chief Executive Officer, **Rana Bhattacharya** Chief Digital & Information Officer

Board of Directors

The Board of Directors has ultimate responsibility for managing our work and overseeing the Executive Management. Its terms of reference include:

- Establishing a sustainable business model and a clear strategy consistent with that model
- Reviewing, challenging and approving strategic plans (and their underlying assumptions and rationale) as well as annual budgets, after review by the Executive Management
- Making sure we adopt and maintain high standards of Corporate Governance
- Making sure that management maintains an appropriate system of internal controls, which provides assurance of effective operations, internal financial controls and compliance with the rules and regulations
- Setting corporate values and standards, with due regard to Consumer Duty and to maintaining ethical leadership

The Chair is an Independent Non-Executive Director. Members of the Board are appointed on the recommendation of the Remuneration, Nominations & Corporate Governance Committee and are subject to approval by the shareholders. External search consultants are generally used for the appointment of the Chair and Non-Executive Directors.

Directors' report

The Directors present their report and the audited consolidated financial statements for the year ended 31 December 2025.

Principal activities

The principal activity of Cynergy Bank is the provision of banking services to business and personal customers.

Financial results

Cynergy Bank's consolidated results for the year ended 31 December 2025 are set out in the income statement, showing profit after tax of £37.9m (2024: £40.2m). The Directors endorse the information and views set out in the Chair's statement, the CEO review and the Strategic Report.

Going concern

The Directors are satisfied that Cynergy Bank has sufficient resources to continue in operational existence until at least June 2027. Accordingly, they have adopted the going concern basis in preparing the financial statements. No material uncertainties have been identified that may cast significant doubt on Cynergy Bank's ability to continue as a going concern.

Cynergy Bank has also committed to supporting its subsidiary, Cynergy Business Finance Limited, for at least, but not limited to, 12 months from the date that the financial statements were signed.

In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including:

- Profitability: the ability of Cynergy Bank to continue to deliver profits and maintain capital and liquidity strength over the foreseeable future
- Capital resources and requirements: the sufficiency of capital resources to sustain Cynergy Bank's existing and planned business activities and maintain compliance with regulatory requirements, including the transition to and requirements of the Small Domestic Deposit Takers (SDDT) regime
- Liquidity and funding: the arrangements which Cynergy Bank has in place to maintain adequate liquid assets to meet its liabilities and maintain compliance with regulatory requirements, including under stress scenarios as considered through the ILAAP process, the portion of our deposits which are covered by the Financial Services Compensation scheme (FSCS) and diversification of the depositor base
  - Management will continue to monitor available capital, liquidity, and funding resources and implement necessary actions – including controlled lending practices and effective management of the underlying cost structure – to make sure the resources needed to support planned growth initiatives remain available. This includes an assessment of the continued availability of capital resources through various channels, specifically including the ongoing support and commitment of our shareholders to provide capital ensuring we remain resilient to both idiosyncratic and market-wide stress scenarios while complying with SDDT expectations
  - Stress testing of capital and liquidity planning this year, including as part of the ICAAP and ILAAP processes. The stress tests conducted considered the adequacy of capital and liquidity resources available under severe but plausible stress scenarios, based on both idiosyncratic risks to the business and the wider macroeconomic environment
- Operational risks: the processes in place to manage operational risk, including that related to business continuity, operational resilience, reliance on outsourced suppliers, change management and information security or cyber risk

Capital

Cynergy Bank has complied in full with all its externally imposed capital requirements over the period reported. For more about how we manage capital, see the Risk report.

Liquidity

Cynergy Bank manages liquidity with an internal methodology which fully meets and exceeds the regulatory liquidity coverage ratio (LCR) measure. During 2025, Cynergy Bank fully met all its regulatory liquidity requirements, including the LCR and net stable funding ratio. For more about how we manage liquidity, see the Risk report.

Dividends

Cynergy Bank did not pay a dividend in 2025 (2024: £nil).

Future developments

During 2025, the Board reviewed and updated the strategic plan to 2028, with a continued focus on delivery of the Human Digital Bank.

People

Cynergy Bank employed an average of 389 permanent employees during 2025 (2024: 388). This year, Cynergy Bank invested £154,465 (2024: £425,625) in employee development.

Streamlined Energy and Carbon Reporting (SECR)

For the disclosures required under the SECR guidelines, see environmental and social.

Board of Directors

See Board of Directors for details.

Directors and their interests

Other than the two Directors who are also Directors of the parent company and whose interests are disclosed in that company's financial statements, no Director has had any beneficial interest in the share capital of Cynergy Bank or any subsidiary company at any time during the year. No option to purchase shares in Cynergy Bank has been granted to any Director.

Independent auditors

We have reappointed PricewaterhouseCoopers LLP in line with section 487(2) of the Companies Act 2006 unless the members or Directors resolve otherwise.

Subsidiaries

Cynergy Bank plc is the immediate owner of 87.5% of the £1 ordinary shares of a UK company (Cynergy Business Finance Limited, incorporated on 8 April 2021 in England and Wales, company number 13322121, registered office 4th Floor, One New Change, London EC4M 9AF).

The transfer of the 100% of the £1 ordinary share of a UK company (North Star Audit Limited, incorporated on 20 September 2021 in England and Wales, company number 13631439, registered office 4th Floor, One New Change, London EC4M 9AF) from Cynergy Bank plc to Cynergy Business Finance Limited occurred on 14 February 2025.

Events after the reporting period

There are no events after the reporting period that require disclosure in these financial statements.

Charitable donations

In 2025, Cynergy Bank made charitable donations totalling £9,433 (2024: £16,077).

Political donations

In 2025, Cynergy Bank did not make any political donations (2024 : £nil).

Third-party indemnity provisions for the benefit of Directors

Cynergy Bank has taken out Directors' and Officers' liability insurance, which has been in place for the period under review.

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the annual report and accounts and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

Under company law, 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 group and company and of the profit or loss of the group and company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently
- State whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Make judgements and accounting estimates that are reasonable and prudent
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business

The Directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- So far as the Director is aware, there is no relevant audit information of which the group's and company's auditors are unaware
- They have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information

On behalf of the Board

Susannah Rose-Innes
Company Secretary
22 April 2026

Section 172 Statement

The Companies Act 2006 Section 172(1) requires Directors to act in the way they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole and, in doing so, have regard to:

- The likely consequences of any decisions in the long term
- The interests of the company's employees
- The need to foster the company's business relationships with suppliers, customers and others
- The impact of the company's operations on the community and the environment
- The reputation for a high standard of business conduct
- The need to act fairly as between members of the company

This section sets out how Cynergy Bank's Directors take these requirements into account when making their decisions.

Cynergy Bank's governance framework governs the conduct of the Board and the executive team. It is vital to our success. The Board evaluates its own performance each year. An external assessment takes place every three years as recommended by the UK Corporate Governance Code. An action plan is subsequently agreed by the Board after each review.

When making decisions, the Board always looks at any impacts on stakeholders. This is not always easy. Sometimes it requires a degree of balancing between the competing interests of different stakeholders, while looking to treat everyone as fairly as possible.

We have set out some examples of how we have achieved this with our stakeholders in the past year.

Customers

During 2025, we managed the impact of high interest rates by supporting savers with competitive returns and helping borrowers transition to fixed-rate protection. Our ongoing investment in technology remains a priority to enhance service delivery for all clients. We also broadened our product suite this year to address specific funding and liquidity needs, introducing Loan-on-Loan and Club Lending, as well as a new Business Current Account and Business Notice Saver.

Our Net Promoter Score (NPS) remained strong this year at +60, with a Trustpilot score of 4.3 out of 5.

Suppliers

During 2025, the Board oversaw a strategic refinement of the Bank's supplier base, focusing on operational efficiency and the strengthening of partnerships with key trusted suppliers. The Procurement Team provides regular oversight with formal reporting lines into the Executive Conduct & Risk Committee and the Board Risk Committee, supporting the long-term sustainability of our operations.

Colleagues

This year, our team grew to 402 colleagues.

We are increasingly integrating AI to strengthen our team's capabilities, evolving our operational processes to create new opportunities and increase efficiencies.

Our recognition platform, Appreciate, celebrated its second year. It uses peer-to-peer recognition to promote and strengthen our values and culture of recognition.

PROUD Development Days, which consist of learning sessions from internal and external speakers, provided colleagues with fresh perspectives and enhanced skills in areas ranging from commercial acumen to personal growth.

The Remuneration, Nominations & Corporate Governance Committee (RNCGC) keeps the Board apprised of matters relevant to employees and employee engagement scores.

Work continues on both our Board diversity targets and those of Cynergy Bank as a whole. As of December 2025, we had female representation on the Board of 22%, female representation in Senior Leadership of 24% and two Directors from an ethnic minority background on the Board.

Environment

Climate change is a major focus for us because of the significant risk it poses to the finance sector. We address environmental matters in all aspects of our business and will work with our customers, colleagues and suppliers to achieve net zero emissions by 2050.

Communities

We continued our partnership with Noah's Ark Children's Hospice. This year the money we raised went towards supporting the charity's work giving clinical, practical and emotional support to babies, children and young people with life-limiting or life-threatening conditions in North and Central London.

Regulators

Cynergy Bank, as a dual regulated firm, has good working relationships with both the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA), as well as with bodies such as the Bank of England and the Financial Services Ombudsman. Senior members of the Executive Committee brief the regulators on key issues, with the Compliance Team managing the day-to-day relationships. The Board is kept apprised of key regulatory developments and interactions with regulators at each Board meeting.

Members of the Board get regular updates on regulatory developments. Both Board Members and Senior colleagues attend regulatory training sessions. The Executive Team also subscribes to key industrial groups and participates in activities organised by groups such as UK Finance.

Shareholders

We maintain close contact with our shareholders throughout the year. In addition, two shareholder representatives of the parent company, Cynergy Capital Ltd, sit on the Board and are also members of the Remuneration, Nominations & Corporate Governance Committee (RNCGC). Regular briefings with the shareholder representatives take place throughout the year on matters of strategic importance.

Each year, the Board (including the shareholder representatives) sets aside a day to discuss any updates to our five-year strategic plan. This includes plans for growth, the launch of new products and the implications for additional capital requirements. As part of this, the Board considers the likely benefits and implications for customers and colleagues, and focuses on achieving long-term, sustainable growth rather than short-term profits.

The strategic report was approved by the Board of Directors on 22 April 2026 and was signed on its behalf by:

Nick Fahy
Chief Executive Officer
22 April 2026

Corporate information

Directors

Directors who held office during the period of this report are as follows:

Euan Hamilton[2,3,4,5] – Chair

Kim Rebecchi[1,3,4,5] – Senior Independent Non-Executive Director and Chair of the Remuneration, Nominations & Corporate Governance Committee

Michael Newman[1,2] – Independent Non-Executive Director and Chair of the Audit Committee

Neil Fuller[1,2,4,5] – Independent Non-Executive Director and Chair of the Risk Committee

Catherine Moroney[2,3] – Independent Non-Executive Director

Nick Fahy[4,6] – Chief Executive Officer, Executive Director

Stefano Combi[6] – Chief Financial Officer, Executive Director

Pradip Dhamecha[3] OBE – Non-Executive Director

Bal Sohal[3] – Non-Executive Director

Other senior executives

Paul Street[6] – Chief Risk Officer

Claire Head[6] – Chief People & Culture Officer

Sharon Maguire[6] – Chief Operating & Product Officer

Rana Bhattacharya[6] – Chief Digital & Information Officer

Ravi Sidhoo[6] – Managing Director, Origination

Ted Winterton[6] – Managing Director, Portfolio Management & Cynergy Business Finance

Andrew Creamer – Compliance Director

Keely Nurse-Moore – Head of Financial Crime & MLRO

Susannah Rose-Innes – Group General Counsel

Company Secretary

Susannah Rose-Innes

Independent auditors

PricewaterhouseCoopers LLP
7 More London Riverside, London SE1 2RT

Registered office

4th Floor, One New Change, London EC4M 9AF

Locations

Central London
4th Floor, One New Change, London EC4M 9AF

Birmingham
112 Colmore Row, Birmingham B3 3AG

Manchester
2nd Floor, 3 Hardman Square, Spinningfields, Manchester M3 3EB

Glasgow
1 West Regent Street, Glasgow G2 1RW

Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Registered in England and Wales under company number 04728421, a public company limited by shares.

www.cynergybank.co.uk

1 Member of the Board Audit Committee
2 Member of the Board Risk Committee
3 Member of the Board Remuneration, Nominations & Corporate Governance Committee
4 Member of the Board Credit Committee
5 Member of the Board IT & Resilience Committee
6 Member of the Executive Committee

Risk report

Our approach to risk management

The Board is responsible for establishing a sound system of risk management and internal controls, making sure the system is maintained and approving our risk appetite. Our risk appetite helps us to fulfill our regulatory requirements in the pursuit of our strategy to become a recognised fintech challenger bank for entrepreneurs and business owners. It's therefore essential to put effective risk management at the centre of our current operations and future aspirations.

It's the role of the CEO and the executive to make sure that we can fulfil our strategy, both under business as usual and stressed conditions, and that the risks we are subject to are identified, managed, monitored and reported within our governance structure. Our enterprise risk management framework and corporate governance policy establish an effective and clear framework and governance structure so we can mitigate potential risks to our business model and future performance.

Through our normal operations, we're exposed to a broad range of risks. We manage these through clear risk policies, limits, reporting lines and control procedures. Sticking to these policies and procedures is the responsibility of all our people, but is independently monitored by our second line of defence and outsourced internal audit function. Our risk management processes and internal controls are also regularly overseen by the appropriate executive and Board committees, including the Executive Conduct & Risk Committee, Executive Assets & Liabilities Committee, Board Audit Committee and Board Risk Committee.

Risk appetite statement

We act in line with the Board-approved risk appetite to achieve our strategic goals in the pursuit of our vision: to empower entrepreneurs, business owners and mass affluent professionals to achieve their dreams. Our appetite for risk is defined by the Board's risk appetite statement:

We target sustainable growth through diversified lending activities, promoting a culture of responsible banking which cultivates long-term customer relationships. We employ sound and prudent risk management throughout our operations to make sure that we maintain and control a moderate appetite for lending risk. We also support this with strong financial fundamentals which are capable of delivering our medium to long-term objectives in periods of both stability and economic stress.

To achieve this, we have a risk appetite framework that defines the types and quantum of risk that the Board accepts in pursuit of our strategy.

Links between business strategy and risk management

Our business strategy is linked to both the risk strategy and the enterprise risk management framework. The three documents complement and support each other's objectives. Each is subject to an annual review process culminating in approval by the Board Risk Committee.

The risk appetite framework formally describes how it links to our business strategy. It formalises the steps we will take each time there is a change to, or review of, the business strategy, to drive any revision of the appropriate risk appetite statements or metrics and to make sure decisions are made with due regard to our risk appetite.

Risk appetite framework

The risk appetite framework considers our risk capacity, our financial position, the strength of our core earnings and the resilience of our reputation and brand. The Board sets detailed appetites for risk structure around our principal risks:

- Credit risk
- Capital, liquidity and funding risk
- Market risk
- Operational risk
- Conduct risk
- Legal, compliance and financial crime risk
- Strategic risk

Each principal risk is supplemented by a suite of more granular supporting risks. For each supporting risk, we have a written risk appetite statement that we monitor using specific risk appetite metrics and key risk indicators. The risk appetite metrics are measurable against our strategic plan. They are actionable and have an assigned limit to monitor performance against the risk appetite. The key risk indicators are more outcome driven, with negative trends reported monthly to the relevant risk committees.

Performance against all risk appetite metrics is monitored via the Executive Conduct & Risk Committee or Executive Assets & Liabilities Committee and reported to the Board Risk Committee.

In addition, the risk appetite framework:

- Makes sure that business activity is guided by, controlled by and aligned to our appetite for risk, which identifies, in both qualitative and quantitative terms, the type and level of risk that we're willing to accept
- Describes the risks that we're willing to take (and those we're not) in pursuit of our strategic objectives
- Establishes a framework for decision-making based on statements and metrics
- Enables a view of risks across the whole business
- Dovetails with and/or informs other key processes, such as the internal capital adequacy assessment process (ICAAP), internal liquidity adequacy assessment process (ILAAP), recovery plan, solvent exit analysis and the strategic planning process

The Board is responsible for keeping our risk appetite consistent with shareholders' appetite and tolerance for risk.

Our risk objectives

Identifying and assessing risk and control activities provides assurance that we will meet our business objectives.

Our enterprise risk management framework sets clear risk objectives to keep the level of risk we take on consistent with our approved risk appetite and business strategy. These objectives aim to:

- Create and protect value for our stakeholders, to improve performance and sustainability, encourage innovation and support us to achieve our objectives
- Make sure we manage risk in a structured and comprehensive way
- Identify the principal and emerging risks we face in delivering our strategy and how to manage them
- Make sure we're making decisions within a Board-approved risk framework, which:
  - Addresses our objectives in the context of both our internal and external environment
  - Articulates the nature, types and levels of risk we're willing to assume, aligned to our business model and long-term business strategy
- Recognise the dynamic nature of risk management so that we can anticipate, detect, acknowledge, report, escalate and respond to changes in an appropriate and timely manner
- Make risk management an integral part of our process of strategic decision-making
- Support business decision-making by taking a balanced view on risk while establishing strong independent review and challenge, allowing for robust oversight and assurance and the operation of a three lines of defence model
- Make risk management the responsibility of all employees
- Encourage a strong risk-aware culture by linking to our performance management and remuneration processes

- Develop a risk-aware team by helping people understand the root cause of incidents, minimising the likelihood of them happening again
- Support continuous improvement, taking into account lessons learned from risk events or incidents, internal or external changes and stakeholder expectations

A Board-approved risk strategy is also in place, setting out the desired end state for each principal risk component of the ERMF.

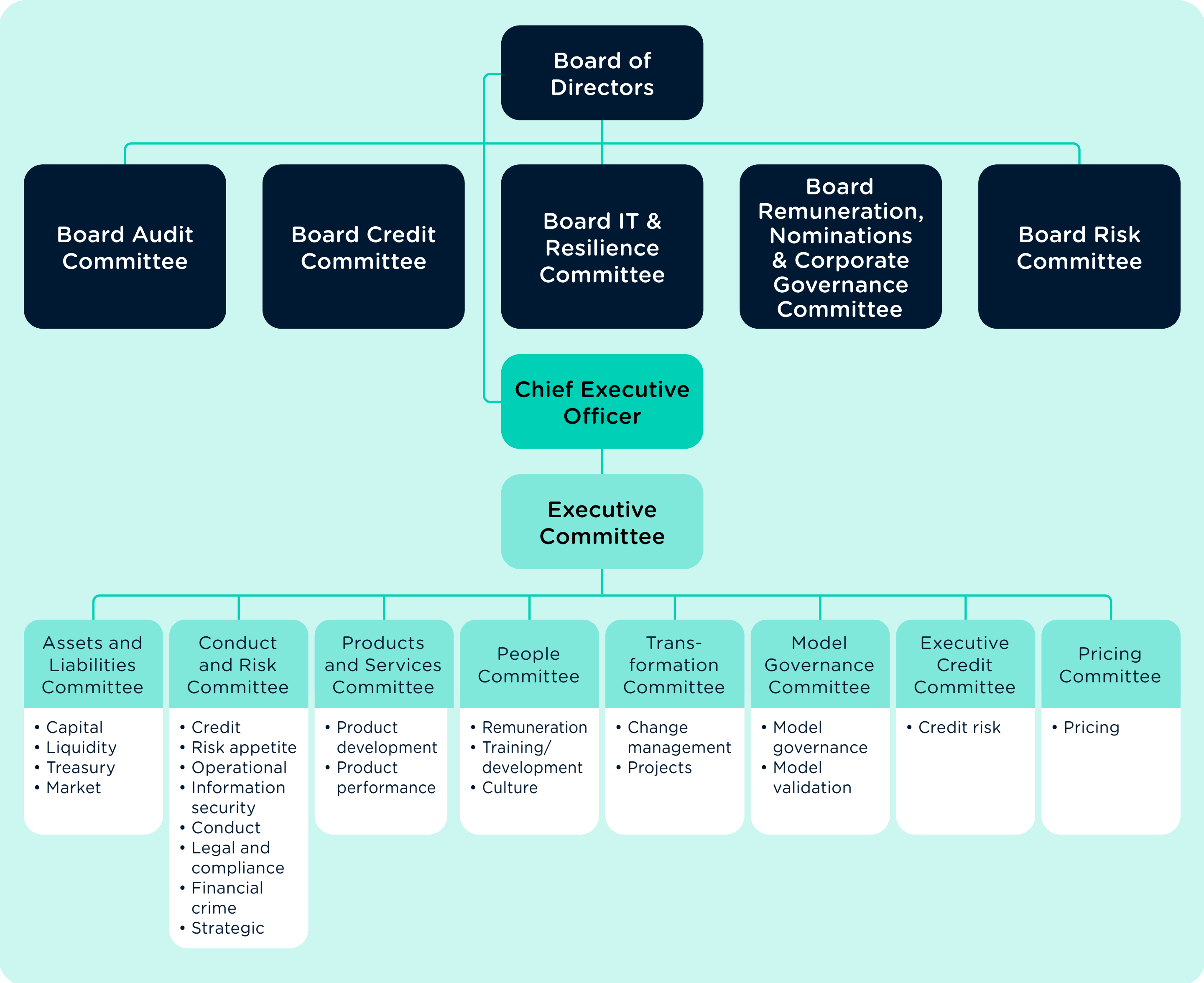
Risk governance

Our corporate governance framework sets out how the Board oversees risk management, including:

- The Board periodically reviewing its own composition and skills
- Requiring anyone with senior manager function responsibilities to periodically attest that they have met their obligations and that, collectively, they cover all the duties the Financial Conduct Authority (FCA) expects of us

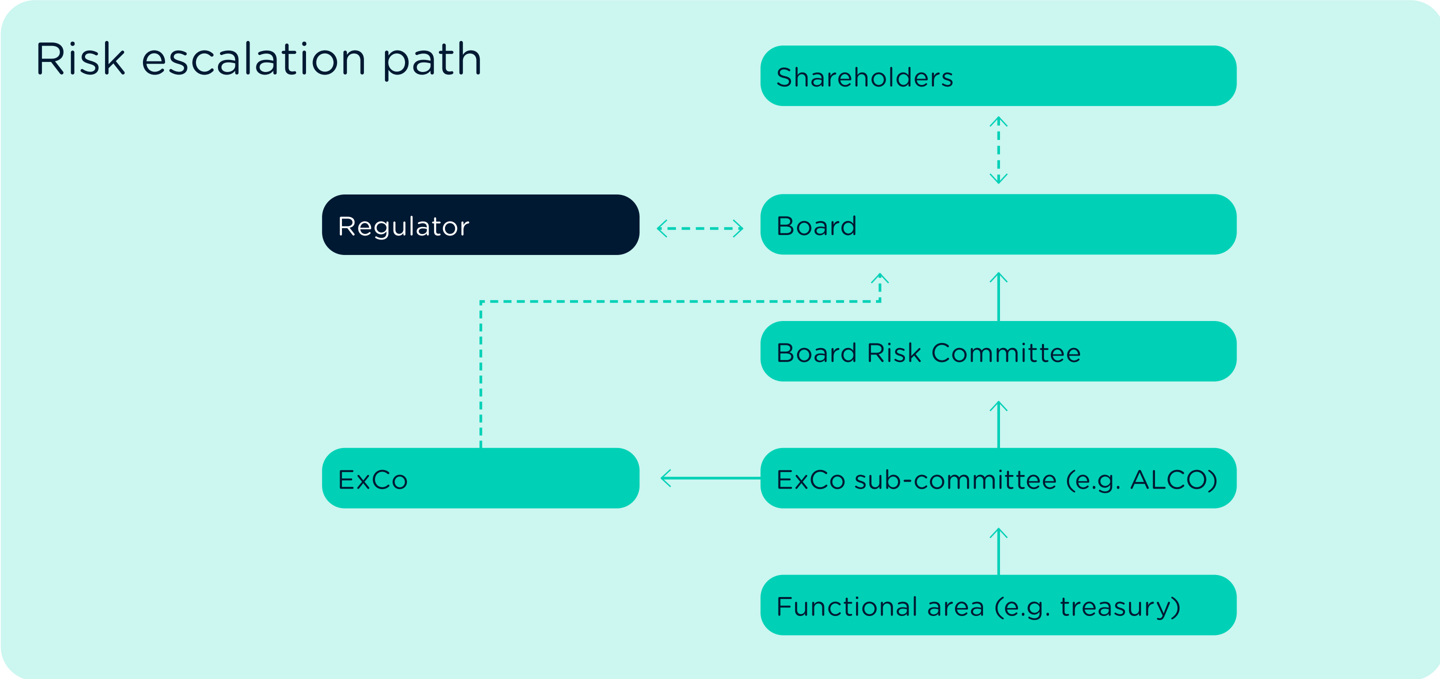
Board members and members of the executive team hold specific senior manager function responsibilities under the FCA's Senior Managers and Certification Regime. Other colleagues are certified under the regime as material risk takers.

We have a defined structure of Board and executive-level sub-committees, and each committee has its own terms of reference.



The reporting and escalation elements of the enterprise risk management framework mean that appropriate actions are taken without delay.

The objective of risk reporting is to escalate relevant risk information, enabling the Board and other governance bodies to monitor and manage our risk exposures in line with our risk appetite framework. Any actual or expected breach of risk appetite is escalated using our risk escalation path.



Risk culture

We encourage a culture that is conducive to effective risk management:

- Open and upward communication
- Sharing of knowledge and best practices
- Continuous process improvement
- A strong commitment to ethical and responsible business behaviours

The Board agrees a set of risk culture statements and senior management supports these by:

- Leading the implementation of the enterprise risk management framework
- Making sure the statements are fully embedded with a strong focus on keeping to our risk appetite, monitored through a suite of risk appetite metrics and key risk indicators

The risk culture detailed in the framework also aligns to our values. This helps us to set performance management objectives and performance assessments for all our people.

Risk oversight and assurance

We use a three lines of defence model which categorises duties between day-to-day activities, risk oversight and independent assurance. Each colleague's role is allocated to either the first, second or third line of defence, and all three lines work effectively to manage our risk.

The first line of defence against risks lies with the front line. It includes all individuals that onboard risk into Cynergy Bank, including those that enter into business transactions or supplier arrangements with customers or third parties, and all associated support functions, including finance, treasury and operations.

The first line of defence is responsible for:

- Identifying all the risks in their activities
- Developing appropriate policies, procedures and controls to govern these activities
- Operating within all limits applicable to their operations as set out in the risk appetite statements

- Reporting or escalating risk events as appropriate

The second line of defence is Cynergy Bank's risk function. They're responsible for monitoring the performance of the first line and their adherence to policies, limits or other mandates. They:

- Promote risk awareness by getting business units to identify, measure and mitigate risks as appropriate
- Facilitate the collection and monitoring of key risk indicators and risk appetite metrics
- Provide a strategic and forward-looking perspective on the key risk issues for discussion at senior levels

The second line carries out independent oversight and reports its findings to senior management via the Executive Committee, the Executive Conduct & Risk Committee, the Executive Assets & Liabilities Committee and through the Board Risk Committee. The second line also manages our business support and recoveries activities.

The third line of defence is internal audit. They provide independent assurance to the Board and Executive Committee about the effectiveness of governance, risk management and control over current, systemic and emerging risks.

We have outsourced our internal audit function and have an agreement with BDO LLP to provide these services. The scope of the internal audit programme is agreed with the Board Audit Committee, which also receives the output from the assurance activity. The Board Audit Committee oversees any actions required as a result of any internal audit findings.

Stress testing

Stress testing is an important risk management tool for us. We use it to inform:

- How we set our risk appetite limits
- Our business plan
- Our key annual assessments and determination of required capital and liquidity capacity
- Calculations of our resilience to stress, as articulated in the ICAAP, ILAAP, recovery plan and resolution pack

Stress testing helps the Board understand our key risks and the scenarios and sensitivities that could adversely affect our risk appetite.

Principal risks and uncertainties

The risks we describe here are driven by our strategic objectives. The Board has reviewed our strategy and, in doing so, identified the key emerging risks we face, given that strategy. These include:

- Increasing numbers of customers, and volumes of customer interactions, in line with our growth, which leads us to consider our operational capacity and tests our ability to handle the pace and scale of growth, increasing pressure on manual processes (operational and compliance risk)
- Our use of partner services, which increases the level of outsourcing and regulatory risk (operational, conduct and compliance risk)
- The introduction of new products as well as a change in loan size; as well as services, which will result in us introducing new and different requirements and processes and new and different levels of risk (operational, compliance, credit and conduct risk)
- Our increased market presence and market share, which increases our exposure to fraud and cyber risk

Economic and geopolitical uncertainty, resulting from the changing macroeconomic environment, was still a notable feature of 2025. We focused on asset quality this year, including refreshing our lending product offering, to create more diversified opportunities to support our customer base.

In response to these uncertainties, we have maintained our focus on affordability within our lending decisions. Any changes to lending policy and criteria are carefully considered by management committees and BRC to ensure they remain within the Board-approved Risk Appetite, ensuring our credit models and policies remain appropriate and aligned with evolving customer behaviours. We have also completed regular portfolio reviews to confirm that our risk appetite and control environment continue to be fit for purpose.

We carefully scrutinise our liquidity and funding risk, which remains heightened thanks to the increasingly competitive consumer deposit market, alongside persistently high interest rates this year. In 2025, we launched new products to diversify our funding sources.

We access funding, via the Bank of England's term funding and indexed long-term repo schemes, to meet liquidity requirements. With the term funding scheme winding down from 2025, we're taking steps to source alternative (and more diversified) liquidity sources through the strategic period.

Operational resilience is important, so we invested significantly in our back and middle-office functions. We also invested in IT capacity and capability to support our Human Digital Bank transformation strategy. Our investment in middle-office operations supports the customer experience, and this will remain a priority in 2026.

Change management continued as a key risk in 2025. The Human Digital Bank transformation programme made progress this year, with more progress planned for the year ahead. Oversight of this transition is a key risk priority for 2026 and beyond as technology, market dynamics and vendor management continually change.

Our risk taxonomy has been refreshed to reflect the prominent themes on the horizon. Our risk appetite and metrics are carefully calibrated to forecast market conditions.

Using Resolver, our risk management information system, we record and track key risks, controls and incidents across Cynergy Bank and its subsidiaries. This year, we worked on embedding Resolver more deeply, in line with our plans to mature the enterprise risk management framework. This will continue next year.

As well as identifying risks across their respective business lines, senior management continued to assess the effectiveness of controls that mitigate those risks, using our risk and control self-assessment process. The methodology we use for these assessments has been enhanced and embedded during the year.

Credit risk

Definition

The risk to earnings and capital arising from a customer's failure to meet the terms of their lending contract or failure to perform as agreed.

In 2025

We closely manage the quality of our loan book. Our relationship manager-led approach makes sure we stay close to our customers.

Despite the economic uncertainty, we saw stability in arrears across our core loan portfolio. Provisions also improved this year, resulting in a net impairment reversal of £0.1m at a consolidated level, driven by an overall reduction in individually assessed stage 2 and stage 3 impairments and successful recoveries on previously defaulted exposures.

We're proactive about supporting our customers. Our credit policies allow us to identify customer stress early and apply customer support strategies. Our watchlist process saw fewer customers requiring closer support this year. This is where we try to agree prompt and appropriate action plans for customers who are having difficulty.

After our strategic shift towards mid-market lending and the introduction of new products in late 2024, we maintained our manual underwriting processes to make sure we were assessing lending transactions appropriately. This helps preserve our credit risk profile.

The loan book has several defensive risk mitigants. It's predominantly secured by residential or commercial property, with an average weighted loan to value of 55%.

Risk appetite statement

Cynergy Bank must maintain and control a moderate appetite for lending risk, which serves our core customer base of entrepreneurs and business owners and is capable of delivering our medium to longer-term objectives in periods of both stability and economic stress. We pursue a high-quality lending portfolio that earns an adequate return without creating undue concentrations.

Supporting risks

Credit quality risk	The risk of disproportionately high credit losses arising as a result of lending to customers exhibiting with weak credit characteristics.
Credit performance and stewardship risk	The risk of credit losses as a result of weak or uncontrolled underwriting and/or credit monitoring processes.
Credit concentration risk	The risk that overexposure to single names, asset classes, sectors or geographies results in disproportionate credit losses in the event of material adverse events.

How we mitigate and control these risks:

- We regularly set our credit risk appetite and monitor our lending performance against risk appetite, with escalation routes in place for any breaches.
- We have a credit risk management framework that includes detailed lending policies, underwriting manuals and standard operating procedures.
- We choose to lend in sectors where we have experience and expertise.
- If a customer is in financial distress, the business support and recoveries team works with them to reach a satisfactory conclusion. The team's purpose is to protect our capital while treating customers fairly.
- We regularly review our loan portfolios and complete ongoing assurance testing of our credit processes.
- We have specific executive and Board credit committees for larger credit approvals as part of our governance structure.
- We segregate duties in our underwriting processes.
- We regularly stress test the loan book using a range of stressed but plausible credit-related economic scenarios.
- We work within clearly defined portfolio limits approved by the Board, covering, for example, loan to value, affordability, sector and geographic concentrations.
- We show evidence of affordability and complete credit search, fraud and/or customer due diligence checks when underwriting loans.
- We make credit decisions using a combination of due diligence, reviewing credit agency reports and reviewing financial information and credit scores, overlaid with the expert opinion of our underwriters.
- We take tangible security and, where appropriate, guarantees to support our lending.

Capital, liquidity and funding risk

Definition

The risk that our financial and funding structure fails to meet minimum regulatory standards and/or results in our inability to deliver our corporate strategy or meet our commitments as they fall due.

In 2025

We are adequately capitalised for both a stable and stressed economic environment. Our capital resources are formally assessed annually via the ICAAP and are constantly reviewed and monitored by the Executive Assets & Liabilities Committee and the Board. Capital ratios are monitored and managed through monthly reporting to the Executive Assets and Liabilities Committee.

We held surplus regulatory capital during 2025. We are forecast to hold a surplus during the forecast strategic period through to 2027. This forecast specifically accounts for our transition to the Small Domestic Deposit Taker (SDDT) regime, which simplifies certain capital requirements while maintaining robust safety standards.

To ensure this surplus is maintained, the Bank actively manages its capital stack through controlled lending growth and margin management. Furthermore, we maintain a clear capital plan that includes the identified availability of additional capital resources through our shareholders and other sources, ensuring we remain resilient to both idiosyncratic and market-wide stress scenarios while complying with SDDT expectations.

The Executive Assets & Liabilities Committee monitors liquidity and funding risks in line with our risk appetite and the outcomes of our annual ILAAP. We primarily operate in the UK retail deposit market and have continued to provide customers with retail savings products. We diversified into the business savings market this year. The liquidity coverage ratio has exceeded the regulatory requirements throughout 2025. The SDDT framework does not alter our underlying liquidity risk appetite or funding strategy. While core standards like the LCR and ILAAP remain, the regime introduces a simplified supervisory and reporting approach more proportionate to our domestic, retail-funded model.

We have arrangements in place to maintain enough liquid assets to meet our liabilities. For more details on liquidity risk management, see note 30 to the financial statements.

Liquidity has remained stable during 2025, notwithstanding the funding costs driven by the rate environment. We benefit from access to certain Bank of England funding schemes and continually review our headroom according to scheme availability and the quantum and quality of collateral we pledge.

The outcome of a regulatory consultation known as Basel 3.1 is a key risk on the horizon. We are preparing to comply with the Small Domestic Deposit Taker regime for capital purposes.

Risk appetite statement

Cynergy Bank has a low appetite for capital, liquidity and funding risk. We will maintain enough capital, liquidity and funding to effectively support the business under stressed conditions. Cynergy Bank has no appetite for a failure to comply with regulatory requirements.

Supporting risks

Capital risk	The risk that we will not have enough capital to cover unexpected losses, meet regulatory requirements or support our growth plans.
Liquidity risk	The risk that we do not hold sufficient liquid assets to meet our liabilities, either during business as usual or under stress.
Funding risk	The risk that there is not enough funding to support our balance sheet, so we cannot meet demand from customers to withdraw their deposits.

How we mitigate and control these risks:

- We set a prudent risk appetite. It is approved by the Board and reviewed at least annually.
- Our large number of depositors provides diversification, and a high proportion of balances covered by the financial services compensation scheme mitigates the risk of a retail run.
- We monitor current and forecast levels of capital and liquidity against our risk appetite and key risk indicators. We regularly report these to the Executive Assets & Liabilities Committee and Board Risk Committee.
- We have a capital planning framework which requires us to maintain appropriate levels of capital in a range of stressed scenarios.
- We maintain a close relationship with our shareholders, who provide a core pillar of our capital resilience in addition to our ability to raise capital from the market when needed. This includes identified commitments and established channels for capital injection to support the Bank's strategic growth and maintain buffers above regulatory requirements.
- The capital forecast forms an integral part of the annual budgeting process and is stress tested through our ICAAP.
- We maintain liquidity buffers based on various stressed liquidity scenarios and liquidity stress testing informs our ILAAP.
- We monitor our liquidity position daily and have clearly documented escalation procedures.
- We have controls in place to mitigate capital, liquidity and funding risks. These controls are tested regularly and are subject to a formal risk control self-assessment process. Any identified weaknesses in the control framework are remediated with oversight from the second line of defence.
- Our lending book is funded by our deposits, capital and retained profits. We have very limited reliance on wholesale markets.
- We seek an appropriately diverse and stable funding base, including maintaining our access to Bank of England facilities, rather than relying on a small range of products and maturities.
- We maintain the framework and capability to raise additional Tier 1 and Tier 2 capital from the market if required. This ensures a diversified range of funding options to bolster our capital base under both business-as-usual and stressed conditions.
- We develop liquidity resolution, recovery and contingency plans alongside the ICAAP and ILAAP. They detail what we will do in the event of a liquidity shortfall.

Market risk

Definition

The risk to earnings and capital arising from adverse movements in the prices of interest rate instruments, foreign exchange and any exposure to prices of other financial instruments.

In 2025

Interest rates were high for most of 2025, easing towards the end of the year.

We consider future interest rate scenarios within our risk appetite framework for market risk. We also consider future interest rate scenarios within the strategic planning process and within stress testing.

Various ‘rate up’ and ‘rate down’ scenarios (including those recommended under European Banking Authority stress testing) pose a risk to our earnings. We manage our exposure to these scenarios within a Board-approved level of risk appetite, by testing scenarios every month and adapting our strategy accordingly.

Interest rate decreases have a negative impact on our income. There is a risk of an impact on earnings if the UK base rate starts to fall quicker than planned. We adopt central planning scenarios to prepare for such impacts and calibrate our strategy accordingly.

We adopt a hedging strategy, such that fixed rate loans or deposits are matched to interest rate swaps or designated assets or liabilities throughout their duration. We oversee this strategy through carefully monitored risk appetite metrics.

Our market risk appetite means we manage and monitor market risk to reduce the risk of unstable earnings.

Risk appetite statement

Cynergy Bank has a low appetite for market risk. Market risk should only be incurred to ensure efficient risk management of the balance sheet: that is, we will not operate a trading book, and we use interest rate swaps and foreign exchange swaps to hedge our market risk exposure where required to remain within our approved prudent risk appetites.

Supporting risks

Currency risk	The current or prospective risk to our earnings and own funds from adverse movements in currency rates.
Interest rate risk	The current or prospective risk to our earnings and own funds arising from adverse movements in interest rates.
Treasury counterparty risk	The risk that acquired securities or cash deposits with other financial institutions are not repaid in part or in full.

How we mitigate and control these risks:

- We have a policy that only allows deposits to be placed with higher rated banks or invested in high-quality liquid assets, in line with the Prudential Regulation Authority’s (PRA) guidance on credit ratings.
- We set a risk appetite for market risk that is monitored and reported to the Executive Committee, Executive Assets & Liabilities Committee and Board Risk Committee.
- Breaches of triggers or limits are escalated.
- We measure exposure to interest rate risk in the banking book and currency exposure on a regular basis. Where mismatches exist that are outside of risk appetite, our treasury function actively hedges the exposures to match the repricing dates of assets and liabilities and any currency exposure.
- We use interest rate swaps to hedge interest rate risk of new fixed rate lending, among other hedging activity.
- We segregate duties within the finance team covering treasury activities.
- A dedicated second-line prudential risk team provides oversight.
- We regularly test the controls we have in place to mitigate market risk, which are subject to formal risk control self-assessments.
- Any weaknesses we identify in the control framework are remediated with oversight from the second line of defence.

Operational risk

Definition

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risks are diverse: they can arise from all our activities and business lines.

In 2025

Operational Resilience was high on our agenda in 2025.

- We made significant progress strengthening the operational resilience framework. By March 2025, we were in full regulatory compliance.
- We have a defined operational resilience strategy and policy.
- We regularly test our business continuity plans.
- We have set out recovery time objectives for our important business services to mitigate the impact on customers from service disruptions.
- We maintained our business continuity certification (ISO 22301:2019).

Suppliers and outsourcing were another prominent theme.

- As part of our Human Digital Bank strategy, we enhanced our existing material outsourcing arrangements with third-party providers of IT services and customer operations.
- We enhanced our contract management system with an updated business owner handbook and training.
- We made progress with our digital transformation programme to deliver the Human Digital Bank, including by introducing new mobile app functionality. Our transformation programme is supported by a governance structure and risk oversight programme, which tracks and reports all risks and issues regarding the delivery of the programme.

Information security and cyber risk are always a priority.

- We invested in information security controls. The aim is to strengthen the detection, response and recovery and anti-penetration measures we use to prevent and mitigate the impact of IT security breaches.
- Colleagues get regular training and information about information security.

People risk is also an aspect of operational risk. One feature of this year was carefully managed and executed organisational change, with careful and considered management response to make sure the impacts on people were mitigated.

Finally, under the theme of data risk, we reviewed and updated our data governance frameworks, policies and supporting controls. We are working on a data governance plan that recognises our priority to embed the data governance policy more deeply next year.

Risk appetite statement

Cynergy Bank has a low appetite for operational risk and must make resources available to control operational risks to acceptable levels. We recognise that it is not possible, or necessarily desirable, to eliminate some of the risks inherent in our activities. Tolerance of some operational risk is often necessary to foster innovation and efficiencies within business practices; however, these risks must be assessed and understood before they are accepted.

Supporting risks	
People risk	The risk that we are unable to recruit enough people to achieve our strategic objectives. The risk of not creating a strong talent pipeline, employment value proposition and the growth opportunities needed to attract, develop and retain the workforce.
Supplier/outsourcing risk	The risk of damage as a result of failure in selection and/or ongoing management and oversight of a third party.
Business continuity risk	The risk that we are unable to continue to deliver our products and services at acceptable levels following a disruptive event which impacts on our premises or other physical assets.
Change management risk	The risk that our material change programmes fail to deliver the intended outcomes. The risk that change programmes fail to deliver on time or to budget, resulting in impact on customers and/or a material adverse impact on our financial position.
IT operational risk	The risk that any adverse events could threaten and harm our IT infrastructure and assets, ultimately leading to us being unable to carry out our business operations and deliver critical products and services to customers.
IT change risk	The risk that poorly designed or controlled IT changes could have an adverse impact on critical IT systems and infrastructure, ultimately resulting in us being unable to deliver products and services to customers.
Information security and cyber risk	The risk to us or our customers from the potential for unauthorised access, loss, use, disclosure, disruption, modification or destruction of paper or digital information.
Financial control and reporting risk	The risk of inaccurate or late reporting of financial information (internally or externally) and/or us failing to maintain effective control over financial planning and cost management processes.
Process risk	The risk that processes are poorly designed and/or our bank staff colleagues/outsourced providers fail to execute processes correctly, resulting in financial loss and/or detriment to customers.
Data risk	The risk to us or our customers due to poor quality, unavailable and/or underutilised data – leading to inaccurate regulatory data operations, substandard analytical operations and/or the loss of competitive advantage.

Supporting risks	
Model risk	The risk that our models are designed incorrectly, are based on inaccurate data, or do not achieve the purpose for which they have been designed, and/or that models are not used correctly or are applied inappropriately.
Health & safety and premises risk	The risk of our colleagues, contractors, visitors or customers being harmed as a result of our failure to identify and control workplace hazards.

How we mitigate and control these risks:

- Our processes and standards are established by an operational risk management framework that is aligned to meet regulatory standards.
- We have an operational resilience policy and business continuity plans, which are tested regularly.
- We have a risk management information system for monitoring the key risks, issues and incidents across the business.
- We use a series of tools designed to identify and prevent network or system intrusions.
- Our IT security forum oversees the effectiveness of our controls.
- We employ a specialist IT security team.
- We have a second-line Cyber Risk Manager to oversee and challenge first-line cyber risk controls.
- We invest in information security controls to make sure our detection and anti-penetration measures effectively prevent and mitigate the impact of IT security breaches.
- Colleagues get regular training and information about information security.
- We design recovery time objectives for critical business services (those where a sustained operational failure would be detrimental for customers).
- We have operational processes and procedures that are clearly documented, understood and subject to second-line oversight and challenge.
- Senior management identify operational risks across their businesses and regularly assess the effectiveness of controls that mitigate those risks.
- We apply a material change risk process for higher risk activity and appropriate business-wide governance for smaller change programmes.
- We monitor the operational risk profile versus risk appetite using metrics and key risk indicators, reporting and escalating any breaches to the Board Risk Committee and the Executive Conduct & Risk Committee.
- We have an Executive Model Governance Committee and model governance framework.
- We have a vendor management and outsourcing framework, which uses a risk-based approach to categorise outsourcing risk.
- We have cross-coverage of critical roles to ensure continuity of service to our customers.

Conduct risk

Definition

Any action by us or an individual identified working for us that leads to customer detriment or has an adverse effect on market stability or effective competition.

In 2025

As a core component of our strategic plans, we have a robust conduct risk management framework, supported by relevant policies and procedures, to manage conduct risk. New and emerging regulatory-driven changes are overseen through a formal horizon-scanning (emerging risks) process.

Our Executive Products and Services Committee oversees fair customer outcomes and regulatory compliance associated with implementing, changing and reviewing products and services.

- We have robust frameworks, supporting systems and controls to meet the FCA's Consumer Duty requirements. These are fully embedded with oversight by the Executive Conduct & Risk Committee and Board Audit Committee.
- Customer complaints are continually monitored so we can be sure we're delivering the right level of customer experience.

Risk appetite statement

Cynergy Bank has no appetite for behaviours or activities that knowingly promote poor customer outcomes, lead to customer detriment, or have an adverse impact on market stability or effective competition. We have a very low appetite for loss as a result of non-systemic events.

Supporting risks

Product and pricing risk	The risk that our products and services do not meet the needs of the customers they are targeted at and/or are not kept up to date and fair via a regular review process.
Customer journey conduct risk	The risk that our customers are not treated fairly and/or experience detriment as a result of the way in which our business model operates.
Competency, culture and reward risk	The risk that the way in which our people are trained, managed or rewarded does not deliver fair customer outcomes.
Vulnerable customer risk	The risk that by failing to identify and manage vulnerable customers correctly, we fail to treat them fairly and/or cause them detriment.

How we mitigate and control these risks:

- We set conduct risk appetite and key risk indicators that are reported to the Executive Conduct & Risk Committee, Board Audit Committee and Board Risk Committee.
- Our business units review conduct risks and the four Consumer Duty outcomes (plus a separate vulnerable customer outcome) once a month.
- Management information from first-line risk owners is presented to the Executive Conduct & Risk Committee monthly for senior management to challenge and review.
- Our new product approval process gives us clear oversight of fair customer outcomes and regulatory compliance associated with implementing, changing and reviewing products.
- Our risk and controls assessment process provides a framework for identifying and testing how we control conduct risks.
- We have a conflicts of interest register and controls to make sure conflicts do not create conduct issues.
- We segregate duties where required to protect customer interests.
- We complete regular assurance testing of business activities with the potential to cause customers harm.
- We record and use root cause analysis to investigate risk events, Consumer Duty outcomes and complaints that result in poor customer outcomes.
- We monitor product sales against expectations and forecasts and, where these are materially different, review why this is happening.
- Our values and our risk culture statements promote customer-focused behaviours among our colleagues.

Legal, compliance and financial crime risk

Definition

The risk of legal or regulatory sanctions, material financial loss or reputational damage as a result of a failure to comply with legislation or regulation applicable to our activities.

In 2025

We adopt all regulatory, legal and compliance requirements in a proportionate way that satisfies the requirements of the regulatory organisations overseeing our activities.

In 2025, our exposure to compliance risk was stable. Our assessment of our ability to effectively manage ongoing and new regulatory change with effects on our strategy also remained stable.

With regard to financial crime, we actively track and report against seven risk categories:

- Money laundering
- Tax evasion
- Sanctions
- Terrorist financing
- Fraud
- Proliferation financing
- Bribery and corruption

The financial crime risk we face remained stable after a programme of enhancement and investment. We enhanced controls and invested in technology to reduce the likelihood and impact of fraud.

Nevertheless, we're still seeing rapidly evolving, new and emerging fraud risks that have the potential to affect operational stability unless we mitigate the risk and invest in preventative controls.

Risk appetite statement

Cynergy Bank has no appetite for material breaches, financial losses or reputational damage arising from the systematic failure to comply with laws and regulations. We have a very low appetite for loss as a result of non-systemic events.

Supporting risks

Legal risk	The risk of loss resulting from a legally defective transaction or claim against us and/or a failure to recognise the impact of a change in law relating to our activities.
Compliance risk	The risk of legal or regulatory sanctions, material financial loss or loss to reputation we may suffer because of a failure to comply with laws, regulations, rules, related self-regulatory organisation standards and codes of conduct applicable to our banking activities.
Money laundering risk	The risk of financial loss, sanctions or reputational damage as a result of us failing to comply with money laundering regulation and legislation.
Tax evasion risk	The risk of financial loss, sanctions or reputational damage as a result of us failing to comply with tax evasion regulation and legislation.

Supporting risks

Terrorist financing risk	The risk of financial loss, sanctions or reputational damage as a result of us failing to comply with terrorist financing regulation and legislation.
Sanctions risk	The risk of financial loss, regulatory sanctions or reputational damage as a result of us failing to identify transactions undertaken with individuals or countries subject to government-imposed sanctions.
Proliferation financing risk	The risk of financial loss, regulatory sanctions or reputational damage as a result of us failing to identify transactions which could result in the development or deployment of weapons of mass destruction.
Fraud risk	The risk of loss as a result of fraudulent activity undertaken by a member of staff (internal fraud) or by third parties (external fraud).
Bribery and corruption risk	The risk of financial loss, sanctions or reputational damage as a result of a failure to comply with the requirements of relevant bribery and corruption legislation.

How we mitigate and control these risks:

- We set risk appetite and key risk indicators that are reported to the Executive Conduct & Risk Committee and the Board Risk Committee.
- Our risk and controls assessment process identifies and tests our key controls over compliance and financial crime risks.
- We maintain incident logs for compliance breaches and near misses. Incidents are investigated and escalated to senior management and the Board (as required).
- Roles and responsibilities are clearly assigned, and we segregate duties for key compliance processes.
- We complete regular assurance testing of our business activities, including thematic reviews of relevant regulatory topics and emerging themes.
- We scan the horizon for new and emerging regulation-driven changes.
- All significant regulatory initiatives are managed by structured programmes, sponsored at executive level.
- We make use of independent expert legal and regulatory advice where appropriate.
- We have a Compliance Director and a Head of Financial Crime who lead our compliance and financial crime functions respectively.
- We have a programme of colleague training and awareness on compliance and financial crime matters.
- We have financial crime policies and procedures.
- We use bespoke data-monitoring systems for onboarding and transaction monitoring.
- We check and screen new joiners.
- We conduct a financial crime risk assessment every year and report the findings to the Board.

Strategic risk

Definition

The risk that failed business decisions, or lack thereof, create unintended financial or non-financial losses to us.

In 2025

Strategic risk stems from our business strategy, and whether the advancement of the strategy is aligned to the risk appetite and the associated risks inherent in the execution of the strategy. It is the role of the Board and the Executive Committee to make sure the execution of the strategy aligns with our risk appetite.

Our strategy is carefully calibrated to the prevailing economic conditions. We stress tested a range of risks to earnings, both through business as usual stress testing and through the ICAAP process. We use the results of these tests to plan scenarios and test our resilience to a range of stressed conditions.

Our lending policies and associated risk capacity are constantly monitored and have been updated to account for prevailing economic forecasts. We have taken measures to adapt our strategy to what may be an uncertain economic environment in 2026. This includes adapting to the changing landscape in the funding market by diversifying our liquidity sources. Our balance sheet has transitioned from being a substantially floating rate lending portfolio to being evenly split between floating and fixed rate loans. The liability portfolio has transitioned appropriately, and this has affected the nature of market risk and conduct risk we are managing.

All our credit policies are regularly reviewed fully considering market conditions, including the appropriate steps to support customers in the early stages of financial difficulty.

Environment, social and governance (ESG) framework: we made progress with further embedding our overarching ESG environment, social and governance (ESG) framework during 2025. In line with the expectations of the Prudential Regulation Authority (PRA), we are specifically progressing our approach to managing climate-related financial risk, analysing both physical and transition risk from climate risk on our portfolio and setting appropriate science-based targets aligned to a net zero pathway.

Risk appetite statement

Cynergy Bank accepts a moderate appetite for strategic risk in pursuit of our strategic plan. The strength of our business operations is a major way of mitigating industry risk as well as the economic risk of the environment in which we operate. The stability or fragility of our franchise, our governance and our strategy and the quality of our management are all indicators that could combine to increase or reduce the overall risk to Cynergy Bank. We must therefore manage these factors prudently.

Supporting risks

Business Model Risk	The risk that our business model falters or fails to keep pace with the industry. The economic risk of the environment in which we operate.
Climate Risk	The risk that we do not manage the transition and physical risks we face, today and under future scenarios, from climate change and the requirement to align to net zero emissions by 2050.
Social and Governance Risk	The risk of a social or governance event or condition that, if it occurs, could have an adverse impact on us.

Supporting risks

Earnings Risk	The risk that we fail to achieve the quality and quantity of earnings assumed in our stress-tested financial models and are therefore unable to meet our business plan and/or capital or liquidity minimum requirements.

How we mitigate and control these risks:

- We regularly and formally review our corporate strategy alongside our risk appetite, assessing the appropriateness of the business model, risk frameworks, values, culture and objectives, considering prevailing market conditions.
- We have a risk maturity strategy that supports the corporate strategy.
- We regularly monitor our strategic and business performance against market commitments, our balanced business scorecard and our risk appetite.
- We have a diversified suite of products and services.
- We operate a defined governance structure covering all areas of risk, including executive and Board committees.
- We use stress tests to flex core business planning assumptions to assess our potential performance under stressed operating conditions.
- We set specific strategic risk appetite metrics that are reported to the Board Risk Committee.
- We survey customer satisfaction to identify how well our strategy is meeting customers' needs.
- We have developed a framework and suite of policies that govern our climate and ESG goals under the wider enterprise risk management framework.

Emerging risks

New risks emerge all the time, so risk management has to be dynamic. We follow a structured approach to identifying and monitoring emerging risks that could, in the future, affect our business model.

We're monitoring the following emerging risks:

Category		Assessment	Approach
Economic and political landscape	**Climate change**	Extreme weather events and pollution are increasingly seen as short-term realities, not just long-term threats. Climate-related risks (e.g. flooding, supply chain disruption) may impact asset valuations, insurance portfolios and regulatory expectations.	Our climate risk policy addresses two primary climate-related risks: transition risk and physical risk. • Transition risk refers to the broader shift of the UK economy towards achieving net zero emissions by 2050. This transition affects our collateral portfolio, as properties are expected to improve their energy performance certificate (EPC) ratings over time. To assess this, we run an annual model that evaluates the size of the balance sheet and estimates the short, medium and long-term effects of property upgrades. The resulting impact on property values is calculated and incorporated into the ICAAP. • Physical risk focuses on environmental threats such as flooding and subsidence across our collateral base. We used an annual model to assess exposure to these risks, with key performance indicator thresholds to make sure we do not hold a high concentration of properties in areas prone to flooding or subsidence in the UK.
	Geopolitical uncertainty	Global political uncertainty remains heightened. The Russian invasion of Ukraine and active conflict in the Middle East, including attacks on international shipping and reportedly state-initiated cyber-warfare (and possibly also attacks on physical assets, leading some experts to define the UK as exposed to low level international warfare) has caused, and will continue to cause, uncertainty in global supply chains and the UK economy.	We consider a range of severe, but plausible, scenarios as part of our stress testing. These inform our capital, liquidity and funding plans. If needed, we will recalibrate the pace of execution of our strategy as a result of these risks. We have invested in operational capability and capacity to ensure we can remain resilient with respect to our important business services in the event of prolonged global uncertainty.
Economic and political landscape (continued)	**Tariffs and deglobalisation**	The negative economic impact of sanctions, global inflation, tariffs (particularly those recently implemented by the US), recent trends towards de-globalisation, potential trade wars and reduced economic growth, together with the impact of the potential for sustained higher savings interest rates, will present strategic, credit and operational risks.	Outcomes from the November 2025 Budget are working their way through the economy. The full impacts are not yet visible, but have the potential to affect the broader economy, which creates uncertainty. **Credit risk:** The lending book is almost fully secured by residential and commercial assets, with diversification between asset classes and geography. Average weighted loan-to-value ratios remain around 55%, while arrears, watchlist, business support and recoveries balances are not deteriorating. Controls remain robust, with regular oversight of our lending book. This takes the form of portfolio reviews, thematic reviews and annual reviews. Monthly credit risk monitoring data is reported to the Executive Credit Risk Committee and Board Risk Committee. Credit risk appetite and risk appetite statement metrics are well structured and conservative. Our growth strategy is based on credit policies that are stable. We focus on asset quality, with mature plans in place to support customers facing potential financial stress across all asset classes. **Market risk:** We regularly review our market risk appetite and monitor market risk through a range of risk appetite metrics, overseen by the Executive Assets & Liabilities Committee and Board Risk Committee. **Interest rate:** We do regular stress testing to examine the risk to, and effects on, our balance sheet of changes in economic conditions, including higher interest rates and loan impairments. We periodically review and calibrate our strategy to the results of these tests, in line with our risk management framework. **Liquidity & funding risk:** We have effective capital and liquidity risk management frameworks to ensure compliance with our risk appetites.
	Weak UK economy	Recent and anticipated tax increases and inflationary pressures (including high energy costs) are dampening consumer and business confidence, leading to lower consumer spending, exacerbated by a weaker jobs market. These factors, compounded by noted low productivity levels and historically high rates of worklessness or dependency on benefits, have impacted the UK's economic performance.	
	Interest rate uncertainty	A rapidly changing and volatile interest rate environment, underlined by historically high levels of national indebtedness and reduced tax take, may affect our ability to adequately manage our earnings risk. Marked movements in interest rates pose a material risk to our earnings.	

Category	Assessment	Approach
Regulatory change or intervention	Cynergy Bank operates in a rapidly evolving regulatory environment. There are significant changes to conduct and prudential regulations on the horizon. In particular, we are monitoring and developing our approach to two changes: **1. Basel 3.1 Strong and Simple Regime** The implementation of Basel 3.1, scheduled for 2027, introduces revised capital adequacy standards. In parallel, the Prudential Regulation Authority (PRA) is establishing the Small and Domestic Deposit Taker (SDDT) regime, a more tailored regulatory framework for smaller banks. While these evolving standards will impact the Bank's capital requirements and reporting framework, we have quantified these impacts through our strategic planning process and are proactively managing the transition. On 17 January 2025, the Bank's application for modification by consent to be treated as an SDDT was approved. Consequently, the Bank is no longer required to publish Pillar 3 disclosures for the period ended 31 December 2025. Furthermore, liquidity reporting has been streamlined, with the Simplified Retail Deposit Ratio (SRDR) replacing the full Net Stable Funding Ratio (NSFR) requirement. To ensure regulatory continuity, modification by consent applications for both Cynergy Capital Ltd and Cynergy Bank plc under the Interim Capital Regime were approved on 22 May 2025. These approvals allow the Bank to maintain operations under the existing CRR2 framework as a bridge toward full SDDT adoption, ensuring a stable and phased transition to the new capital standards. **2. Consumer Duty** This set of three cross-cutting rules, regulated by the FCA, requires firms to act in good faith, avoid causing foreseeable harm and enable and support customers to pursue their financial objectives.	Significant preparations are underway for these new regulations, which includes consultation with external third party advisors to ensure all changes are fully planned for. These preparations and workstreams are overseen by the Executive Conduct & Risk Committee, Asset & Liability Committee and Board Audit Committee. This includes an organisation-wide review to embed the required systems and controls into the firm and to assess capital requirements. The project team is considering all aspect of implementation: • Assess the capital and other prudential impacts on Cynergy Bank • Inform the consequences of the final consultations • Take appropriate steps to transition to the scheme of choice

Category	Assessment	Approach
Change	Our strategy depends on successfully delivering significant change. Cynergy Bank has to balance its growth ambitions with rapidly changing market conditions and economic forecasts. We've also had to adapt our suite of lending and deposit products to reflect our customers' changing needs. This has increased the operational risk and change risk we face.	We constantly evaluate the business as usual and strategic risk arising from our strategic programme. Risks arising from delays experienced in the programme are evaluated under the risk management framework. Where necessary, we make mitigation plans and consider the impacts on the strategy to make sure the programme risks are appropriately calibrated.
Cyber sophistication and digital pace of change	Cyber risk is an ongoing risk. However, the emergence of increasingly sophisticated, targeted and destructive ransomware and phishing attacks, combined with the increasingly rapid deployment of digital solutions for delivering our products and services, mean that we also class it as an emerging risk.	To keep pace with the ever-changing cyber-security landscape, we introduced new security services including, among other things, a 24/7 security operations centre and a security information and event management system. To support our colleagues, we conduct cyber-security training and phishing simulations on a regular basis. We mitigate the risks associated with the rapid adoption of digital technologies using robust reviews by our technical design authority and security service. These reviews mean we can introduce and transition any new technology in a secure and supportable way. We have also upgraded programme management, adopted component-based implementation alongside simplified monitoring tools and deployed ransomware prevention and detection solutions. We will continue to roll out and enhance cyber-security tools, simulate cyber-security events to hone our response to incidents and complement this with more cyber-security awareness training for our people.

Category		Assessment	Approach
Competitive landscape	**Increasing trend for disintermediation**	Competition in our selected markets arises from a range of sources, including traditional challenger banks and mainstream lenders. The increased emergence and growth of fintechs, non-bank lenders and new entrants from outside the financial services sector (facilitated by reduced technology costs, including wider employment of large language models and AI), with increasingly sophisticated digital offerings allowing them to reduce their operating costs), continues to heighten competition in the sector.	We invest in ongoing customer, market, competitor and industry insight to give us a robust understanding of our customers' needs and how we compare to peer group competitors. Recognising the pace of change in the banking industry, including the consequential impact on customer expectations, we have a strategic change programme that will provide infrastructure, enhanced capability, and the ability to cost-efficiently adapt and launch new products, features and services.
	Increasing levels of competition	Regulations have changed to encourage more competition in the UK financial services sector, meaning lower barriers of entry to new financial services providers (particularly fintech-type operations). This will inevitably lead to more competition in our existing markets, potentially leading to margin compression and lower overall business growth.	IT improvements to Mobile Banking and a new Online Banking proposition have materially improved our Trustpilot rating and net promoter score. This supports our reputation in the market, allowing us to pivot towards more customer self-service, so front line colleagues can focus on acquiring new business. More enhancements, including AI and IT infrastructure, will allow us to move away from old ways of working and allow our people to focus on creating value.
	Savings rates	Although 2025 saw the Bank of England base rate trending downward, our competitors are reportedly reticent to reduce the savings interest rates they offer. This is delaying our introduction of lower savings rates and directly affecting our net interest margin.	To mitigate capital, liquidity and funding risks, we launched new retail and small to medium enterprise products. We do regular stress testing to examine the risk and impacts to the balance sheet. We have prudently calibrated liquidity requirements to the risk profile of our funding mix through the ILAAP.

Category		Assessment	Approach
Technology	**Artificial intelligence (AI)**	The increasing adoption of AI introduces significant and wide-ranging emerging risks, with potential impacts including the following: • Regulatory and governance uncertainty • Model risk and systemic vulnerability • Data quality, bias, and drift • Operational and cybersecurity • Consumer protection and conduct • Financial stability While AI enhances productivity and decision-making, making adoption essential for competitive advantage, its rapid evolution introduces significant uncertainty and potential macroprudential risks.	The Bank is currently identifying high-impact use cases and refining its framework for the structured deployment of AI. We are adopting a comprehensive lifecycle approach that aligns strategy, risk management, technology, and operational readiness. The Bank is establishing a controlled pipeline of AI usage as opposed to a 'big bang' one-off release.

Financial statements

Cynergy Bank

Independent auditors' report to the members of Cynergy Bank plc

Report on the audit of the financial statements

Opinion

In our opinion, Cynergy Bank plc's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2025 and of the group's and company's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual report & accounts (the "Annual Report"), which comprise:

- the Consolidated and company statement of financial position as at 31 December 2025;
- the Consolidated and company statement of profit or loss for the year then ended;
- the Consolidated and company statement of comprehensive income for the year then ended;
- the Consolidated and company statement of changes in equity for the year then ended;
- the Consolidated and company statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Board Audit Committee.

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 11, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit and the nature, timing, and extent of audit procedures performed were determined by our risk assessment and other qualitative factors.

Key audit matters

- Expected credit loss (ECL) allowances for loans and advances to customers (group and parent)

Materiality

- Overall group materiality: £4,070,000 (2024: £3,878,500) based on approximately 1% of Net Assets.
- Overall company materiality: £3,960,000 (2024: £3,684,000) based on approximately 1% of Net Assets.
- Performance materiality: £3,050,000 (2024: £2,908,900) (group) and £2,970,000 (2024: £2,763,000) (company).

The scope of our audit

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

Key audit matters

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

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

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss (ECL) allowances for loans and advances to customers (group and parent) Refer to accounting policy note 3.12: Impairment of financial assets, 3.13: Collateral Valuation, Note 12: Credit impairment reversals/(charges), Note 15: Loans and advances to customers and Note 30.2 Credit risk. The determination of the allowance for ECL is subjective and judgemental. Management uses complex models and makes various assumptions when estimating the allowance for ECL. We consider the following judgements and assumptions used in the determination of the ECL allowance for the wholesale loans to be significant: • Collateral valuation for the individually assessed stage 3 exposures and time to recovery; and • The scenario probability weightings for the individually assessed stage 3 exposures.	We evaluated the design and implementation of the key controls over the determination of ECLs. In addition, together with our credit risk modelling specialists: We assessed whether the ECL calculations were consistent with the group's approved model methodologies and compliant with IFRS 9 requirements, including through an independent review of the ECL model code. We compared the current-year ECL model code to the prior-year code to evaluate the appropriateness of changes implemented during the year. We tested, on a sample basis, the critical data elements and inputs used in model calculations. **Individually assessed Stage 3 exposures** On a sample basis, we obtained an understanding of management's loan monitoring conclusions, the underlying collateral type and the financial information of the borrowing entities. We obtained supporting information for the collateral, such as third-party valuation reports. Where relevant, we engaged our valuation experts to assess the collateral valuation methodology and benchmarked with recent trends in the market based on publicly available data for comparable properties. We critically assessed the appropriateness of the time to recovery assumption used for ECL calculations. This included evaluating the evidence supporting management's assumptions by comparison to management's external expert and assessing their feasibility based on historical trends. As part of our testing of the scenario probability weightings implemented, we considered the reasonableness of the weights assigned to the scenarios, including assessing alignment with the underlying assumptions used by management in calculating the impairment provision. We assessed the appropriateness of disclosures in the financial statement as part of our audit procedures and assessed them to be appropriate and in line with the IFRS 9 requirements.

How we tailored the audit scope

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

The Group, comprising Cynergy Bank plc and its subsidiary, Cynergy Business Finance Limited (the 'Components'), operates within the United Kingdom across four locations. Cynergy Bank provides both retail and wholesale banking services to its customers. Cynergy Business Finance specialises in providing invoice-based lending and block discounting lending solutions to its customers. In establishing the overall approach to the group and company audit, we scoped using the balances relevant to each Component and determined the type of work that needed to be performed over the Components by us, as the group engagement team. As a result of our scoping for the Group we determined the audits of the complete financial information of Cynergy Bank plc and specific financial statement line items for Cynergy Business Finance Limited were necessary, owing to their financial significance. The audits of these components were performed by the group engagement team.

We conducted a risk assessment, taking into account both external and internal factors such as macroeconomic risks, climate change implications, pertinent accounting and regulatory changes, and the company's strategic direction. Our audit approach was fully substantive, as we did not rely on the Group's internal controls over financial reporting. We executed audit procedures on material account balances and financial information for both the Group and the Company, with reference to the materiality thresholds outlined below.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's and company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the group's and company's financial statements.

Materiality

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

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

	Financial statements – group	Financial statements – company
Overall materiality	£4,070,000 (2024: £3,878,500)	£3,960,000 (2024: £3,684,000)
How we determined it	Approximately 1% of Net Assets	Approximately 1% of Net Assets
Rationale for benchmark applied	Net assets is a key measure used by the shareholders in assessing the performance of the group as it represents the equity invested, and is relevant to the financial stability of the group. Net assets, which equals total equity, is used to determine the materiality.	The company is a wholly owned subsidiary of Cynergy Capital Limited. The principal users of the financial statements are the shareholders and directors of the parent company who have their equity invested and regulators who would be focussed on the adequacy of capital resources. Other measures such as total assets are not considered more relevant as being a bank, the total assets can be volatile depending on the nature of transactions entered into. In addition, net assets, although a financial accounting measure, is more closely aligned with the regulatory capital. Accordingly, we concluded that net assets is the more relevant measure when assessing the performance of the company, and is an accepted auditing benchmark. The statutory materiality calculated using net assets, which equals total equity, is £3,960,000. However, our audit work is performed using the lower component materiality of £3,868,000 allocated for the purposes of the group audit.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was 3,460,000 to 3,868,000.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2024: 75%) of overall materiality, amounting to £3,050,000 (2024: £2,908,900) for the group financial statements and £2,970,000 (2024: £2,763,000) for the company financial statements.

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

We agreed with the Board Audit Committee that we would report to them misstatements identified during our audit above £193,400 (group audit) (2024: £184,200) and £193,400 (company audit) (2024: £184,200) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

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

- assessing and challenging key assumptions used by directors in their determination of going concern of the group and company;
- assessing the liquidity and capital forecasts prepared by management. This included reviewing the results of stress testing performed by management of both liquidity and regulatory capital, including considering the severity of the stress scenarios that were used;
- assessing the external and intragroup arrangements with respect to financing and operational support on which the group and company depend, and the continued availability of these;
- review of correspondence with, and making enquiries of the Prudential Regulation Authority (PRA), to assess whether there were any issues which may impact the going concern of the group and company; and
- review of the appropriateness of the disclosures in the financial statements.

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 group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

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

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

Reporting on other information

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

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

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

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

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2025 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

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

- Making inquiries of management and those charged with governance regarding instances of suspected or known instances of fraud and non-compliance of laws and regulations;
- Critically assessing significant accounting estimates, in particular in relation to the expected credit loss allowance for loans and advances to customers (see related key audit matters above);
- Identifying and testing selected journal entries that we considered to represent a heightened risk of fraud, including journals with unexpected (unusual) account combinations;
- Incorporating an element of unpredictability into the nature, timing and/or extent of our testing;
- Reading PRA and FCA correspondence; and
- Reading minutes of the Board meetings to identify any matters of audit relevance.

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Appointment

We were first appointed by the company for the financial year ended 31 December 2019. Our uninterrupted engagement covers seven financial years.

Ajay Kabra

Ajay Kabra (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
22 April 2026

Consolidated and company statement of profit or loss

For the year ended 31 December 2025

	Note	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 (restated) £000	Company 2024 (restated) £000
Interest income calculated using the effective interest method	5	328,554	310,627	312,777	298,848
Other interest income	5	59,793	59,793	57,827	57,827
Interest expense calculated using the effective interest method[1]	6	(193,820)	(193,819)	(190,532)	(190,491)
Other interest expense[1]	6	(61,768)	(61,768)	(49,496)	(49,496)
Net interest income		132,759	114,833	130,576	116,688
Fee and commission income	7	3,777	1,372	3,089	1,288
Foreign exchange (losses)/gains	8	(677)	(1,320)	712	676
Fair value adjustment on hedging instruments	17	544	544	(204)	(204)
Net gains on derecognition of financial assets	34	3,578	3,578	-	-
Other income		504	504	473	473
Total operating income		140,485	119,511	134,646	118,921
Staff costs	9	(41,616)	(36,516)	(42,783)	(37,652)
Depreciation, amortisation and impairment	10	(12,516)	(12,457)	(9,766)	(9,650)
Other operating expenses	11	(35,284)	(33,952)	(28,383)	(27,277)
Total operating expenses		(89,416)	(82,925)	(80,932)	(74,579)
Other gains		404	404	1,000	1,000
Profit before credit impairment reversals/(charges)		51,473	36,990	54,714	45,342
Credit impairment reversals/(charges)	12	91	1,241	(2,082)	13
Profit before tax		51,564	38,231	52,632	45,355
Income tax expense	13	(13,624)	(9,893)	(12,398)	(10,565)
Profit after tax		37,940	28,338	40,234	34,790
Profit attributable to:					
Owners of the company		36,745	28,338	39,554	34,790
Non-controlling interest		1,195	-	680	-
Profit for the year		37,940	28,338	40,234	34,790

[1]Comparatives have been re-presented to conform with the current year's presentation. These amendments are presentational only and have no impact on the reported profit for the prior period. See note 36 for further details.

Consolidated and company statement of comprehensive income

For the year ended 31 December 2025

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Profit for the year	37,940	28,338	40,234	34,790
Items that will not be reclassified subsequently to profit or loss:				
Revaluation loss on property	-	-	(2,571)	(2,571)
Income tax relating to property revaluation	-	-	643	643
Other comprehensive income/(expense) for the year, net of tax	-	-	(1,928)	(1,928)
Total comprehensive income	37,940	28,338	38,306	32,862
Attributable to:				
Owners of the company	36,745	28,338	37,626	32,862
Non-controlling interest	1,195	-	680	-
Total comprehensive profit for the period attributable to the equity holders	37,940	28,338	38,306	32,862

Consolidated and company statement of financial position

For the year ended 31 December 2025	Note	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 (restated) £000	Company 2024 (restated) £000
Assets					
Cash and balances with central banks	14	**575,031**	**575,031**	1,014,572	1,014,572
Placements with banks	14	**36,872**	**23,079**	44,279	23,660
Loans and advances to customers[2]	15	**3,745,133**	**3,352,745**	3,638,320	3,372,919
Other assets[1]	16	**58,369**	**58,312**	44,162	44,104
Current tax assets[1]		**7,854**	**7,553**	243	1,471
Derivative assets	17	**1,843**	**1,843**	6,404	6,404
Investment in securities	18	**1,080,929**	**1,080,929**	252,914	252,914
Intangible assets	19	**78,293**	**78,293**	63,455	63,396
Intercompany receivables		**-**	**385,112**	-	270,687
Right-of-use assets	20	**9,918**	**9,918**	11,060	11,060
Property and equipment	21	**3,080**	**3,080**	7,934	7,934
Investment in subsidiary	31	**-**	**1**	-	1
Total assets		5,597,322	5,575,896	5,083,343	5,069,122
Liabilities					
Customer deposits	22	**4,910,863**	**4,910,863**	4,492,026	4,492,026
Bank deposits	23	**85,131**	**85,131**	80,924	80,924
Lease liabilities	20	**10,690**	**10,690**	11,895	11,895
Deferred tax liabilities[1]	13	**11,526**	**11,532**	6,250	6,270
Other liabilities[2]	24	**88,515**	**82,685**	78,033	69,792
Derivative liabilities	17	**14,563**	**14,563**	11,478	11,478
Intercompany payables		**-**	**354**	-	354
Subordinated loans	25	**49,805**	**49,805**	14,881	14,881
Total liabilities		5,171,093	5,165,623	4,695,487	4,687,620
Equity					
Share capital	26	**202,000**	**202,000**	202,000	202,000
Revaluation and other reserves		**-**	**-**	505	505
Accumulated profits		**222,240**	**208,273**	184,557	178,997
Equity attributable to owners of the company		424,240	410,273	387,062	381,502
Non-controlling interest		**1,989**	**-**	794	-
Total equity		426,229	410,273	387,856	381,502
Total liabilities and equity		5,597,322	5,575,896	5,083,343	5,069,122

[1]Comparatives have been re-presented to conform with the current year's presentation. These amendments are presentational only and have no impact on the reported net assets for the prior period. See note 36 for further details.
[2]Prior year comparatives have been restated to reflect the classification of cash receipts. See note 36 for further details.

The financial statements were approved by the Board of Directors on 22 April 2026 and signed on its behalf by:

Nick Fahy
Chief Executive Officer, Company number 04728421

Consolidated and company statement of changes in equity

Consolidated	Share capital £000	Property revaluation reserve £000	Accumulated profits £000	Total shareholders' equity £000	Non-controlling interest £000	Total equity £000
As at 1 January 2024	202,000	2,433	145,003	349,436	114	349,550
Profit for the year after tax	-	-	39,554	39,554	680	40,234
Other comprehensive income	-	(1,928)	-	(1,928)	-	(1,928)
As at 31 December 2024	202,000	505	184,557	387,062	794	387,856
Profit for the year after tax	**-**	**-**	**36,745**	**36,745**	**1,195**	**37,940**
Transfer and tax release on disposal of revalued asset	**-**	**(505)**	**938**	**433**	**-**	**433**
As at 31 December 2025	**202,000**	**-**	**222,240**	**424,240**	**1,989**	**426,229**

Company	Share capital £000	Property revaluation reserve £000	Accumulated profits £000	Total equity £000
As at 1 January 2024	202,000	2,433	144,207	348,640
Profit for the year after tax	-	-	34,790	34,790
Other comprehensive income	-	(1,928)	-	(1,928)
As at 31 December 2024	202,000	505	178,997	381,502
Profit for the year after tax	**-**	**-**	**28,338**	**28,338**
Transfer and tax release on disposal of revalued asset	**-**	**(505)**	**938**	**433**
As at 31 December 2025	**202,000**	**-**	**208,273**	**410,273**

Consolidated and company statement of cash flows

For the year ended 31 December 2025

	Note	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 (restated) £000	Company 2024 (restated) £000
Cash flows from operating activities					
Profit before tax		**51,564**	**38,231**	52,632	45,355
Adjustments for:					
Credit impairment (reversals)/charges	12	**(91)**	**(1,241)**	2,082	(13)
Depreciation of property, equipment, and right-of-use assets	20, 21	**2,028**	**2,028**	2,197	2,188
Amortisation of intangible assets	19	**9,891**	**9,832**	7,264	7,157
Write-off of fixed and intangible assets	19, 21	**597**	**597**	305	305
Other gains		**(404)**	**(404)**	(1,000)	(1,000)
Net gains on derecognition of financial assets	34	**(3,578)**	**(3,578)**	-	-
Lease interest	20	**877**	**877**	946	946
Interest expense on subordinated loans	6	**4,218**	**4,218**	1,851	1,851
Interest income on asset-backed securities	18	**(21,020)**	**(21,020)**	(11,703)	(11,703)
Amortisation of issuance costs relating to subordinated loans	25	**(76)**	**(76)**	34	34
Interest paid on lease liabilities[1]		**(839)**	**(839)**	(919)	(919)
Tax paid		**(13,475)**	**(9,767)**	(6,580)	(6,165)
Foreign exchange losses/(gains)	8	**677**	**1,320**	(711)	(675)
Fair value adjustment on hedging instruments	17	**(544)**	**(544)**	204	204
Changes in operating assets					
Mandatory deposits with the central bank	14	**-**	**-**	9,348	9,348
Loans and advances to customers[1]	15	**(545,166)**	**(417,655)**	(75,163)	33,163
Intercompany receivable		**-**	**(114,425)**	-	(95,259)
Other assets	16	**(11,434)**	**(11,909)**	38,737	37,365
Derivative assets	17	**4,299**	**4,299**	(2,096)	(2,096)
Proceeds from sale of financial assets	34	**76,687**	**76,687**	-	-
Changes in operating liabilities					
Customer and bank deposits	22, 23	**423,044**	**423,044**	455,246	455,246
Derivative liabilities	17	**3,085**	**3,085**	(20,896)	(20,896)
Other liabilities[1]	24	**2,517**	**6,981**	(5,282)	(7,506)
Net cash flows from operating activities		**(17,143)**	**(10,259)**	446,496	446,930

For the year ended 31 December 2025

	Note	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 (restated) £000	Company 2024 (restated) £000
Cash flows from investing activities					
Purchase of property and equipment	21	**(204)**	**(244)**	(398)	(397)
Purchase of intangible assets	19	**(25,325)**	**(25,325)**	(21,721)	(21,721)
Purchase of asset-backed securities	18	**(484,349)**	**(484,349)**	(149,500)	(149,500)
Redemptions and principal paydowns of asset-backed securities[1]	18	**26,952**	**26,952**	24,774	24,774
Interest received on asset-backed securities[1]	18	**17,692**	**17,692**	11,062	11,062
Proceeds from sale of property	21	**5,904**	**5,904**	-	-
Net cash flows from investing activities		**(459,330)**	**(459,370)**	(135,783)	(135,782)
Cash flows from financing activities					
Proceeds from issuance of subordinated loans	25	**35,000**	**35,000**	-	-
Capital repayment from finance lease obligations[1]	20	**(1,487)**	**(1,487)**	(1,373)	(1,373)
Interest paid on subordinated loans[1]	6	**(4,032)**	**(4,032)**	(1,856)	(1,856)
Net cash flows from financing activities		**29,481**	**29,481**	(3,229)	(3,229)
Net (decrease)/increase in cash and cash equivalents for the year		**(446,992)**	**(440,148)**	307,484	307,919
Cash and cash equivalents at the beginning of the year		**1,058,851**	**1,038,232**	751,598	730,513
Net movement in cash and cash equivalents for the year		**(446,992)**	**(440,148)**	307,484	307,919
Effects of exchange rate changes on cash and cash equivalents		**44**	**26**	(231)	(200)
Cash and cash equivalents at the end of the year	**14**	**611,903**	**598,110**	1,058,851	1,038,232
Operational cash flows from interest					
Interest paid		**(250,609)**	**(250,607)**	(212,196)	(212,154)
Interest received		**375,909**	**358,142**	372,711	359,355
Net cash flows from interest		**125,300**	**107,535**	160,515	147,201

Note 1 to 37 form an integral part of these financial statements.

[1]Comparatives have been re-presented to conform with the current year's presentation. These amendments are presentational only and have no impact on the reported cash and cash equivalents for the prior period. See note 36 for further details.

Notes to the financial statements

1. Corporate information

These consolidated financial statements are prepared for Cynergy Bank plc and its subsidiaries (together referred to as 'the group'). Cynergy Bank plc is a public limited company registered in England and Wales (company number 04728421). Its registered office is at 4th Floor, One New Change, London EC4M 9AF. The group is authorised by the Prudential Regulation Authority (PRA) and regulated by both the Financial Conduct Authority (FCA) and the PRA.

Cynergy Bank is a wholly owned subsidiary of Cynergy Capital Limited, a company incorporated in England and Wales. The consolidated financial statements of Cynergy Capital Limited include those of the group and are available from Companies House (www.gov.uk/government/organisations/companies-house).

As at 31 December 2025, Cynergy Bank holds an 87.5% equity interest in Cynergy Business Finance Limited (company number 13322121), which is incorporated in the UK. This subsidiary is fully consolidated within these financial statements.

The principal accounting policies applied in the preparation of these financial statements are set out in note 3.

2. Basis of preparation

These financial statements incorporate the results of Cynergy Bank plc and its subsidiary, Cynergy Business Finance Limited.

2.1. Statement of compliance

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards (IAS) and the requirements of the Companies Act 2006. These statements include the consolidated financial statements of the group and the individual financial statements of Cynergy Bank.

2.2. Accounting convention

The financial statements have been prepared under the historical cost convention, modified by the revaluation of the following items measured at fair value:

- Land and buildings
- Share-based payment liabilities
- Derivative financial instruments

For items designated as fair value hedges, the carrying values of the hedged assets and liabilities are adjusted to reflect changes in fair value specifically attributable to the risk being hedged.

2.3. Going concern

The Directors have assessed the group's ability to continue as a going concern for at least 12 months from the date of approval of these financial statements. This assessment considered:

- Current and forecasted capital and liquidity positions against regulatory requirements
- Results of the internal capital adequacy assessment process (ICAAP) and internal liquidity adequacy assessment process (ILAAP)
- Cynergy Bank's commitment to provide continued financial support to its subsidiary, Cynergy Business Finance Limited

The Directors are satisfied that the group has adequate resources to meet its obligations as they fall due. Accordingly, these financial statements continue to be prepared on a going concern basis. For more details on the factors considered, please refer to the 'Corporate governance' section of the report.

2.4. Presentation of financial statements

The financial statements are presented in sterling, the group's functional and presentation currency, with all amounts rounded to the nearest thousand unless stated otherwise. The balance sheet is presented in order of liquidity.

Financial assets and liabilities are offset only when there is a legally enforceable right to do so and a clear intention to settle net, or realise the asset and settle the liability simultaneously. Income and expenses are offset only when required or permitted by accounting standards.

2.5. Foreign currency translation

Transactions in foreign currencies are recorded using the exchange rate at the transaction date.

Monetary assets and liabilities in foreign currencies are translated at the exchange rate at the balance sheet date, with any resulting differences recognised in the income statement under foreign exchange gains or losses.

Non-monetary items in foreign currencies are translated using the exchange rate at the date of the transaction for items measured at historical cost. Non-monetary items measured at fair value are translated at the exchange rate when the fair value is determined. Translation differences on non-monetary items are recognised in line with the gain or loss on the change in fair value of the item.

3. Material accounting policies

These material accounting policies have all been applied consistently throughout the year and to the preceding reporting year, unless stated otherwise. For policies requiring significant judgements or estimates, refer to note 4.

3.1. Accounting standards and interpretations adopted during the period

There were no new standards or interpretations relevant to Cynergy Bank's operations adopted during the period. The group has not early-adopted any standards, interpretations or amendments issued but not yet effective.

3.2. New accounting standards issued but not yet adopted

A number of new standards and amendments to standards are effective for accounting periods beginning on or after 1 January 2026. The group has not yet applied these new or amended standards in preparing these financial statements:

a) Classification and measurement of financial instruments (amendments to International Financial Reporting Standards 9 and 7): effective from 1 January 2026, these amendments address the timing of derecognition for electronic payments and the assessment of contractual cash flows for instruments with sustainability-linked (environmental, social and governance) features.

b) International Financial Reporting Standards (IFRS) 18 Presentation and disclosures in financial statements: effective for annual periods beginning on or after 1 January 2027, IFRS 18 replaces International Accounting Standards (IAS) 1. It introduces significant changes to the structure of the income statement, mandates new subtotals, and requires specific disclosures for management-defined performance measures.

The group is currently assessing the impact of IFRS 18 and expects to complete its implementation preparations ahead of the effective date. The remaining amendments and interpretations are not expected to have a significant impact on the group's financial statements.

3.3. Segmental information

Cynergy Bank operates in the United Kingdom, with one principal activity: the provision of banking services to business and personal customers. As the group does not have multiple reportable segments, there is no requirement for segmental reporting under IFRS 8.

3.4. Revenue recognition

Revenue is recognised when it is probable that economic benefits will flow to Cynergy Bank and the revenue can be reliably measured.

Net interest income

Interest income is recognised using the effective interest rate method for all financial instruments measured at amortised cost and those designated at fair value through profit or loss. Interest expense is recognised on financial liabilities measured at amortised cost using the effective interest rate method.

Fee and commission income integral to the effective interest rate

Fees integral to financial instruments, including loan origination, invoice discounting service fees and early redemption fees, are recognised as interest income, adjusting the effective interest rate.

Banking fees and commissions

Revenue from banking fees, including invoice discounting-related fees such as monitoring of sales ledgers, is recognised when the performance obligations are satisfied, in line with the contract.

The timing of satisfaction of performance obligations and significant payment terms depends on the nature of the good or service.

Nature of good or service	Timing of recognition	Timing of billing and payment	Geographical region
Service fees for current accounts	Monthly	Quarterly	UK
Service fees for debit or credit cards	At point of delivery	At point of delivery	UK
Service fees for handling payments	At point of delivery	At point of delivery	UK
Service fees for credit administration	At point of delivery	At point of delivery	UK
Invoice discounting fees for audit and monitoring	At point of delivery	At point of delivery	UK

3.5. Effective interest rate

The effective interest rate is calculated based on contractual terms, excluding expected credit losses. Interest income is recognised by applying the effective interest rate to the gross carrying amount of financial assets, except for credit-impaired assets, where the interest is recognised on their amortised cost.

For financial liabilities, interest expense is calculated by applying the calculated effective interest rate to the amortised cost of the financial liability.

3.6. Provisions

Provisions are recognised when Cynergy Bank has a present obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. When the time value of money has a material effect, the expected cash flows are discounted at a pre-tax rate specific to the liability.

3.7. Taxation

Tax on income is recognised in line with fiscal regulations as an expense in the period the income is earned. Deferred tax is accounted for using the liability method. Deferred tax liabilities are recognised for all taxable temporary differences between the tax base and carrying amounts of assets and liabilities at the balance sheet date that will result in taxable amounts in future periods.

Deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses, provided that sufficient taxable profits are likely to be available for their utilisation. The carrying value of deferred tax assets is reviewed at each balance sheet date and adjusted if it is no longer probable that sufficient taxable profit will be available to utilise some or all of the asset. Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year the asset is realised or the liability is settled, based on tax rates and laws enacted or substantively enacted at the reporting date.

Current and deferred tax related to items recognised directly in equity are recognised in equity, not in the statement of comprehensive income.

3.8. Financial instruments

Date of recognition
Financial assets and liabilities – excluding loans and advances to customers, trade receivables and balances due to customers – are recognised on the trade date, which is when Cynergy Bank becomes a party to the contractual terms of the instrument. This includes regular way trades, where assets are purchased or sold with delivery required within the timeframe, which is typically established by market regulations or conventions. Loans and advances to customers and trade receivables are recognised when funds are transferred to customer accounts. Balances due to customers are recognised upon receipt of funds.

Initial measurement of financial instruments

At initial recognition, Cynergy Bank classifies financial instruments based on their contractual terms and the underlying business model. Instruments are measured at fair value plus or minus transaction costs, except for those designated at fair value through profit or loss, where transaction costs are expensed immediately. Trade receivables without a significant financing component are measured at their transaction price. If the fair value at initial recognition differs from the transaction price, the resulting day one profit or loss is recognised immediately.

Measurement categories of financial assets and liabilities

Cynergy Bank classifies its financial assets into three categories at initial recognition: amortised cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVPL).

- **Amortised Cost:** Assets held to collect contractual cash flows, where those cash flows consist solely of principal and interest, and are not designated at FVPL, are measured at amortised cost. The carrying amount is adjusted for expected credit losses as described in note 3.11. Interest income from these assets is recognised using the effective interest method.

- **FVOCI:** Financial assets held both for collecting contractual cash flows and for selling, where the cash flows consist solely of principal and interest and are not designated at FVPL, are measured at FVOCI. Changes in carrying amounts are recognised in other comprehensive income, except for impairment gains or losses, interest income and foreign exchange gains and losses on amortised cost instruments, which are recognised in profit or loss. When a financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are classified and measured at FVPL. Gains or losses on these assets are recognised in profit or loss and presented within total operating income, unless the assets are designated at fair value or not held for trading, in which case gains or losses are presented separately in net investment income.

Financial liabilities (other than loan commitments and financial guarantees) are measured at amortised cost, except for derivative instruments, which are measured at FVPL.

Hedge accounting

Cynergy Bank has chosen to continue applying IAS 39 for portfolio assets being hedged, using fair value hedge accounting where the relevant criteria under the standard are met, as permitted by IFRS 9.

Certain derivatives held for risk management purposes are designated as hedging instruments in qualifying hedging relationships. Upon initial designation, the relationship between the hedging instruments and hedged items is formally documented. This includes the risk management objective, the strategy for the hedge and the method used to assess the effectiveness of the hedging relationship.

Both at the start of the hedge and on an ongoing basis, an assessment is made to determine if the hedging instruments are expected to be highly effective in offsetting the fair value changes of the hedged items during the designated period.

Additionally, exchange rate contracts are used to hedge against changes in exchange rates that do not meet the criteria for hedge accounting. These derivatives are therefore treated as trading derivatives, with any gains or losses from revaluation recognised in the income statement.

Fair value hedge accounting for portfolio hedges of interest rate risk

Cynergy Bank applies fair value hedge accounting for portfolio hedges of interest rate risk on loans and advances to customers. The identified portfolio is analysed into repricing time periods based on expected repricing dates, with cash flows scheduled accordingly. From this analysis, a portion of the assets from the selected portfolio is designated as the hedged item.

The amount to be hedged is determined by the movement in the present value of the asset portfolio for a one basis point shift in the yield curve. This ensures that mismatches in expected repricing buckets are within the limits set by the Board, using a hypothetical parallel shift in interest rates for sensitivity analysis.

We measure the fair value changes of the portfolio monthly. The movements relating to interest rate risk are recognised in the income statement. The cumulative movement is shown as an adjustment to the carrying value of the hedged item on the statement of financial position.

The fair value of each hedging instrument is also measured monthly and recorded in derivatives held for risk management, either as assets or liabilities. The change in value is recognised in the income statement under fair value gain/(loss) on derivative instruments. Any hedge ineffectiveness is recognised in the income statement as the difference between the change in the fair value of the hedged item and the hedging instrument, within net gains from derivatives and other financial instruments at fair value through profit or loss.

If the hedge relationship no longer qualifies for hedge accounting, it is discontinued, and the cumulative adjustment to the carrying amount of the hedged item is amortised to the income statement using a recalculated effective interest rate. If the hedged item is derecognised, the cumulative adjustment is recognised immediately in the income statement.

Options over non-controlling interests

Cynergy Bank plc entered into a shareholder agreement with its subsidiary, Cynergy Business Finance Limited, giving Cynergy Bank a call option to purchase the minority shareholding held by the minority shareholders of CBF. The minority shareholders also hold a corresponding put option to require Cynergy Bank to purchase their shares.

In the consolidated financial statements, the Group recognises a financial liability for the present value of the redemption amount in accordance with IAS 32. As the options are fair-value-based, the risks and rewards of ownership are deemed to remain with the non-controlling interest, which continues to be recognised in equity with the initial redemption liability recognised as a reduction of the Parent's equity. Subsequent measurement of the financial liability is at fair value through profit or loss in accordance with IFRS 9.

In the Bank's financial statements, a financial liability is recognised and measured at the present value of the redemption amount. In accordance with IAS 32, the initial debit arising on the recognition of this financial liability is recognised in profit or loss as a finance cost, aligning with the treatment applied on consolidation. The liability is subsequently measured at fair value through profit or loss under IFRS 9.

3.9. Securitisation transactions

Cynergy Bank securitises certain loans and advances to customers by transferring the beneficial interest in those assets to bankruptcy-remote structured entities. A structured entity is designed so that its activities are not governed by voting rights.

Cynergy Bank assesses whether it controls a structured entity by evaluating the purpose and design of the entity and its own ability to direct the activities that significantly affect the entity's returns. The assessment also considers Cynergy Bank's exposure to variable returns and its ability to use power to affect the magnitude of those returns. Where Cynergy Bank is deemed to control the structured entity, it is consolidated as a subsidiary.

Another assessment is performed to determine whether the securitised loans meet derecognition criteria. If Cynergy Bank transfers substantially all the risks and rewards of ownership, the loans are derecognised. Any resulting gain or loss is recognised in the statement of profit or loss. If Cynergy Bank retains substantially all the risks and rewards of ownership, the loans continue to be recognised in their entirety in the statement of financial position.

Securitisations involve the issuance of debt securities by the structured entity to investors. Where Cynergy Bank retains debt securities in an unconsolidated structured entity, the transferred loans are derecognised and the retained interests are recognised as investment securities. These are measured at amortised cost or fair value, depending on Cynergy Bank's business model and the cash flow characteristics of the securities.

3.10. Financial assets and liabilities

Cynergy Bank's financial assets include:

- Cash and balances with central banks
- Placements with banks

- Placements with/by related entities
- Investments in securities
- Loans and advances to customers

Financial assets are measured at amortised cost only if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to collect contractual cash flows
- The contractual terms of the financial asset give rise solely to payments of principal and interest on the principal amount outstanding

Cynergy Bank's financial liabilities include:

- Bank deposits (including repurchase agreements)
- Customer deposits
- Derivative financial liabilities
- Subordinated loans

Financial liabilities are measured at amortised cost, except for derivative financial liabilities, which are always measured at fair value through profit or loss.

For financial liabilities measured at amortised cost, any difference between initial recognition and settlement value is recognised using the effective interest rate method.

Trade and other receivables at amortised cost

Trade and other receivables are recognised when cash is advanced to a borrower and derecognised when:

- the borrower repays its obligations
- the receivables are sold or written off
- substantially all the risks and rewards of ownership are transferred

These receivables are initially recorded at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost, less any impairment allowances.

Customer and bank deposits at amortised cost

Customer and bank deposits are sources of debt funding for Cynergy Bank. These include deposits from retail customers and collateralised loan advances from the Bank of England under the indexed long-term repo scheme and the term funding scheme for small to medium enterprises. These financial liabilities are initially measured at fair value less transaction costs and are subsequently held at amortised cost using the effective interest rate method.

Derivatives recorded at fair value through profit and loss

Cynergy Bank classifies and measures its derivative portfolio at fair value through profit or loss. The derivative transactions are conducted with one counterparty and include interest rate swaps, futures and forward foreign exchange contracts. These derivatives are recorded at fair value, classified as assets when their fair value is positive, and as liabilities when their fair value is negative. Fully collateralised derivatives settled net in cash are recognised based on the overnight outstanding balance. The notional amount and fair value of these derivatives are disclosed separately in note 17. Changes in their fair value are recognised in the income statement under fair value gain/(loss) on hedging instruments.

Financial guarantees, letters of credit and undrawn loan commitments

Cynergy Bank issues financial guarantees, letters of credit and loan commitments. Financial guarantees are initially recognised at fair value in the financial statements (within provisions), reflecting the premium received. After initial recognition, the liability under each guarantee is measured at the higher of:

- The amount initially recognised, less cumulative amortisation in the income statement
- The corresponding expected credit loss provision, as outlined in note 27

The premium received is recognised in the income statement under net fees and commission income on a straight-line basis over the life of the arrangement.

Undrawn loan commitments and letters of credit represent commitments to provide loans to customers with pre-specified terms. These contracts fall under the expected credit loss requirements. The nominal contractual value of financial guarantees, letters of credit and undrawn loan commitments, where the loan terms are at market rates, are not recorded in the statement of financial position. However, the nominal values of these instruments and the corresponding expected credit losses are disclosed in note 30.

3.11. Derecognition of financial assets and liabilities

IFRS 9 provides specific guidance on the accounting treatment when the modification of a financial instrument that is not measured at fair value through profit or loss does not result in derecognition. Under IFRS 9, Cynergy Bank recalculates the gross carrying value of the financial asset (or the amortised cost of the financial liability) by discounting the modified contractual cash flows using the original effective interest rate. Any resulting adjustment is recognised as a modification gain or loss in the income statement.

3.12. Impairment of financial assets

The impairment of financial assets under IFRS 9 is based on an expected credit loss model. IFRS 9 requires:

- A 12-month (stage 1) expected credit loss calculation where financial assets have not experienced a significant increase in credit risk since origination
- A lifetime expected credit loss calculation where it has been demonstrated that there has been a significant increase in credit risk (stage 2)

The lifetime expected credit loss calculation is further refined into separate stages depending on whether the financial asset is credit-impaired or not.

i) <u>Overview of the expected credit loss principles</u>

Cynergy Bank records the allowance for expected credit losses for all loans and other financial assets not held at fair value through profit or loss, including loan commitments (referred to in this section as financial instruments). Equity instruments are not subject to impairment under IFRS 9.

The expected credit loss (ECL) allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss, or LTECL), unless there has been no significant increase in credit risk since origination, in which case the allowance is based on the 12 months' expected credit loss (12m ECL) as outlined in note 30. Cynergy Bank's policies for determining if there has been a significant increase in credit risk are set out in note 30.

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

Based on the above process, Cynergy Bank groups its loans into stage 1, stage 2 and stage 3:

- Stage 1: When loans are first recognised, we recognise an allowance based on 12m ECLs. Stage 1 loans also include facilities where the credit risk has improved and the loan has been reclassified from stage 2.
- Stage 2: When a loan has shown a significant increase in credit risk since origination, we record an allowance for the LTECLs. Stage 2 loans also include facilities where the credit risk has improved and the loan has been reclassified from stage 3.
- Stage 3: When loans are considered credit-impaired, we record an allowance for the LTECLs.

For financial assets for which Cynergy Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a partial derecognition of the financial asset.

ii) The calculation of expected credit losses

Cynergy Bank calculates ECLs based on four probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation of the effective interest rate. A cash shortfall is the difference between the cash flows that are due to us in accordance with the contract and the cash flows that we expect to receive. The key elements of the ECL calculations are:

- Probability of default: an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period if the facility has not been previously derecognised and is still in the portfolio
- Exposure at default: an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, accrued interest from missed payments, and prepayment rates. The exposure at default is further explained in note 30.
- Loss given default: an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the exposure at default. The loss given default is further explained in note 30.

When estimating the ECLs, we consider four scenarios: mild upside, baseline, downside and severe downside. Each of these is associated with different probabilities of default, exposures at default and losses given default, as set out in note 30. When relevant, the assessment of ECLs also incorporates how defaulted loans are expected to be recovered, including the probability that the loans will cure and the value of collateral or the amount that might be received for selling the asset. The maximum period for which the credit losses are determined is the contractual life of a financial instrument.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

The mechanics of the ECL method are as follows.

Stage 1:
When a loan is originated or purchased, ECLs resulting from default events that are possible within the next 12 months are recognised (12m ECL) and a loss allowance is established. On subsequent reporting dates, 12m ECL also applies to existing loans with no significant increase in credit risk since their initial recognition. Interest revenue is calculated on the loan's gross carrying amount (that is, without deduction for ECLs). These expected 12-month default probabilities are applied to a forecast exposure at default, multiplied by the expected loss given default and discounted by an approximation to the original effective interest rate. This calculation is made for each of the four scenarios and used within our macroeconomic scenarios.

In determining whether a significant increase in credit risk has occurred since initial recognition, Cynergy Bank assesses the change, if any, in the risk of default over the expected life of the loan (that is, the change in the probability of default, as opposed to the amount of ECLs).

Stage 2:
When a loan has shown a significant increase in credit risk since origination, we record an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but probabilities of default and losses given default are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original effective interest rate. The calculation of interest revenue is the same as for stage 1.

Stage 3:
If the loan's credit risk increases to the point where it is considered credit-impaired, the probability of default is set at 100%. Interest revenue is calculated based on the loan's amortised cost (that is, the gross carrying amount less the loss allowance). LTECLs are recognised, as in stage 2.

Loan commitments:
When estimating LTECLs for loan commitments, we estimate the expected portion of the loan commitment that will be drawn down over its expected life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the four scenarios. The expected cash shortfalls are discounted at the expected effective interest rate on the loan.

Overdrafts:
Cynergy Bank does not limit its exposure to credit losses to the contractual notice period, but instead calculates ECLs over a period that reflects its expectations of the customer's behaviour, the likelihood of default and our future risk mitigation procedures, which could include reducing or cancelling the facilities. Based on experience and our expectations, the period over which we calculate ECLs for these products is sixteen months. The interest rate used to discount the ECLs for overdrafts is based on the average effective interest rate that is expected to be charged over the life of the instrument.

iii) Use of forward-looking economic information

The assessment of significant increase in credit risk and the calculation of ECLs both incorporate forward-looking information, using key economic variables which have an impact on the credit risk and credit losses of the lending portfolio. We have continued to deploy quantitative assessments supported by qualitative expert judgement in the management of our portfolio and to support the identification of significant increases in credit risk in the book. The IFRS 9 model has been updated periodically throughout the year with new macroeconomic forecasts and wider risk monitoring has been utilised to identify areas of risk that are not fully accounted for in our modelled outputs.

The variables of Cynergy Bank's economic modelling are deployed to forecast the probability of default, loss given default and exposure at default across different scenarios. We partner with a market leader in global forecasting and quantitative analysis to ensure that the economic updates made to its inputs are aligned to market best practice estimates. The four scenarios we use in our macroeconomic forecasting provide an appropriate degree of non-linearity within the ECL calculation. Further details of the scenarios and their related impacts on ECL are included in note 30.

3.13. Collateral valuation

To mitigate its credit risks on financial assets, Cynergy Bank seeks to use collateral where possible. The collateral comes in various forms, such as real estate, cash, securities, letters of credit/guarantees, receivables, inventories, other non-financial assets and credit enhancements such as netting agreements. Collateral, unless repossessed, is not recorded on Cynergy Bank's statement of financial position. However, the fair value of collateral affects the calculation of ECLs. It is generally assessed at a minimum, at inception and reassessed on a quarterly basis.

Commercial and residential properties are revalued in accordance with Cynergy Bank's valuation policy. Additionally, Cynergy Bank employs statistical methods to monitor residential property values through quarterly updates of the indexation. Properties are also subject to periodic physical revaluations and are fully revalued when they enter Cynergy Bank's business support team or recoveries. To the extent possible, we use active market data for valuing financial assets held as collateral. Other financial assets which do not have readily determinable market values are valued using models.

3.14. Write-offs

Financial assets are written off either partially or in their entirety only when Cynergy Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Write-offs are instructed by our recoveries team and are credited to credit loss expense.

3.15. Forborne and modified loans

Cynergy Bank sometimes makes concessions or modifications to the original terms of loans. These modifications can be made for commercial reasons – for example, modifications to contracts in relation to the transition of a loan from SONIA as a reference rate to an alternative interest reference rate, or modifications to terms as a response to the borrower requiring support due to financial difficulties.

Cynergy Bank considers a loan forborne when such concessions or modifications are provided as a result of the borrower's present or expected financial difficulties, and we would not have agreed to them if the borrower had been financially healthy. Indicators of financial difficulties include defaults on covenants or significant concerns raised by our credit risk department.

Forbearance may involve extending the payment arrangements agreeing new loan conditions. Once the terms have been renegotiated, any impairment is measured using the original effective interest rate, as calculated before the modification of terms. It is our policy to monitor forborne loans to help make sure future payments are likely to happen. Derecognition decisions and classification between stage 2 and stage 3 are determined on a case-by-case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired stage 3 forborne asset until it is collected or written off.

When the loan has been renegotiated or modified but not derecognised, Cynergy Bank also reassesses whether there has been a significant increase in credit risk, as set out in note 30. We also consider whether the assets should be classified as stage 3 credit-impaired. Once an asset has been classified as forborne, it will remain forborne for a minimum 24-month probation period. For the loan to be reclassified out of the forborne category, the customer must meet the following criteria:

- All of its facilities have to be considered performing
- The exposure must complete a probation period of 24 months where it must be considered a performing loan
- Regular and significant payments of principal or interest must have been made during at least half of the probation period
- The customer must not have any contract that is more than 30 days past due

3.16. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash, non-obligatory balances with central banks, placements with banks, and other securities that are easily convertible into known amounts of cash or are repayable within three months of acquisition.

3.17. Property and equipment

Property is initially measured at cost and subsequently at fair value less accumulated depreciation. Independent qualified valuers conduct valuations every three years based on current market values. Management reassesses the carrying amount at each intervening reporting period to ensure it does not differ materially from fair value. These assets are classified as level 2 in the fair value hierarchy, with inputs based on recent comparable evidence using the comparative and investment methods. Revaluation increments are credited to the asset revaluation reserve unless they reverse deficits from previous revaluations charged to the income statement. Any revaluation losses that reverse prior gains are charged against the asset revaluation reserve. This policy is applied on an asset-by-asset basis, with revaluation increases and decreases not offset, even within the same asset class, unless they relate to the same asset.

Computer hardware, furniture and equipment are carried at cost, less accumulated depreciation and impairment losses. The historical cost includes direct acquisition-related expenditure.

The carrying amounts of property and equipment are reviewed for impairment whenever events or changes in circumstances suggest the carrying amount may not be recoverable. If the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount. The recoverable amount is the higher of:

- Fair value less costs to sell
- Value in use

3.18. Leases

Cynergy Bank leases its primary office, with rental contracts typically ranging from one year to up to 20 years. We have elected not to separate lease and non-lease components, instead accounting for them as a single lease component. Lease terms are negotiated individually, and leased assets cannot be used as collateral for borrowing purposes.

Leases are recognised as a right-of-use asset with a corresponding liability when the leased asset is available for use by Cynergy Bank. Both the asset and liability are initially measured on a present value basis, with lease liabilities including the present value of fixed lease payments. Lease payments are discounted using the incremental borrowing rate, which is the rate Cynergy Bank would need to pay to borrow funds for an asset of similar value and terms. The implicit interest rate in the lease is not readily available.

Lease payments are divided between principal and finance costs, with finance costs charged to profit or loss over the lease term to achieve a constant periodic rate of interest on the remaining liability.

Right-of-use assets are initially measured at cost, including:

- The initial measurement of lease liability
- Any lease payments made before or at the commencement date, minus lease incentives received
- Any initial direct costs
- Restoration costs

These assets are generally depreciated on a straight-line basis over the shorter of the asset's useful life or the lease term. If Cynergy Bank is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Management considers any termination options in determining the lease term. The right-of-use asset is depreciated over the expected lease term, factoring in the possibility of termination.

While Cynergy Bank revalues land and buildings within property, plant, and equipment, it has opted not to apply revaluation to right-of-use buildings.

Payments for short-term leases of equipment and vehicles, as well as leases of low-value assets, are recognised as expenses on a straight-line basis in the income statement. Short-term leases are those with terms of 12 months or less, and low-value assets include IT equipment, motor vehicles and small office equipment and furniture.

3.19. Intangible assets

An intangible asset is recognised only when its cost can be reliably measured and it is probable that expected future economic benefits will flow to Cynergy Bank. Intangible assets acquired separately are initially recognised at cost, while those acquired in a business combination are recognised at fair value as at the acquisition date. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and impairment losses. Accumulated amortisation is included under depreciation, amortisation and impairment in the income statement.

Intangible assets are classified as having either finite or indefinite useful lives. Assets with finite lives are amortised over their useful economic life. The amortisation period and method for intangible assets with finite useful lives are reviewed at least annually. Any changes in the expected useful life or consumption pattern of the asset's economic benefits result in adjustments to the amortisation period or methodology, treated as changes in accounting estimates.

Intangible assets are reviewed for impairment if there are events or changes in circumstances suggesting the carrying amount may not be recoverable. If the carrying amount exceeds the recoverable amount, the asset is written down to its recoverable amount.

Amortisation of intangible assets is calculated on a straight-line basis, with the following useful lives:

- Computer software: 3 years
- Core application software: 5–10 years

3.20. Employee benefits

Cynergy Bank operates a defined contribution pension plan, where the cost of providing retirement pensions is charged to the income statement based on the defined contributions payable each year. Any differences between contributions payable and those actually paid are recorded as accruals or prepayments.

3.21. Government grants and other assistance

Government grants and other assistance are recognised in the income statement over the period in which Cynergy Bank recognises the related expenses. Cynergy Bank participated in the CBILS: year-one payments for arrangement fees and interest are recognised as interest income in the income statement. Receipts are recognised as revenue following the contractual terms of the facilities.

The CBILS lender fee is calculated for each day a CBILS loan facility is outstanding, aggregated, and paid quarterly to the British Business Bank. This fee is considered a transaction cost and is an integral part of the yield on the facility, recognised in net interest income in the income statement.

Cynergy Bank has also participated in the RLS, which replaced CBILS, with the terms and accounting treatment remaining the same.

Cynergy Bank has not received any government grants.

3.22. Investment in subsidiary

Investments in subsidiaries are accounted for at cost less any impairment provisions. Intercompany transactions, balances, income and expenses are eliminated in consolidation. Profits and losses from transactions between the parent company and its subsidiaries are eliminated to the extent of the parent's interest in the subsidiary.

4. Critical accounting judgements and estimates

The preparation of financial statements requires Cynergy Bank's management to make judgements and estimates that can significantly affect the amounts recognised in the financial statements. This note outlines the accounting policies that are critical to Cynergy Bank's results and financial position (due to the materiality of the items to which these policies are applied) and which involve a high degree of judgement, estimates and assumptions.

4.1 Critical judgements

Application of the 'Business Model' Requirements under IFRS 9

The application of the 'business model' requirements under IFRS 9 is a critical accounting judgement that fundamentally determines the classification of the Bank's financial assets. Management assesses the objective of the business model at a portfolio level, concluding that the Bank's primary model for loans and advances is 'held to collect'. This conclusion is based on the fact that the Bank originates loans and advances with the intention of collecting contractual cash flows over the life of the instruments.

In making this assessment, the Bank specifically considered the recent securitisation transaction that led to the derecognition of a portfolio of loans (see note 34). Management concluded that the size and frequency of such transactions are not inconsistent with a 'held to collect' business model and do not affect the Bank's overall classification. Additionally, the Bank applies judgement to ensure that the contractual terms of these financial assets give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI). Consequently, the majority of the Bank's financial assets, consisting of loans and advances to customers, meet the criteria to be measured at amortised cost.

4.2 Critical estimates

The preparation of financial information requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and management assumptions are reviewed regularly and updated when new information becomes available. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in subsequent periods. The judgements and assumptions that are considered most important in portraying Cynergy Bank's financial position are those related to impairment, the effective interest rate and the valuation of the share-based payment liability.

Allowances for credit losses

The measurement of impairment losses under International Financial Reporting Standards (IFRS) 9 for all categories of financial assets requires judgement, particularly in estimating the amount and timing of future cash flows and collateral values. These estimates depend on several factors, and changes in these factors can lead to different levels of allowances.

Cynergy Bank's expected credit loss calculations are the result of complex models, with various underlying assumptions regarding the selection of variable inputs and their interdependencies.

Key elements or assumptions in Cynergy Bank's expected credit loss models include:

- Criteria for assessing whether there has been a significant increase in credit risk, which determines if allowances for financial assets should be measured on a lifetime expected credit loss basis
- Selection of forward-looking macroeconomic scenarios and their associated probability weightings, which provide the economic inputs for the expected credit loss models
- Post-model adjustments, which involve judgements and assumptions, as outlined in note 3.11
- Use of collateral valuations and associated weightings in individually assessed exposures, including the judgement applied to reflect realisation values, enforceability and expected timing of recovery

Sensitivities related to these elements are provided in note 30.

The effective interest method

Cynergy Bank recognises interest income using the effective interest rate method for all financial instruments measured at amortised cost. The effective interest rate is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument, or a shorter period when appropriate, to the net carrying amount of the financial asset.

Interest income is recognised at a rate of return that reflects the best estimate of a constant rate of return over the expected behavioural life of loans and deposits, taking into account variations in interest rates during different stages of the product life cycle, including prepayments, penalty interest and other charges. This requires judgement regarding the expected behaviour and life cycle of the instruments, as well as expected changes to Cynergy Bank's and the Bank of England base rate, and other fee income or expense integral to the instrument.

A key sensitivity is the treatment of arrangement fees on the lending portfolio. Adjusting the behavioural life of the lending portfolio by 20% would result in a reduction or increase in income of £1.7m or £1.9m, respectively.

Options over non-controlling interests

The Bank estimates the fair value of reciprocal put and call options related to the minority shareholding in Cynergy Business Finance Limited (CBF). The measurement of fair value is based on valuation models that incorporate the Bank's strategic forecasts, specifically accounting for the capital-intensive nature of the business and contractual cost-sharing arrangements.

Key sources of estimation uncertainty include future business performance assumptions, such as growth estimates and the funding costs of a potential acquiror, as well as the discount factor applied in estimating the net present value of future cash flows.

Based on these assessments, the fair value is estimated to be £nil (2024: £nil). Management has concluded that this estimate is not sensitive to reasonable changes in forecast assumptions; the structural costs and regulatory capital requirements are such that variations in projected earnings or discount rates would not result in a material liability being recognised within the next financial year.

4.3 Other judgements

Securitisations

Securitisation transactions involve the transfer of customer loans to a structured entity. Determining the appropriate accounting treatment requires complex assessments and the application of significant judgement to ensure the substance of the arrangement is reflected.

The primary judgements involve assessing whether Cynergy Bank controls the structured entity, requiring its consolidation as a subsidiary, and determining whether the securitised loans meet the criteria for derecognition. These assessments fundamentally impact the assets and liabilities recognised in the statement of financial position.

In making these assessments, Cynergy Bank scrutinises the contractual terms of the arrangement. Particular consideration is given to which party services and manages the loans, as well as the ownership of specific notes or residual certificates, and the extent to which the associated risks and rewards of the loans have been transferred. These interests often represent the right to excess spread or the risk of credit losses, which are key indicators of power and exposure to variable returns.

During 2025, Cynergy Bank completed its first securitisation transaction. Judgement was applied and management concluded that Cynergy Bank did not control the structured entity, as its involvement was limited to servicing the assets and holding the most senior note. Consequently, it was determined that Cynergy Bank had transferred substantially all risks and rewards, and the securitised loans were derecognised from the statement of financial position.

5. Interest income

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Interest income calculated using the effective interest rate method				
Loans and advances to customers	265,952	248,179	256,634	242,705
Investments in securities	21,020	21,020	11,703	11,703
Cash and balances with central banks	41,582	41,428	44,440	44,440
Total interest income calculated using the effective interest rate method	328,554	310,627	312,777	298,848
Interest and other similar income				
Interest rate swaps	59,793	59,793	57,827	57,827
Total interest income	388,347	370,420	370,604	356,675

6. Interest expense

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 (restated) £000	Company 2024 (restated) £000
Interest expense calculated using the effective interest rate method				
Customer deposits	187,489	187,489	176,378	176,378
Bank deposits	16	15	87	46
Subordinated loans	4,218	4,218	1,851	1,851
Government funding schemes	2,097	2,097	12,216	12,216
Total interest expense calculated using the effective interest rate method	**193,820**	**193,819**	190,532	190,491
Interest and other similar expense				
Interest rate swaps	60,891	60,891	48,550	48,550
Lease liabilities*	877	877	946	946
Total interest and other similar expense	**61,768**	**61,768**	49,496	49,496
Total interest expense	**255,588**	**255,587**	240,028	239,987

*Interest expense on lease liabilities has been reclassified from 'Interest expense calculated using the effective interest rate method' to 'Interest and other similar expense' to better reflect the nature of these costs. Prior year comparatives have been re-presented accordingly. See note 36 for further details.

7. Fee and commission income

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Service fees for current accounts	345	345	400	400
Service fees for debit/credit cards	153	153	156	156
Service fees for handling payments	29	29	32	32
Foreign exchange fees	211	211	307	307
Invoice financing fees	2,406	-	1,801	-
Other fees	633	634	393	393
Total fee and commission income	**3,777**	**1,372**	3,089	1,288

8. Foreign exchange (losses)/gains

Foreign exchange gains and losses arise from the retranslation of monetary assets in foreign currency at the balance sheet date.

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Total foreign exchange (losses)/gains	**(677)**	**(1,320)**	712	676

9. Staff costs

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Wages and salaries	38,781	34,474	36,325	31,921
Social security costs	4,200	3,712	3,561	3,140
Defined contribution pension costs	2,613	2,308	2,865	2,559
Revaluation of long-term incentive plan liabilities*	(3,978)	(3,978)	32	32
Total staff costs	**41,616**	**36,516**	42,783	37,652

*As at 31 December 2025, no amounts were outstanding under the previous long-term incentive plan for senior leaders, resulting in a £nil liability.

	Consolidated 2025	Company 2025	Consolidated 2024	Company 2024
Management	13	13	16	16
Operations and front office	121	121	116	116
Back-office functions	204	204	209	209
Cynergy Business Finance	51	-	47	-
Total monthly average number of staff employed	**389**	**338**	388	341

10. Depreciation, amortisation and impairment

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Depreciation of property and equipment	557	557	825	816
Amortisation of intangible assets	9,891	9,832	7,264	7,157
Depreciation of right-of-use assets	1,471	1,471	1,372	1,372
Write-off of assets	597	597	305	305
Total depreciation, amortisation and impairment	**12,516**	**12,457**	9,766	9,650

11. Other operating expenses

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Technology and infrastructure	11,389	11,064	10,130	9,893
Professional fees (including co-sourcing)	12,392	12,119	7,543	7,307
Premises costs	1,972	1,825	2,234	2,078
Administrative expenses	4,017	3,732	3,425	3,227
Operational and regulatory fees	2,443	2,257	1,935	1,710
Other operating expenses	3,071	2,955	3,116	3,062
Total operating expenses	**35,284**	**33,952**	28,383	27,277

The line item 'Other operating expenses' represents individually immaterial, low-value items.

Professional fees include fees payable to Cynergy Bank's auditor, which are analysed in the following table, net of VAT.

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Audit fee for the audit of Cynergy Bank plc	649	649	624	624
Audit fee for the audit of the Bank's subsidiary	151	-	145	-
Other assurance services	300	300	130	130
Other non-audit services	40	40	-	-
Total fees payable to Cynergy Bank's auditor	**1,140**	**989**	899	754

Other assurance and non-audit services include independent accounting advisory services and profit verifications performed during the year.

12. Credit impairment reversals/(charges)

Consolidated	**2025**			
	Stage 1 £000	**Stage 2 £000**	**Stage 3 £000**	**Total £000**
Loans and advances to customers	669	1,076	(1,654)	91
Total credit impairment reversals/(charges)	**669**	**1,076**	**(1,654)**	**91**

Company	**2025**			
	Stage 1 £000	**Stage 2 £000**	**Stage 3 £000**	**Total £000**
Loans and advances to customers	783	2,294	(1,836)	1,241
Total credit impairment reversals/(charges)	**783**	**2,294**	**(1,836)**	**1,241**

Consolidated	2024			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Loans and advances to customers	893	4,389	(7,375)	(2,093)
Undrawn loan commitments	11	-	-	11
Total credit impairment reversals/(charges)	904	4,389	(7,375)	(2,082)

Company	2024			
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000
Loans and advances to customers	1,106	4,493	(5,597)	2
Undrawn loan commitments	11	-	-	11
Total credit impairment reversals/(charges)	1,117	4,493	(5,597)	13

13. Income tax expense

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
UK corporation tax				
Charge for the year	10,451	7,096	10,722	8,889
Adjustments in respect of prior year	(2,506)	(2,898)	(2,418)	(2,418)
	7,945	4,198	8,304	6,471
Deferred tax				
Charge for the year	2,628	2,644	2,444	2,444
Adjustments in respect of prior year	3,051	3,051	1,650	1,650
Tax charge for the year	**13,624**	**9,893**	12,398	10,565

Next we present a reconciliation between the tax charge in the income statement for the year ended 31 December 2025, and the accounting profit multiplied by the standard rate of corporation tax in the UK of 25% (2024: 25%).

Profit before tax	51,564	38,231	52,632	45,355
Tax calculated 25% (2024: 25%)	12,891	9,558	13,158	11,339
Tax effect of:				
Expenses not deductible for tax purposes	25	19	8	(6)
R&D expenditure credit	104	104	-	-
Revaluation of long-term incentive plan liabilities	(152)	(152)	-	-
Property sale	211	211	-	-
Adjustment in respect of prior year – corporation tax	(2,506)	(2,898)	(2,418)	(2,418)
Adjustment in respect of prior year – deferred tax	3,051	3,051	1,650	1,650
Tax charge for the year	**13,624**	**9,893**	12,398	10,565

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
The net deferred tax liability arises from:				
Difference between capital allowances and depreciation	(11,526)	(11,532)	(6,594)	(6,550)
Property revaluation	-	-	(433)	(433)
Provision for remuneration expenditure not deductible for tax purposes in the current period	-	-	747	713
Net deferred tax liability	(11,526)	(11,532)	(6,280)	(6,270)
Movement in the net deferred tax liability:				
1 January	(6,280)	(6,270)	(2,829)	(2,819)
Revaluation of properties	-	-	643	643
Transfer of deferred tax to retained earnings on disposal	433	433	-	-
Deferred tax recognised in the income statement	(5,679)	(5,695)	(4,094)	(4,094)
31 December	(11,526)	(11,532)	(6,280)	(6,270)
Analysis of the net deferred tax charge recognised in the income statement is set out below:				
Difference between capital allowances and depreciation	(4,966)	(4,982)	(3,847)	(3,847)
Other temporary differences	(713)	(713)	(247)	(247)
Deferred tax charge for the year	(5,679)	(5,695)	(4,094)	(4,094)

14. Cash, balances with central banks and placements with banks

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Balances with the Bank of England	575,031	575,031	1,014,572	1,014,572
Placements with banks	36,872	23,079	44,279	23,660
Cash and cash equivalents	611,903	598,110	1,058,851	1,038,232

The expected credit losses relating to cash, balances with central banks and placements with banks are negligible and round to zero.

Cash and cash equivalents for the purposes of the statement of cash flows are as follows.

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Balances with the Bank of England	575,031	575,031	1,014,572	1,014,572
Placements with banks	36,872	23,079	44,279	23,660
Cash and cash equivalents per the statement of cash flows	611,903	598,110	1,058,851	1,038,232

Placements with banks earn interest (or in some cases are charged interest) based on the interbank rate for the relevant term and currency.

15. Loans and advances to customers

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 (restated) £000	Company 2024 £000
Loans*	3,757,303	3,360,417	3,643,714	3,374,629
Overdrafts	2,282	2,282	14,679	14,679
	3,759,585	3,362,699	3,658,393	3,389,308
Fair value adjustment	13,952	13,952	8,758	8,758
Less: allowance for expected credit losses	(28,404)	(23,906)	(28,831)	(25,147)
Total	3,745,133	3,352,745	3,638,320	3,372,919

*Loans and advances at 31 December 2024 have been reduced by £15.2m to reflect the reclassification of cash receipts previously recorded within other liabilities. A full reconciliation of the impact of this restatement on the consolidated financial statements is included within note 36.

The following two tables show the credit quality and the maximum exposure to credit risk based on Cynergy Bank's internal credit rating system and year-end stage classification. The amounts presented are gross of impairment allowances. Cynergy Bank's internal grading system is explained in note 30.

Consolidated Loans £000	2025			
	Gross carrying amount of loans			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Standard grade	3,421,835	143,128	-	3,564,963
Watchlist medium risk	-	116,126	-	116,126
Credit-impaired	-	-	90,166	90,166
Total	3,421,835	259,254	90,166	3,771,255

Consolidated Overdrafts £000	2025			
	Gross carrying amount of loans			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Standard grade	1,410	22	-	1,432
Watchlist medium risk	-	-	-	-
Credit-impaired	-	-	850	850
Total	1,410	22	850	2,282

Company Loans £000	**2025**			
	Gross carrying amount of loans			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard grade	**3,092,337**	**99,283**	**-**	**3,191,620**
Watchlist medium risk	**-**	**96,651**	**-**	**96,651**
Credit-impaired	**-**	**-**	**86,098**	**86,098**
Total	**3,092,337**	**195,934**	**86,098**	**3,374,369**

Company Overdrafts £000	**2025**			
	Gross carrying amount of loans			
Internal rating grade	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Standard grade	**1,410**	**22**	**-**	**1,432**
Watchlist medium risk	**-**	**-**	**-**	**-**
Credit-impaired	**-**	**-**	**850**	**850**
Total	**1,410**	**22**	**850**	**2,282**

Consolidated Loans £000	2024			
	Gross carrying amount of loans			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Standard grade	3,193,898	174,819	-	3,368,717
Watch list medium risk	-	187,387	530	187,917
Credit Impaired	-	-	95,838	95,838
Total	3,193,898	362,206	96,368	3,652,472

Consolidated Overdrafts £000	2024			
	Gross carrying amount of loans			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Standard grade	3,683	122	-	3,805
Watch list medium risk	-	8,258	-	8,258
Credit Impaired	-	-	2,616	2,616
Total	3,683	8,380	2,616	14,679

Company Loans £000	2024			
	Gross carrying amount of loans			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Standard grade	2,963,375	148,138	-	3,111,509
Watch list medium risk	-	180,020	-	180,020
Credit Impaired	-	-	91,854	91,858
Total	2,963,375	328,158	91,854	3,383,387

Company Overdrafts £000	2024			
	Gross carrying amount of loans			
Internal rating grade	Stage 1	Stage 2	Stage 3	Total
Standard grade	3,683	122	-	3,805
Watch list medium risk	-	8,258	-	8,258
Credit Impaired	-	-	2,616	2,616
Total	3,683	8,380	2,616	14,679

The following reconciliation tables illustrate the movements in the loss allowance and gross carrying amounts, providing insight into the drivers of the expected credit loss charge to the income statement this year.

Consolidated Loans	**2025**							
	Stage 1		**Stage 2**		**Stage 3**		**Total**	
£000	**Gross carrying amount**	**Expected credit loss**	**Gross carrying amount**	**Expected credit loss**	**Gross carrying amount**	**Expected credit loss**	**Gross carrying amount**	**Expected credit loss**
At 1 January	**3,193,898**	**4,400**	**362,206**	**3,822**	**96,368**	**18,902**	**3,652,472**	**27,124**
New assets originated	**1,222,850**	**3,278**	**-**	**-**	**-**	**-**	**1,222,850**	**3,278**
Assets derecognised or repaid	**(834,163)**	**(768)**	**(186,606)**	**(1,588)**	**(44,417)**	**(973)**	**(1,065,186)**	**(3,329)**
Transfers to stage 1	**66,425**	**47**	**(64,820)**	**(557)**	**(1,605)**	**(79)**	**-**	**(589)**
Transfers to stage 2	**(169,063)**	**(307)**	**169,063**	**1,184**	**-**	**-**	**-**	**877**
Transfers to stage 3	**(22,094)**	**(58)**	**(29,473)**	**(486)**	**51,567**	**1,613**	**-**	**1,069**
Within-stage movements	**(36,018)**	**(2,648)**	**8,884**	**575**	**(11,410)**	**1,712**	**(38,544)**	**(361)**
Write-offs	**-**	**-**	**-**	**-**	**(337)**	**(337)**	**(337)**	**(337)**
At 31 December	**3,421,835**	**3,944**	**259,254**	**2,950**	**90,166**	**20,838**	**3,771,255**	**27,732**

Consolidated Overdrafts	2025							
	Stage 1		Stage 2		Stage 3		Total	
£000	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss
At 1 January	3,683	6	8,380	293	2,616	1,408	14,679	1,707
New assets originated	86	9	-	-	-	-	86	9
Assets derecognised or repaid	(720)	(4)	(8,274)	(287)	(1,889)	(973)	(10,883)	(1,264)
Transfers to stage 1	35	2	(35)	(6)	-	-	-	(4)
Transfers to stage 2	(28)	-	28	-	-	-	-	-
Transfers to stage 3	(2)	-	(43)	-	45	29	-	29
Within-stage movements	(1,644)	7	(34)	1	78	187	(1,600)	195
Write-offs	-	-	-	-	-	-	-	-
At 31 December	1,410	20	22	1	850	651	2,282	672

Company Loans	2025							
	Stage 1		Stage 2		Stage 3		Total	
£000	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss
At 1 January	2,963,375	3,246	328,158	3,513	91,854	16,681	3,383,387	23,440
New assets originated	1,076,994	1,273	-	-	-	-	1,076,994	1,273
Assets derecognised or repaid	(825,633)	(733)	(173,212)	(1,406)	(44,072)	(879)	(1,042,917)	(3,018)
Transfers to stage 1	61,200	35	(59,595)	(518)	(1,605)	(79)	-	(562)
Transfers to stage 2	(134,307)	(145)	134,307	935	-	-	-	790
Transfers to stage 3	(20,202)	(39)	(28,448)	(477)	48,650	1,576	-	1,060
Within-stage movements	(29,090)	(1,057)	(5,276)	(624)	(8,729)	1,932	(43,095)	251
Write-offs	-	-	-	-	-	-	-	-
At 31 December	3,092,337	2,580	195,934	1,423	86,098	19,231	3,374,369	23,234

Company Overdrafts	2025							
	Stage 1		Stage 2		Stage 3		Total	
£000	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss
At 1 January	3,683	6	8,380	293	2,616	1,408	14,679	1,707
New assets originated	85	9	-	-	-	-	86	9
Assets derecognised or repaid	(720)	(4)	(8,274)	(287)	(1,889)	(973)	(10,883)	(1,264)
Transfers to stage 1	35	2	(35)	(6)	-	-	-	(4)
Transfers to stage 2	(28)	-	28	-	-	-	-	-
Transfers to stage 3	(2)	-	(43)	-	45	29	-	29
Within-stage movements	(1,644)	7	(34)	1	78	187	(1,600)	195
Write-offs	-	-	-	-	-	-	-	-
At 31 December	1,410	20	22	1	850	651	2,282	672

Within-stage movements represent remeasurements of the ECL for assets that did not transition between stages during the period. These changes are driven by updated economic forecasts, refinements to model parameters, and fluctuations in exposure levels (such as additional drawdowns) on existing facilities.

Consolidated Loans	2024							
	Stage 1		Stage 2		Stage 3		Total	
£000	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss
At 1 January	2,964,797	5,343	538,764	8,081	72,058	12,430	3,575,619	25,854
New assets originated	695,172	1,360	29,234	387	1,629	1,397	726,035	3,144
Assets derecognised or repaid	(422,088)	(844)	(156,425)	(1,903)	(21,248)	(1,621)	(599,761)	(4,368)
Transfers to stage 1	162,032	169	(168,740)	(2,881)	(687)	(33)	(7,395)	(2,745)
Transfers to stage 2	(164,033)	(352)	161,969	1,359	-	-	(2,064)	1,007
Transfers to stage 3	(27,522)	(87)	(36,879)	(951)	61,972	2,103	(2,429)	1,065
Within-stage movements	(14,460)	(1,189)	(5,717)	(270)	(17,356)	4,626	(37,533)	3,167
Write-offs	-	-	-	-	-	-	-	-
At 31 December	3,193,898	4,400	362,206	3,822	96,368	18,902	3,652,472	27,124

Consolidated Overdrafts £000	2024 Stage 1 Gross carrying amount	Stage 1 Expected credit loss	Stage 2 Gross carrying amount	Stage 2 Expected credit loss	Stage 3 Gross carrying amount	Stage 3 Expected credit loss	Total Gross carrying amount	Total Expected credit loss
At 1 January	3,452	28	10,813	405	1,203	503	15,468	936
New assets originated	1,429	1	1	-	1,308	962	2,738	963
Assets derecognised or repaid	(2,224)	(7)	(1,911)	(24)	-	-	(4,135)	(31)
Transfers to stage 1	3	-	(1)	-	(4)	-	(2)	-
Transfers to stage 2	(137)	-	99	-	-	-	(38)	-
Transfers to stage 3	(2)	-	-	-	1	-	(1)	-
Within-stage movements	1,162	(16)	(621)	(88)	108	(57)	649	(161)
Write-offs	-	-	-	-	-	-	-	-
At 31 December	3,683	6	8,380	293	2,616	1,408	14,679	1,707

Company Loans £000	2024 Stage 1 Gross carrying amount	Stage 1 Expected credit loss	Stage 2 Gross carrying amount	Stage 2 Expected credit loss	Stage 3 Gross carrying amount	Stage 3 Expected credit loss	Total Gross carrying amount	Total Expected credit loss
At 1 January	2,830,062	4,404	513,460	7,875	71,405	11,986	3,414,927	24,265
New assets originated	622,877	900	19,639	192	176	149	642,692	1,241
Assets derecognised or repaid	(411,920)	(784)	(148,294)	(1,841)	(20,945)	(1,521)	(581,159)	(4,146)
Transfers to stage 1	152,578	157	(159,286)	(2,792)	(687)	(33)	(7,395)	(2,668)
Transfers to stage 2	(146,941)	(253)	144,877	1,264	-	-	(2,064)	1,011
Transfers to stage 3	(21,779)	(45)	(36,879)	(951)	56,229	1,448	(2,429)	452
Within-stage movements	(61,502)	(1,133)	(5,359)	(234)	(14,324)	4,652	(81,185)	3,285
Write-offs	-	-	-	-	-	-	-	-
At 31 December	2,963,375	3,246	328,158	3,513	91,854	16,681	3,383,387	23,440

Company Overdrafts £000	2024 Stage 1 Gross carrying amount	Stage 1 Expected credit loss	Stage 2 Gross carrying amount	Stage 2 Expected credit loss	Stage 3 Gross carrying amount	Stage 3 Expected credit loss	Total Gross carrying amount	Total Expected credit loss
At 1 January	3,452	28	10,813	405	1,203	503	15,468	936
New assets originated	1,429	1	1	-	1,308	962	2,738	963
Assets derecognised or repaid	(2,224)	(7)	(1,911)	(24)	-	-	(4,135)	(31)
Transfers to stage 1	3	-	(1)	-	(4)	-	(2)	-
Transfers to stage 2	(137)	-	99	-	-	-	(38)	-
Transfers to stage 3	(2)	-	-	-	1	-	(1)	-
Within-stage movements	1,162	(16)	(621)	(88)	108	(57)	649	(161)
Write-offs	-	-	-	-	-	-	-	-
At 31 December	3,683	6	8,380	293	2,616	1,408	14,679	1,707

16. Other assets

	Consolidated 2025 £000	**Company 2025 £000**	Consolidated 2024 £000	Company 2024 £000
Prepayments	**6,398**	**6,342**	4,970	4,912
Accrued income	**16,440**	**16,440**	7,999	7,999
Cash pledged as collateral	**29,884**	**29,884**	28,270	28,270
Other receivables	**5,647**	**5,646**	2,923	2,923
Total other assets	**58,369**	**58,312**	44,162	44,104

Current tax assets were previously included within other assets. These are now presented as a separate line item in the statement of financial position. To ensure consistency with the current period's presentation, prior-year comparatives have been reclassified accordingly. Further details are included in note 36.

17. Derivative financial instruments

Cynergy Bank utilises derivative financial instruments to manage its exposure to interest rate and foreign exchange rate fluctuations. These derivatives are an essential component of Cynergy Bank's risk management and asset and liability management activities.

Derivatives are classified as held for trading unless they are designated as hedging instruments. Derivatives held for trading include foreign exchange contracts used for economic hedging. Derivatives designated as hedging instruments consist of interest rate swaps designated in qualifying fair value hedge relationships.

All derivatives are measured at fair value through profit or loss. For derivatives designated in fair value hedge relationships, the change in the fair value of the derivative is recognised in profit or loss together with the change in the fair value of the hedged item that is attributable to the hedged risk.

Derivatives are recognised on the balance sheet as assets when their fair value is positive and as liabilities when their fair value is negative. Credit exposure arising from these instruments is actively monitored as part of Cynergy Bank's counterparty credit risk and market risk management frameworks, which include the use of collateral arrangements where appropriate.

The net fair value of the derivative portfolio can vary significantly due to market fluctuations. The fair value gains or losses for the year ended 31 December 2025 are as follows:

Consolidated and company	**2025 £000**	2024 £000
Fair value adjustment on hedging instruments	**544**	(204)

The following table shows the fair value of derivative financial instruments recorded as assets or liabilities together with their notional amounts. The notional amount, stated gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the fair value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Consolidated and company	**2025**			2024		
		Fair value			Fair value	
	Notional amount £000	**Assets £000**	**Liabilities £000**	Notional amount £000	Assets £000	Liabilities £000
Exchange rate contracts	**23,151**	211	(83)	18,983	-	(264)
By maturity						
Up to 1 year	**23,151**	**211**	**(83)**	18,983	-	(264)
1-5 years	**-**	**-**	**-**	-	-	-
Over 5 years	**-**	**-**	**-**	-	-	-
Total exchange rate contracts	**23,151**	**211**	**(83)**	18,983	-	(264)
By counterparty						
Banks and building societies	**23,151**	**211**	**(83)**	18,983	-	(264)
Total exchange rate contracts	**23,151**	**211**	**(83)**	18,983	-	(264)
Interest rate swaps	**1,596,000**	**1,632**	**(14,480)**	1,095,000	6,404	(11,214)
By maturity						
Up to 1 year	**745,000**	**646**	**(1,759)**	1,095,000	6,404	(11,214)
1-5 years	**826,000**	**985**	**(12,658)**	-	-	-
Over 5 years	**25,000**	**-**	**(63)**	-	-	-
Total interest rate contracts	**1,596,000**	**1,632**	**(14,480)**	1,095,000	6,404	(11,214)
By counterparty						
Banks and building societies	**1,596,000**	**1,632**	**(14,480)**	1,095,000	6,404	(11,214)
Total interest rate contracts	**1,596,000**	**1,632**	**(14,480)**	1,095,000	6,404	(11,214)
Total derivative contracts	**1,619,151**	**1,843**	**(14,563)**	1,113,983	6,404	(11,478)

Hedge accounting

Cynergy Bank applies fair value hedge accounting for portfolio hedges of interest rate risk associated with fixed-rate loans and advances to customers. We maintain a portfolio of fixed-rate assets which are exposed to changes in fair value resulting from fluctuations in market interest rates. To mitigate this risk, Cynergy Bank enters into interest rate swaps that transform the fixed-rate exposure into a floating-rate basis.

Cynergy Bank assesses hedge effectiveness at the inception of the hedging relationship and on an ongoing basis thereafter. Management actively monitors potential sources of ineffectiveness to make sure any impact is minimised and recognised immediately within the income statement. To maintain the integrity of these relationships, Cynergy Bank regularly reviews and rebalances its hedged portfolios. Adjustments to the notional amounts of interest rate swaps are performed periodically; this ensures that hedging instruments remain closely aligned with the underlying fixed-rate exposure as loan balances fluctuate due to originations, repayments or prepayments.

The amounts relating to items designated as hedging instruments are as follows:

Consolidated and company	**2025**			
		Carrying amount of the hedging instrument (fair value)		**Fair value loss used to calculate hedge ineffectiveness**
	Notional £000	**Assets £000**	**Liabilities £000**	**£000**
Fair value hedges of interest rate risk:				
Interest rate swaps	**1,596,000**	**1,843**	**(14,563)**	**(8,272)**

Consolidated and company	2024			
		Carrying amount of the hedging instrument (fair value)		Fair value gain used to calculate hedge ineffectiveness
	Notional £000	Assets £000	Liabilities £000	£000
Fair value hedges of interest rate risk:				
Interest rate swaps	1,095,000	6,404	(11,478)	25,724

The amounts relating to items designated as hedged items are as follows:

Consolidated and company	**2025**			
	Carrying amount of the hedging item (fair value)			
			Accumulated amount of fair value hedge adjustments on the hedged item	**Fair value gain used to calculate hedge ineffectiveness**
	Assets £000	**Liabilities £000**	**£000**	**£000**
Fair value hedges of interest rate risk:				
Fixed rate loans	**606,915**	**-**	**13,969**	**10,658**
Fixed rate debt securities	**-**	**95,523**	**477**	**477**

Consolidated and company	2024			
	Carrying amount of the hedging item (fair value)			
	Assets £000	Liabilities £000	Accumulated amount of fair value hedge adjustments on the hedged item £000	Fair value loss used to calculate hedge ineffectiveness £000
Fair value hedges of interest rate risk:				
Fixed rate loans	1,096,328	-	(24,903)	(25,249)

The following table provides the amounts recognised as hedge ineffectiveness. Hedge ineffectiveness is recorded within the 'Fair value gains/(losses) on derivative instruments' line item in the income statement.

Consolidated and company	**Ineffectiveness recognised in the income statement**	
	2025 £000	2024 £000
Fair value hedges of interest rate risk:		
Fixed rate loans	2,880	475

18. Investment in securities held at amortised cost

Consolidated and company	**2025**		2024	
	Amortised cost £000	**Fair value £000**	Amortised cost £000	Fair value £000
Government securities	**307,500**	**305,730**	-	-
Other debt securities	**773,429**	**771,514**	252,914	251,410
Total investments in securities	**1,080,929**	**1,077,244**	252,914	251,410

Maturities of investments in debt securities at their carrying amount

Consolidated and company	**2025**	2024
	Amortised cost £000	Amortised cost £000
Up to 1 year	**116,827**	2,883
1 - 5 years	**596,472**	237,897
Over 5 years	**367,630**	12,134
Total investments in securities	**1,080,929**	252,914

The weighted average yield on asset-backed securities during the year ended 31 December 2025 was 4.22% (2024: 4.63%). The Bank's investment in securities includes the Class A note of £368m retained from its inaugural securitisation. As the most senior tranche, it benefits from the full subordination of all junior tranches, which absorb credit losses first. Management has assessed the expected credit losses under IFRS 9 as nil, given that the structural credit enhancement restricts the Bank's exposure to the most remote layer of credit risk.

This conclusion is supported by derecognition analysis under IFRS 9.3.2, which confirmed that substantially all risks and rewards of the underlying portfolio were transferred at the point of sale.

Consequently, the probability of loss reaching the Class A position under any reasonably foreseeable scenario is considered remote. Expected credit losses relating to other investments in securities are also negligible and round to zero.

19. Intangible assets

Consolidated	**2025**		
	Computer software £000	**Assets under construction £000**	**Total £000**
Cost as at 1 January	**71,321**	**14,022**	**85,343**
Additions	**2,254**	**23,071**	**25,325**
Disposals and write-offs	**(1,504)**	**(162)**	**(1,666)**
Transfers	**24,459**	**(24,459)**	**-**
Cost at 31 December	**96,530**	**12,472**	**109,002**
Accumulated amortisation at 1 January	**(21,888)**	**-**	**(21,888)**
Amortisation charge for the year	**(9,891)**	**-**	**(9,891)**
Disposals and write-offs	**1,070**	**-**	**1,070**
Accumulated amortisation at 31 December	**(30,709)**	**-**	**(30,709)**
Net book value at 31 December	**65,821**	**12,472**	**78,293**

Company	**2025**		
	Computer software £000	**Assets under construction £000**	**Total £000**
Cost as at 1 January	**71,003**	**14,022**	**85,025**
Additions	**2,254**	**23,071**	**25,325**
Disposals and write-offs	**(1,183)**	**(162)**	**(1,345)**
Transfers	**24,459**	**(24,459)**	**-**
Cost at 31 December	**96,533**	**12,472**	**109,005**
Accumulated amortisation at 1 January	**(21,629)**	**-**	**(21,629)**
Amortisation charge for the year	**(9,832)**	**-**	**(9,832)**
Disposals and write-offs	**749**	**-**	**749**
Accumulated amortisation at 31 December	**(30,712)**	**-**	**(30,712)**
Net book value at 31 December	**65,821**	**12,472**	**78,293**

Internally developed software primarily comprises Cynergy Bank's mobile and tablet applications and the new Online Banking platform. This includes regulatory Open Banking and payment enhancements designed to improve the client experience across application, transaction and self-service channels.

As at 31 December 2025, the carrying amount of this software was £64.0m (2024: £38.7m). These assets are amortised over their expected useful lives, as detailed in note 3. The weighted average remaining useful life of these intangible assets was 8.2 years (2024: 11.0 years). During the year, internally developed software costs with a net book value of £0.6m (2024: £0.3m) were written off.

Consolidated	2024		
	Computer software £000	Assets under construction £000	Total £000
Cost as at 1 January	36,932	26,995	63,927
Additions	19	21,702	21,721
Disposals and write-offs	-	(305)	(305)
Transfers	34,370	(34,370)	-
Cost at 31 December	71,321	14,022	85,343
Accumulated amortisation at 1 January	(14,624)	-	(14,624)
Amortisation charge for the year	(7,264)	-	(7,264)
Disposals and write-offs	-	-	-
Accumulated amortisation at 31 December	(21,888)	-	(21,888)
Net book value at 31 December	49,433	14,022	63,455

Company	2024		
	Computer software £000	Assets under construction £000	Total £000
Cost as at 1 January	36,614	26,995	63,609
Additions	19	21,702	21,721
Disposals and write-offs	-	(305)	(305)
Transfers	34,370	(34,370)	-
Cost at 31 December	71,003	14,022	85,025
Accumulated amortisation at 1 January	(14,472)	-	(14,472)
Amortisation charge for the year	(7,157)	-	(7,157)
Disposals and write-offs	-	-	-
Accumulated amortisation at 31 December	(21,629)	-	(21,629)
Net book value at 31 December	49,374	14,022	63,396

20. Leases

Consolidated and company	**2025 £000**	2024 £000
Right-of-use assets		
Buildings	**9,918**	11,060
Lease liabilities		
Current	**1,011**	912
Non-current	**9,680**	10,983
Total	**10,690**	11,895

The leased asset utilised by Cynergy Bank includes extension and termination options. Management has evaluated whether these options shall be exercised and has reflected this in the estimation of the lease liability and right-of-use asset.

Consolidated and company	**2025 £000**	2024 £000
Depreciation charge of right-of-use assets	**1,471**	1,372
Interest expense	**877**	946
Expense relating to short-term leases (included in other operating costs)	**158**	205

The total cash outflow for leases in 2025 was £2.3m (2024: £2.7m).

The undiscounted cash payments that will be made until the end of the lease terms are as follows:

Consolidated and company	**£000**
Within 1 year	**2,278**
Between 2 and 5 years	**7,299**
More than 5 years	**6,975**

21. Property and equipment

Consolidated	**2025**			
	Computer equipment £000	**Furniture & equipment £000**	**Freehold property**	**Total £000**
Cost at 1 January	**2,896**	**3,495**	**4,500**	**10,891**
Additions	**149**	**55**	**-**	**204**
Disposals and write-offs	**(3)**	**-**	**(4,500)**	**(4,503)**
Cost at 31 December	**3,042**	**3,550**	**-**	**6,592**
Accumulated depreciation at 1 January	**(2,418)**	**(539)**	**-**	**(2,957)**
Depreciation charge for the year	**(205)**	**(352)**	**-**	**(557)**
Disposals and write-offs	**2**	**-**	**-**	**2**
Accumulated depreciation at 31 December	**(2,621)**	**(891)**	**-**	**(3,512)**
Net book value at 31 December	**421**	**2,659**	**-**	**3,080**

Company	2025			
	Computer equipment £000	Furniture & equipment £000	Freehold property	Total £000
Cost at 1 January	**2,856**	**3,495**	**4,500**	**10,851**
Additions	**189**	**55**	**-**	**244**
Disposals and write-offs	**(3)**	**-**	**(4,500)**	**(4,503)**
Cost at 31 December	**3,044**	**3,550**	**-**	**6,592**
Accumulated depreciation at 1 January	**(2,418)**	**(539)**	**-**	**(2,957)**
Depreciation charge for the year	**(205)**	**(352)**	**-**	**(557)**
Disposals and write-offs	**2**	**-**	**-**	**2**
Accumulated depreciation at 31 December	**(2,621)**	**(891)**	**-**	**(3,512)**
Net book value at 31 December	**421**	**2,659**	**-**	**3,080**

Consolidated	2024			
	Computer equipment £000	Furniture & equipment £000	Freehold property	Total £000
Cost at 1 January	2,504	3,489	–	5,993
Additions	392	6	–	398
Transfer from assets held for sale	–	–	4,500	4,500
Cost at 31 December	2,896	3,495	4,500	10,891
Accumulated depreciation at 1 January	(1,942)	(190)	–	(2,132)
Depreciation charge for the year	(476)	(349)	–	(825)
Accumulated depreciation at 31 December	(2,418)	(539)	–	(2,957)
Net book value at 31 December	478	2,956	4,500	7,934

Company	2024			
	Computer equipment £000	Furniture & equipment £000	Freehold property	Total £000
Cost at 1 January	2,465	3,489	–	5,954
Additions	391	6	–	397
Transfer from assets held for sale	–	–	4,500	4,500
Cost at 31 December	2,856	3,495	4,500	10,851
Accumulated depreciation at 1 January	(1,911)	(190)	–	(2,101)
Depreciation charge for the year	(467)	(349)	–	(816)
Accumulated depreciation at 31 December	(2,378)	(539)	–	(2,917)
Net book value at 31 December	478	2,956	4,500	7,934

22. Customer deposits

Consolidated and company	2025 £000	2024 £000
By category		
Demand	**2,528,903**	2,837,188
Notice	**214,738**	229,884
Term	**2,167,222**	1,424,954
Total customer deposits	**4,910,863**	4,492,026
By geographical area		
United Kingdom	**4,822,548**	4,393,876
Cyprus	**53,428**	71,871
Greece	**10,940**	16,351
Other	**23,947**	9,928
Total customer deposits	**4,910,863**	4,492,026

23. Bank deposits

Consolidated and company	2025 £000	2024 £000
Bank deposits by category		
Term Funding Scheme	**-**	80,924
Repurchase agreements	**85,131**	-
Bank deposits by geographical area		
United Kingdom	**85,131**	80,924

Cynergy Bank participates in repurchase agreements, including the Bank of England's Indexed Long-Term Repo facility, whereby debt securities are transferred to a counterparty in exchange for cash. As the Bank retains substantially all the risks and rewards of ownership, including credit, interest rate and market risk, these securities are not de-recognised and continue to be presented on the balance sheet.

The cash received is recognised as a financial liability, which at 31 December 2025 amounted to £85m. The carrying amount of debt securities pledged as collateral against this liability at 31 December 2025 was £172m. Under the terms of these arrangements, the counterparty has the right to sell or repledge the collateral in the absence of default by the Bank, subject to an obligation to return the securities upon settlement of the liability.

24. Other liabilities

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 (restated) £000	Company 2024 £000
Accruals	13,793	12,576	19,576	18,242
Accrued interest payable	17,501	17,501	7,181	7,181
Subordinated loan subject to sanctions*	41,095	41,095	41,095	41,095
Taxation and social security	3,848	2,374	2,867	1,834
Items in the course of settlement**	6,637	3,499	7,311	1,434
Other liabilities	5,641	5,640	3	6
Total liabilities	**88,515**	**82,685**	78,033	69,792

*In December 2017, Cynergy Bank issued a £30m unsecured and subordinated tier 2 capital loan ('the loan'), priced at par. The loan was unlisted. Interest was payable semi-annually on the loan at a coupon of 8.00% a year up to 21 December 2022, at which point, subject to meeting contractual notice conditions, Cynergy Bank had the option to redeem the loan. On 21 December 2022, after receiving the Prudential Regulation Authority's permission to reduce its eligible regulatory own funds by the tier 2 loan amount, Cynergy Bank exercised the option to redeem the loan. Since the payment of amounts due under the tier 2 facility with Lamesa Investment Ltd remains subject to UK sanctions and US secondary sanctions, the amounts due cannot currently be paid. The amount to be repaid (including accrued interest) of £41m (2024: £41m) continues to be classified within 'Other liabilities'.

**Items in the course of settlement at 31 December 2024 have been reduced by £15.2m to reflect the reclassification of cash receipts allocated against loans and advances.

Previously, the disclosure for deferred tax liabilities was included within this note; however, these are now presented as a separate line item on the face of the statement of financial position. Further information is included within note 36.

To ensure consistency with the current period's presentation, prior-year comparatives have been reclassified accordingly. For further information regarding deferred tax, please refer to note 13.

25. Subordinated loans

Consolidated and company	2025 £000	2024 £000
Unsecured subordinated loans	49,805	14,881

Changes in liabilities arising from financing activities:

Consolidated and company 2025	1 January £000	Deposits £000	Other £000	31 December £000
Unsecured subordinated loans	14,881	35,000	(76)	49,805

26. Share capital

Consolidated and company	2025		2024	
	Shares (no.)	Value £000	Shares (no.)	Value £000
Authorised, issued and fully paid:				
Ordinary shares of £1 each	202,000,000	202,000	202,000,000	202,000

27. Contingent liabilities and commitments

As part of the services we provide to customers, Cynergy Bank enters into financial guarantees and undrawn commitments to lend. Guarantees include those provided on behalf of customers to support their current obligations, ensuring these are fulfilled should the customer fail to do so. Cynergy Bank typically holds collateral against these exposures and retains a right of recourse to the customer.

This table outlines Cynergy Bank's maximum exposure under acceptances, guarantees and commitments. For guarantees, the reported amounts represent the total potential exposure should the contracts be fully drawn and the customers default, excluding the mitigating impact of collateral or recourse provisions. For commitments, the figures represent the maximum contractual amount Cynergy Bank is obligated to lend if customers were to fully utilise their facilities.

Contingent liabilities	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 (restated) £000	Company 2024 £000
Stage 1				
Acceptances, guarantees and cashing facilities	448	448	520	520
Commitments to advance	531,470	173,808	418,549	181,020
Stage 2				
Acceptances, guarantees and cashing facilities	-	-	-	-
Commitments to advance	-	-	-	-
Stage 3				
Acceptances, guarantees and cashing facilities	-	-	-	-
Commitments to advance	-	-	-	-
Total	**531,918**	**174,256**	419,069	181,540

During the current year, the Group identified that undrawn exposures for certain invoice finance facilities were previously disclosed based on operational ledger limits rather than the maximum contractual funding limits. In accordance with IAS 8, the prior year comparative figures have been restated to reflect the contractual limits.

As the Group retains the unconditional right to refuse funding or cancel these facilities, there is no impact on the Group's Risk Weighted Assets or regulatory capital. This restatement is limited to the disclosure of contingent liabilities and has no impact on the Group's reported profit, net assets, or regulatory capital requirements for the year ended 31 December 2024.

All commitments and contingencies are classified as stage 1. The expected credit loss associated with these undrawn commitments is immaterial and is recognised within the impairment allowance for loans and advances to customers (note 12). There were no material transfers between stages or significant changes to the allowance this year.

28. Financial Services Compensation Scheme levy

Cynergy Bank is a member of the statutory deposit insurance and investors compensation scheme for customers of UK authorised banks, building societies and credit unions. The scheme protects up to £120,000 per depositor in the event of Cynergy Bank's insolvency.

29. Fair value of financial assets and liabilities

Consolidated		2025		2024	
	Notes	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Financial assets					
Cash and balances with central banks	(i, Level 1)	**575,031**	**575,031**	1,014,572	1,014,572
Placements with banks	(ii, Level 1)	**36,872**	**36,872**	44,279	44,279
Derivative financial assets	(iii, Level 2)	**1,843**	**1,843**	6,404	6,404
Investment in securities	(iv, Level 1)	**1,080,929**	**1,077,243**	252,914	251,367
Loans and advances to customers	(v, Level 3)	**3,745,133**	**3,809,980**	3,638,320	3,655,506
Financial liabilities					
Bank deposits	(ii, Level 1)	**85,131**	**85,131**	80,924	80,924
Customer deposits	(vi, Level 3)	**4,910,863**	**4,859,007**	4,492,026	4,437,668
Derivative financial liabilities	(iii, Level 2)	**14,563**	**14,563**	11,478	11,478
Subordinated loans	(vii, Level 3)	**49,805**	**49,598**	14,881	14,880

Company		2025		2024	
	Notes	Carrying value £000	Fair value £000	Carrying value £000	Fair value £000
Financial assets					
Cash and balances with central banks	(i, Level 1)	**575,031**	**575,031**	1,014,572	1,014,572
Placements with banks	(ii, Level 1)	**23,079**	**23,079**	23,660	23,660
Derivative financial assets	(iii, Level 2)	**1,843**	**1,843**	6,404	6,404
Investment in securities	(iv, Level 1)	**1,080,929**	**1,077,243**	252,914	251,367
Loans and advances to customers	(v, Level 3)	**3,352,745**	**3,417,477**	3,372,919	3,389,975
Intercompany receivables	(viii, Level 3)	**385,112**	**385,112**	270,687	270,687
Financial liabilities					
Bank deposits	(ii, Level 1)	**85,131**	**85,131**	80,924	80,924
Customer deposits	(vi, Level 3)	**4,910,863**	**4,859,007**	4,492,026	4,437,668
Derivative financial liabilities	(iii, Level 2)	**14,563**	**14,563**	11,478	11,478
Subordinated loans	(vii, Level 3)	**49,805**	**49,598**	14,881	14,880

The fair value estimates are based on the following methodologies and assumptions:

i) Cash and balances with central banks are measured at amortised cost. The carrying amounts of these financial assets, largely due to the short-term maturities of these instruments, approximate fair value.

ii) Placements with banks and bank deposits are measured at amortised cost. The carrying value of placements with banks and bank deposits is considered to approximate fair value. Placements with banks are repayable on demand within 12 months. Amounts due to banks and related entities are repriced every three months at market rates. As a result, these carrying values approximate fair values.

iii) The fair value of derivatives (including foreign exchange contracts and interest rate swaps) designated as being carried at fair value through profit or loss is based on quoted market prices and data or valuation techniques based on observable market data as appropriate to the nature and type of the underlying instrument. Interest rate swaps are valued by discounting expected future cash flows using market estimates of future interest rates.

iv) The carrying value of investment in securities is measured at amortised cost based on principal and coupon amount. The estimated fair value of investment in securities is based on quoted prices in an active market for the specific instrument.

v) Loans and advances to customers are measured at amortised cost. The carrying value of loans and advances to customers is net of allowance for impairment losses and unearned income. The estimated fair value of the advances is calculated by discounting the cash flows using prevailing market interest rates adjusted for the risk premium of Cynergy Bank.

vi) Customer deposits are measured at amortised cost. The estimated fair value of customer deposits is calculated by discounting the cash flows using prevailing market interest rates. The estimated fair value of deposits with no stated maturity, which include non-interest-bearing deposits, is the amount repayable on demand.

vii) Subordinated loans are measured at amortised cost. The subordinated loans are non-traded, and the fair value is calculated by discounting the cash flows using prevailing market interest rates.

viii) Intercompany receivables are measured at amortised cost. The carrying values of intercompany receivables are considered to approximate fair value. The carrying amount is repayable upon demand.

Level 1 inputs are those with quoted prices for similar instruments. Level 2 inputs have directly observable market inputs other than level 1 inputs. Level 3 inputs are not based on observable market data but are calculated using a discounted cash flow model, with relevant prevailing market discount rates for each product maturity.

The following table summarises the key valuation inputs and their relationship to fair value for level 3 assets and liabilities.

Consolidated	Fair value		Range of inputs		
Description	2025 £000	2024 £000	2025 %	2024 %	Relationship of discount rate input to fair value
Loans and advances to customers	**3,809,980**	3,670,663	**3.31% - 4.62%**	3.78% - 4.70%	A shift in discount rate of ±10bps results in a change of fair value of £2.7m (2024: £4.7m)
Customer deposits	**4,859,007**	4,437,668	**3.31% - 4.62%**	3.78% - 4.70%	A shift in discount rate of ±10bps results in a change of fair value of £1.6m (2024: £1.2m)
Investment in securities	**1,077,243**	251,367	**4.12% - 4.79%**	5.10% - 5.56%	Based on quoted prices
Subordinated loans	**49,598**	14,880	**12.00% - 12.50%**	12.00%	A shift in discount rate of ±10bps results in a change of fair value of £0.1m (2024: £0.4m)

Company	Fair value		Range of inputs		
Description	2025 £000	2024 £000	2025 %	2024 %	Relationship of discount rate input to fair value
Loans and advances to customers	**3,417,477**	3,389,975	**3.31% - 4.62%**	3.78% - 4.70%	A shift in discount rate of ±10bps results in a change of fair value of £2.7m (2024: £4.7m)
Customer deposits	**4,859,007**	4,437,668	**3.31% - 4.62%**	3.78% - 4.70%	A shift in discount rate of ±10bps results in a change of fair value of £1.6m (2024: £1.2m)
Investment in securities	**1,077,243**	251,367	**4.12% - 4.79%**	5.10% - 5.56%	Based on quoted prices
Subordinated loans	**49,598**	14,880	**12.00% - 12.50%**	12.00%	A shift in discount rate of ±10bps results in a change of fair value of £0.1m (2024: £0.4m)

30. Risk management

30.1 Liquidity risk

Liquidity risk is the risk that Cynergy Bank, although solvent, does not have sufficient financial resources to meet its obligations as they fall due, or can only secure them at excessive cost. This risk is inherent in banking operations and can be heightened by idiosyncratic factors or broader market systemic stress.

Cynergy Bank's liquidity risk management framework is designed to ensure that it maintains sufficient financial resources to meet its liabilities under both normal and stressed conditions. Daily liquidity management is performed by the treasury department, with formal governance and oversight provided by the Executive Assets & Liabilities Committee, which monitors liquidity metrics against Cynergy Bank's Board-approved risk appetite.

To mitigate this risk, Cynergy Bank maintains a robust buffer of high-quality liquid assets: primarily central bank reserves and highly liquid marketable securities. These assets are held to ensure Cynergy Bank can withstand a 30-calendar day liquidity stress scenario, maintaining a liquidity coverage ratio in consistent excess of the Prudential Regulation Authority's regulatory requirements and internal policy limits.

Here we present the undiscounted contractual cash flows of financial liabilities, including future interest payments, based on the earliest date Cynergy Bank could be required to settle its obligations.

Consolidated and company						
2025	**Demand £000**	**Up to 3 months £000**	**3 months to 1 year £000**	**1 year to 5 years £000**	**Over 5 years £000**	**Total £000**
Financial liabilities						
Customer deposits	**2,754,026**	**297,857**	**1,466,803**	**398,261**	**-**	**4,916,947**
Bank deposits	**-**	**-**	**85,131**	**-**	**-**	**85,131**
Derivative liabilities	**-**	**1,419**	**5,120**	**8,101**	**146**	**14,786**
Subordinated loans	**-**	**298**	**5,852**	**69,434**	**-**	**75,584**
Total liabilities	**2,754,026**	**299,574**	**1,562,906**	**475,796**	**146**	**5,092,449**

Consolidated and company						
2024	Demand £000	Up to 3 months £000	3 months to 1 year £000	1 year to 5 years £000	Over 5 years £000	Total £000
Financial liabilities						
Customer deposits	3,091,983	146,473	917,467	399,881	-	4,555,804
Bank deposits	-	-	83,632	-	-	83,632
Derivative liabilities	-	339	2,409	8,096	-	10,844
Subordinated loans	-	298	1,502	19,803	-	21,603
Total liabilities	3,091,983	147,110	1,005,010	427,780	-	4,671,883

30.2 Credit risk

Credit risk is the risk of financial loss to Cynergy Bank if a customer or counterparty fails to meet their contractual obligations. This risk arises principally from our lending activities and resulting customer advances but also originates from other on and off-balance sheet transactions.

To manage and control credit risk, Cynergy Bank operates within a framework of formal lending policies and exposure limits. These limits are established across various categories including counterparty, sector and geographical location. They are subject to continuous review to reflect changing market conditions.

Cynergy Bank's credit policies are approved by the Board of Directors on the recommendation of the Executive Conduct & Risk Committee. This committee maintains management oversight of the credit risk environment, meeting monthly to review detailed reporting on credit concentrations, portfolio performance and impairment provisions.

A dedicated credit risk function is responsible for independently managing and monitoring advances made by Cynergy Bank's business units. The Executive Credit Committee, acting as a sub-committee of the Board Credit Committee, evaluates and approves credit facilities within its delegated authority. Where facilities fall outside of the Board-approved risk appetite statement, they are referred to the Board Credit Committee for exceptional consideration and approval.

Cynergy Bank assesses credit risk across all activities, employing industry-standard techniques to accurately quantify underlying risks. In accordance with International Financial Reporting Standards (IFRS) 9, Cynergy Bank applies an expected credit loss framework to make sure provisions appropriately reflect the credit risk profile of the portfolio.

i) Internal rating and estimating probability of defaults

Cynergy Bank maintains bespoke internal credit grading systems for its key portfolios, designed to assign a probability of default to each customer. These systems integrate qualitative and quantitative data to establish probabilities derived from historical experience. In instances where internal historical data is insufficient to form a robust estimate, we use information from recognised credit rating agencies. To comply with IFRS 9 requirements, these probabilities of default are subsequently adjusted to incorporate forward-looking information and to reflect the appropriate stage classification of each exposure. Finally, Cynergy Bank applies weighted macroeconomic scenarios to calculate the total expected credit loss at an individual exposure level.

ii) Treasury, trading and interbank relationships

Counterparty risk within the treasury and interbank portfolios is primarily limited to financial services institutions and central banks. The credit risk department evaluates these relationships by analysing a range of publicly available data, including financial statements and external credit ratings from agencies such as Moody's and Standard & Poor's. This ensures that Cynergy Bank's liquid assets and trading positions remain within established risk appetite limits.

iii) Corporate, small business lending and property financing

For lending activities, borrowers are assessed by dedicated Relationship Managers under the independent oversight of the credit risk unit. The credit assessment is underpinned by a grading system that synthesises historical, current and forward-looking data. This includes a rigorous analysis of financial performance, such as realised results alongside client-prepared forecasts and budgets. Key financial metrics, specifically solvency, liquidity and performance ratios, are monitored closely, particularly where they form part of formal loan covenants.

Cynergy Bank also considers wider market intelligence, including publicly available information from external parties and objectively supportable assessments of a client's management capabilities. The complexity and granularity of these grading techniques are proportionate to the scale of the exposure and the operational complexity of the customer, ensuring that risk quantification remains both accurate and risk sensitive.

iv) Exposure at default

Exposure at default represents the gross carrying amount of financial instruments subject to the impairment calculation. This metric accounts for both the potential for a client to increase their exposure as they approach default and the mitigating effect of early repayments. For term loans, exposure at default is modelled based on the contractual amortisation profile, incorporating prepayment rates derived from historical analysis, while assuming that no further repayments occur during the 90 days immediately before a default event.

For revolving facilities such as overdrafts, exposure at default is defined as the full approved limit or the current overdrawn balance, whichever is higher at the reporting date. Cynergy Bank assumes full drawdown for facilities offered within the three months before the balance sheet date, as well as for the undrawn portions of staged facilities, such as property development loans.

v) Loss given default

Loss given default represents Cynergy Bank's expectation of the portion of an exposure that will not be recovered following a default. A core component of this calculation is the loan-to-value ratio, which compares the expected exposure at default against the amount anticipated to be realised from collateral over which Cynergy Bank holds a charge. Collateral revaluations are conducted in strict alignment with our valuation policy.

The loss given default rate for customer advances is determined by several principal inputs, including the probability of an account 'curing' after default, which results in a nil loss based on historical experience and loan-to-value ratio levels. For exposures already in the recovery process, the probability of cure is assumed to be zero. The calculation also incorporates a forced sale discount, modelled on a probability distribution with a mean of 26% for residential properties and 35% for commercial properties. Additional parameters include a 5% cost of realisation, and an 18-month estimated time to sale from the date of default, reflecting Cynergy Bank's historical recovery experience and broader industry practice.

Realisation proceeds are discounted back to the point of default using the effective interest rate of the exposure. Post-write-off recoveries are currently assumed to be nil. Under IFRS 9, loss given default estimates are forward-looking and incorporate macroeconomic variables, such as projected changes in property prices, to determine rates across multiple scenarios. These loss given default rates are specifically estimated for each asset class across stage 1, stage 2 and stage 3 segments.

vi) Significant increase in credit risk

Cynergy Bank monitors all financial assets subject to expected credit loss (ECL) requirements to determine whether an instrument or portfolio should be classified under 12-month ECL (stage 1) or lifetime ECL (stage 2). This determination is based on an assessment of whether there has been a significant increase in credit risk since initial recognition, using a combination of qualitative and quantitative indicators.

An exposure is considered to have experienced a significant increase in credit risk if it meets specific internal criteria, such as being placed on our watchlist or being subject to forbearance measures. Furthermore, credit risk is deemed to have increased significantly if an exposure is downgraded to grades D or E or suffers a multi-grade downgrade from A to C, under Cynergy Bank's internal grading methodology.

As well as these qualitative measures, the Bank applies the IFRS 9 backstop, where any exposure with contractual payments more than 30 days past due is automatically deemed to have experienced a significant increase in credit risk, regardless of other indicators. The following table provides a detailed breakdown of our stage 2 exposures, categorised by the specific trigger event that necessitated the classification.

Company 2025 £000	Business Gross carrying amount	Business Expected credit loss	Business Coverage	Private Gross carrying amount	Private Expected credit loss	Private Coverage	Property Gross carrying amount	Property Expected credit loss	Property Coverage
Probability of default deterioration*	17,999	123	0.7%	845	1	0.1%	39,876	109	0.3%
Forbearance	157	1	0.7%	-	-	- %	9	-	- %
Watchlist and qualitative triggers**	44,999	300	0.7%	-	-	- %	51,651	738	1.4%
30 days past due	-	-	- %	104	-	- %	40,316	152	0.4%
Total	**63,155**	**424**	**2.1%**	**949**	**1**	**0.1%**	**131,852**	**999**	**2.1%**

*Probability of default deterioration includes exposures that migrated to stage 2 based on the quantitative triggers in the IFRS 9 model. These triggers encompass downward internal credit grade movements (for example, a two-notch downgrade), expired facilities that have not been renewed and unauthorised overdraft positions.

**Watchlist and qualitative triggers refers to watchlist cases that are classified stage 2 following internal process, including watchlist additions and also post-model stage adjustments.

Company 2024 £000	Business Gross carrying amount	Business Expected credit loss	Business Coverage	Private Gross carrying amount	Private Expected credit loss	Private Coverage	Property Gross carrying amount	Property Expected credit loss	Property Coverage
Probability of default deterioration*	46,849	350	0.8%	1,001	1	0.1%	55,906	340	0.6%
Forbearance	180	3	1.7%	-	-	- %	152	-	- %
Watchlist and qualitative triggers**	109,439	1,679	1.5%	1,650	3	0.2%	105,986	1,417	1.3%
30 days past due	2,211	1	0.1%	2,102	10	0.5%	11,062	2	- %
Total	158,679	2,033	1.3%	4,753	14	0.3%	173,106	1,759	1.0%

For connected group borrowers with exposures below £2m (property) and £500,000 (trading), credit monitoring is conducted on an exception basis rather than through a formal annual review. If we identify indicators of credit weakness, such as arrears, we reassess the customer's credit quality. Where we find evidence of a significant increase in credit risk, a management overlay is applied to the expected credit loss estimate as appropriate.

These accounts represent a non-material portion of the portfolio. The Bank performs a distinct assessment to identify any evidence of significant credit deterioration within this cohort. Where necessary, a management overlay is applied to the expected credit loss estimate to make sure the collective impairment allowance sufficiently reflects the underlying risk profile of these exposures.

CBF applies an ECL methodology consistent with the Bank, adapted to reflect the nature of the asset-based lending and invoice discounting portfolio. Significant increases in credit risk are assessed using primary indicators such as covenant breaches, ageing of the debtor ledger, and internal watchlist placement.

CBF's Stage 2 ECL concentration of 34% reflects the characteristics of the ABL portfolio, where facilities are subject to enhanced monitoring to ensure early detection of deterioration. CBF monitors credit quality primarily through risk grading adjustments rather than the automated model-driven triggers or forbearance metrics utilised by the Bank. Consequently, portfolio credit quality is represented by the grading distributions in Note 15, which categorise exposures by standard, watchlist, and credit-impaired status.

vii) Annual review process

All borrowers with exposures exceeding £2m for property or £500,000 for trading are subject to a formal annual review. This assessment encompasses a comprehensive evaluation of lending terms, collateral valuations and financial performance relative to the borrower's broader market sector.

The following table shows the risk concentration by sector for customer advances.

	Consolidated 2025 £000	**Company 2025 £000**	Consolidated 2024 £000	Company 2024 £000
Business sector				
Property investment	**2,391,156**	**2,391,156**	2,404,299	2,404,299
Property development	**89,707**	**82,939**	55,887	55,887
Hotels, catering and leisure	**297,733**	**291,782**	334,358	334,358
Manufacturing	**118,582**	**18,355**	62,005	175
Retail and wholesale	**54,889**	**4,256**	33,511	6,748
Other business sectors	**480,709**	**264,503**	462,223	281,731
Personal sector	**340,761**	**323,660**	314,868	314,868
	3,773,537	**3,376,651**	3,667,151	3,398,066
Less: Allowance for expected credit losses	**(28,404)**	**(23,906)**	(28,831)	(25,147)
Carrying amount	**3,745,133**	**3,352,745**	3,638,320	3,372,919

viii) Forbearance

Forbearance occurs when we agree to modify the contractual terms of a loan, either temporarily or permanently, to help a customer experiencing financial stress with meeting their obligations. Under IFRS 9, the granting of forbearance is typically an indicator of a significant increase in credit risk (stage 2) or a default event (stage 3).

Cynergy Bank applies a rigorous reclassification policy for forborne exposures. Where a forborne case is classified as non-performing (stage 3), it must successfully complete an 18-month cure period followed by a 24-month monitoring (probation) period as a performing forborne exposure before it can be considered for return to the non-forborne portfolio. This results in a total observation period of 42 months. For forborne cases that continue performing, the 18-month cure period is not required, but the exposure must still satisfy the 24-month probation period requirements.

The following is an analysis of Cynergy Bank's forborne exposures and the associated triggers, with the 2024 position presented for comparative purposes.

Consolidated and company 2025	Total £000	Stage 2 £000	Stage 3 £000
Interest-only conversion	**125**	**-**	**125**
Payment holidays	**9**	**9**	**-**
Refinance	**157**	**157**	**-**
Total	**291**	**166**	**125**

Consolidated and company 2024	Total £000	Stage 2 £000	Stage 3 £000
Interest-only conversion	975	-	975
Payment holidays	6,600	152	6,448
Refinance	180	180	-
Total	7,755	332	7,423

Definition of default and cure

Cynergy Bank identifies a default event, and the subsequent classification as stage 3 (credit-impaired), through a combination of quantitative and qualitative triggers.

Quantitatively, a default is primarily triggered when a borrower becomes 90 days past due on any material contractual payment. For treasury and interbank balances, Cynergy Bank applies a stricter threshold, considering an exposure to be in default if required intraday payments are not settled by the close of business, as specified in individual counterparty agreements.

Qualitatively, Cynergy Bank assesses whether there is evidence of a borrower's unlikeliness to pay. This assessment involves carefully evaluating various indicators to determine whether stage 3 classification or a migration to stage 2 is appropriate. Key indicators of unlikeliness to pay include an internal credit rating indicating default or near-default, a borrower's request for emergency funding, or the existence of past-due liabilities to employees or public creditors.

Cynergy Bank also considers events such as the death of a borrower, a material decline in the value of underlying collateral (where repayment is dependent on sale), or a significant reduction in turnover or the loss of a major customer. Formal covenant breaches that have not been waived, and any legal entity within a borrower's group filing for bankruptcy protection, also serve as critical indicators of default.

Once an exposure is classified as stage 3, it remains in this category until it no longer exhibits indicators of being credit-impaired. To make sure the improvement in credit quality is sustained, we apply a mandatory 18-month cure period. A financial instrument is only considered cured, and thus eligible for reclassification out of stage 3, when none of the default criteria have been present for 18 consecutive months. Upon curing, the decision to reclassify the asset into stage 2 or stage 1 is based on the updated credit grade at the time of the cure and whether that grade reflects a significant increase in credit risk relative to initial recognition.

ix) Non-performing versus credit-impaired loans

Non-performing loans are exposures where the borrower is at least 90 days (three months) past due on their contractual payments, or where there is objective evidence to doubt the borrower's ability to maintain future payments without the realisation of collateral. Cynergy Bank's definition of default used to identify non-performing loans is strictly aligned with the definition of default applied to stage 3 credit-impaired exposures under IFRS 9.

The primary distinction within this alignment relates to the mortgage portfolio. For non-performing loan reporting purposes, a mortgage customer remains classified as bankrupt for a minimum of two years following the initial bankruptcy declaration before their position is eligible for reassessment. As demonstrated in the following tables, Cynergy Bank's categorisation of credit-impaired assets and non-performing loans is fundamentally aligned, with both assessments resulting in stage 3 classification for expected credit loss purposes.

Consolidated 2025	Gross carrying amount £000
Non-performing loans	**90,435**

Consolidated 2024	Gross carrying amount £000
Non-performing loans	94,475

These exposures are classified as credit-impaired (stage 3) for IFRS 9 purposes due to the bankruptcy status of the borrower. However, they may be excluded from the regulatory definition of a non-performing loan depending on their specific repayment status and the duration since the initial bankruptcy declaration.

x) Maximum exposure to credit risk and collateral and other credit enhancements

Here we detail Cynergy Bank's maximum exposure to credit risk alongside the tangible and measurable collateral held as security. The net exposure to credit risk represents the residual risk after accounting for both impairment allowances and the fair value of eligible collateral. Where financial guarantees are in place, the collateral figures include any underlying assets supporting those guarantees.

For financial assets recognised on the balance sheet, the gross exposure to credit risk is defined as the carrying amount before any impairment provisions.

In the ordinary course of business, Cynergy Bank does not take physical possession of collateral held as security, nor does it call upon other credit enhancements in a way that would result in the recognition of an asset on its balance sheet. In the event of an enforcement of security, it is Cynergy Bank's policy to dispose of repossessed assets in an orderly and timely fashion, with the proceeds applied to reduce or settle the outstanding debt.

Consolidated			£000		
2025	Gross carrying amount	Property collateral	Cash collateral	Receivables	Net exposure
Business	**626,163**	**1,219,736**	**734**	**-**	**-**
Private	**276,393**	**535,361**	**6**	**-**	**-**
Property	**2,474,095**	**4,275,655**	**9,318**	**-**	**-**
Cynergy Business Finance	**396,886**	**74,187**	**-**	**658,990**	**-**
Total	**3,773,537**	**6,104,939**	**10,057**	**658,990**	**-**

Company 2025 (£000)	Gross carrying amount	Property collateral	Cash collateral	Receivables	Net exposure
Business	**626,163**	**1,219,736**	**734**	**-**	**-**
Private	**276,393**	**535,361**	**6**	**-**	**-**
Property	**2,474,095**	**4,275,655**	**9,318**	**-**	**-**
Total	**3,376,651**	**6,030,752**	**10,057**	**-**	**-**

Consolidated 2024 (£000)	Gross carrying amount	Property collateral	Cash collateral	Receivables	Net exposure
Business	620,090	1,189,802	257	-	-
Private	317,775	622,796	7	-	-
Property	2,460,201	4,627,567	6,246	-	-
Cynergy Business Finance	269,085	-	-	421,712	-
Total	3,667,151	6,440,165	6,510	421,712	-

Company 2024 (£000)	Gross carrying amount	Property collateral	Cash collateral	Receivables	Net exposure
Business	620,090	1,189,802	257	-	-
Private	317,775	622,796	7	-	-
Property	2,460,201	4,627,567	6,246	-	-
Total	3,398,066	6,440,165	6,510	-	-

Cynergy Bank's credit policies require that loan origination is supported by high-quality security to mitigate potential credit losses. This typically includes:

- First legal mortgages over residential and commercial properties
- Charges over business assets such as premises, inventory and accounts receivable
- Charges over financial instruments, including debt securities and equities

All new originations must strictly adhere to our valuation policy, which requires our interests to be protected by an appropriate and proportionate level of security. There have been no material changes to Cynergy Bank's policies regarding the acquisition and perfection of security over the past 12 months. The quality and enforceability of collateral remain paramount to Cynergy Bank's disciplined origination process.

The distribution of loan-to-value ratios across our portfolio provides an overview of the credit risk mitigation provided by the underlying security.

Consolidated	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
2025 £000 LTV	**Gross carrying amount**	**Expected credit loss**	**Gross carrying amount**	**Expected credit loss**	**Gross carrying amount**	**Expected credit loss**	**Gross carrying amount**	**Expected credit loss**
Cash covered	**121**	**-**	**-**	**-**	**-**	**-**	**121**	**-**
Less than 50%	**594,061**	**712**	**31,991**	**146**	**11,900**	**3,894**	**637,952**	**4,752**
50% to 59%	**988,327**	**674**	**57,906**	**757**	**13,000**	**210**	**1,059,233**	**1,642**
60% to 69%	**1,384,869**	**1,426**	**87,179**	**451**	**28,680**	**1,383**	**1,500,728**	**3,260**
70% to 79%	**316,268**	**547**	**30,948**	**666**	**19,427**	**896**	**366,643**	**2,109**
80% to 89%	**70,386**	**178**	**35,649**	**674**	**3,253**	**648**	**109,288**	**1,499**
90% to 99%	**5,238**	**24**	**1,295**	**8**	**2,804**	**2,506**	**9,337**	**2,538**
100% and more	**22,276**	**260**	**13,373**	**166**	**1,020**	**1,020**	**36,669**	**1,446**
Unsecured	**41,699**	**143**	**935**	**83**	**10,932**	**10,932**	**53,566**	**11,158**
Total	**3,423,245**	**3,964**	**259,276**	**2,951**	**91,016**	**21,489**	**3,773,537**	**28,404**

Company	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
2025 £000 LTV	**Gross carrying amount**	**Expected credit loss**	**Gross carrying amount**	**Expected credit loss**	**Gross carrying amount**	**Expected credit loss**	**Gross carrying amount**	**Expected credit loss**
Cash covered	**121**	**-**	**-**	**-**	**-**	**-**	**121**	**-**
Less than 50%	**510,081**	**295**	**25,237**	**43**	**11,013**	**3,645**	**546,331**	**3,983**
50% to 59%	**945,020**	**553**	**52,747**	**550**	**12,756**	**148**	**1,010,523**	**1,252**
60% to 69%	**1,307,334**	**1,206**	**74,737**	**309**	**28,297**	**1,277**	**1,410,368**	**2,792**
70% to 79%	**264,147**	**391**	**11,802**	**176**	**19,427**	**896**	**295,376**	**1,463**
80% to 89%	**28,270**	**38**	**18,095**	**179**	**1,719**	**478**	**48,084**	**694**
90% to 99%	**-**	**-**	**-**	**-**	**2,804**	**2,506**	**2,804**	**2,506**
100% and more	**576**	**3**	**13,336**	**166**	**-**	**-**	**13,912**	**169**
Unsecured	**38,198**	**114**	**2**	**1**	**10,932**	**10,932**	**49,132**	**11,047**
Total	**3,093,747**	**2,600**	**195,956**	**1,424**	**86,948**	**19,882**	**3,376,651**	**23,906**

Consolidated	Stage 1		Stage 2		Stage 3		Total	
2024 £000 LTV	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss	Gross carrying amount	Expected credit loss
Cash covered	1	15	1	-	-	-	2	15
Less than 50%	808,033	542	58,247	288	11,217	4,454	877,497	5,284
50% to 59%	1,205,620	1,437	142,406	1,143	24,743	1,188	1,372,769	3,768
60% to 69%	968,931	1,655	81,608	1,006	13,947	576	1,064,486	3,237
70% to 79%	140,822	414	43,468	402	32,231	5,814	216,521	6,630
80% to 89%	47,261	129	15,312	86	-	-	62,573	215
90% to 99%	3,517	16	-	-	5,557	105	9,074	121
100% and more	16,129	127	29,178	1,172	4,724	3,063	50,031	4,362
Unsecured	7,267	71	366	18	6,565	5,110	14,198	5,199
Total	3,197,581	4,406	370,586	4,115	98,984	20,310	3,667,151	28,831

Company 2024 £000 LTV	Stage 1 Gross carrying amount	Stage 1 Expected credit loss	Stage 2 Gross carrying amount	Stage 2 Expected credit loss	Stage 3 Gross carrying amount	Stage 3 Expected credit loss	Total Gross carrying amount	Total Expected credit loss
Cash covered	1	(15)	1	–	–	–	2	(15)
Less than 50%	784,559	(262)	52,985	(254)	9,236	(3,635)	846,780	(4,151)
50% to 59%	1,111,608	(1,033)	139,293	(1,124)	24,047	(1,086)	1,274,948	(3,243)
60% to 69%	934,241	(1,501)	71,751	(831)	13,417	(421)	1,019,409	(2,753)
70% to 79%	92,455	(204)	39,527	(383)	32,080	(5,805)	164,062	(6,392)
80% to 89%	19,843	(50)	4,382	(30)	–	–	24,225	(79)
90% to 99%	2,478	(8)	–	–	5,557	(105)	8,035	(113)
100% and more	14,610	(108)	28,233	(1,166)	3,568	(1,927)	46,411	(3,201)
Unsecured	7,263	(71)	366	(18)	6,565	(5,110)	14,194	(5,201)
Total	2,967,058	(3,252)	336,538	(3,806)	94,470	(18,089)	3,398,066	(25,147)

Macroeconomic scenarios

The Bank's ECL allowance is determined using four probability-weighted economic scenarios which represent a range of potential outcomes for the UK economy. These scenarios, as summarised in the tables below, incorporate key macroeconomic variables including GDP growth, unemployment rates, and house price indices to ensure our credit risk provisions reflect both current conditions and forward-looking risks.

Scenario	UK economy output in each scenario
Base (50th percentile)	• UK gross domestic product (GDP) growth projected to 1.0% in 2026 and 1.4% in 2027, reflecting a looser fiscal stance following the November Budget • The Bank of England faces a delicate policy trade-off: sticky inflation versus weak growth. The Monetary Policy Committee is split, and further modest rate cuts are expected, with bank rate projected at 3.25% by the end of 2026 • Unemployment is expected to rise to 5.1% before gradually returning toward 4% by 2032, reflecting weaker labour demand, labour-market data volatility, and policy changes such as increases to national insurance contributions • House price growth remains subdued in the near term, with mild recovery pushed into 2027, while commercial property prices continue to be held back by tariffs, uncertainty and weak investment sentiment

Scenario	UK economy output in each scenario
Mild upside (15th percentile)	• A more optimistic global environment, with multiple positive risks materialising at once • The UK benefits from the global world GDP expanding strongly, with UK GDP growth accelerating to 3.4% in 2026 and 2.8% in 2027, well above baseline expectations • A tighter labour market pushes the UK unemployment rate down to 3.6% by mid-2028, matching the lowest rate seen in the past decade • Stronger household incomes, improved sentiment and rising employment fuel a faster rebound in house prices from 2026 • A surge in consumption boosts financial market sentiment, lifting UK asset prices and supporting wealth effects • Inflation resurfaces as higher commodity prices (cost-push) and stronger demand (demand-pull) place upward pressure on prices • In response, the Bank of England reverses its rate-cutting cycle and tightens policy again, raising bank rate to 4.75% by the second quarter of 2026 • Stronger loan demand and higher interest rates drive faster gearing (leverage) growth in the economy compared with the base scenario • However, lending spreads stay narrow relative to the base scenario, helped by strong household income growth and the positive wealth effects from higher asset prices
Downside scenario (85th percentile)	• A major global recession, more severe than the previously modelled 'worst-case trade war' scenario, driven by geopolitical tensions, trade disruptions, resurgent inflation and financial market turmoil • The UK enters a deep downturn, with GDP contracting 2.7% in 2026 instead of growing 1% as in the base scenario • Consumer confidence collapses, unemployment rises and business investment stalls, resulting in a very slow recovery; UK GDP does not return to its late 2025 level until early 2030 • The UK unemployment rate peaks at 6.9% in mid-2028 and remains structurally elevated (around 5.5% by the end of 2034) due to hysteresis and long-lasting labour-market damage • Persistently weak labour-market conditions further squeeze real incomes, intensifying declines in the housing and broader asset markets • In response, the Bank of England cuts interest rates much sooner and faster than in the base scenario, mirroring accelerated easing by other central banks • Nevertheless, falling asset prices, rising risk premiums and wider financial stress mean financial conditions still tighten despite lower policy rates • Higher unemployment and falling incomes trigger forced selling in the housing market, worsening the price downturn • UK house prices do not begin to recover until late-2028, and even then, the recovery is only gradual due to weak confidence and higher perceived risk

Scenario	UK economy output in each scenario
Severe downside scenario (95th percentile)	• UK GDP falls sharply, ending up 7.5% below baseline by mid-2027, a shock comparable in scale to the 2008-09 global financial crisis • The downturn reflects both worsening current risks and tail risks to financial stability, including the potential fallout from a severe property-price correction • Despite more resilient loan quality and firm balance sheets than during the crisis, additional shocks still trigger broad financial stress and a slow, uneven recovery • UK output contracts 3.3% in the first quarter of 2026, and GDP does not return to growth until early 2027; long-term supply-side damage leads to a permanent loss of output, leaving GDP 8% below the base scenario by 2030 • Unemployment jumps to 5.5% by the end of 2025, peaking at 7.4% in early 2028 – roughly 3 percentage points higher than the base scenario • Elevated unemployment and weak growth spur a surge in personal insolvencies, reaching levels similar to the global financial crisis, while company bankruptcies rise sharply, especially among already-fragile small firms • The Bank of England responds with aggressive monetary easing, cutting bank rate to 1% by the first quarter of 2027 • House prices collapse by c17%, wiping out almost all gains since 2020 and pushing price-to-income ratios down to early-2000s levels • Tighter credit, falling incomes and low confidence amplify the downturn, preventing a stronger rebound even after conditions stabilise

Model scenario probability weightings

During 2023, Cynergy Bank implemented a new macroeconomic regression model which is considered to better capture downside risks which previously required a heavier downside weighting. These developments have made our IFRS 9 modelling more sensitive to macroeconomic forecasts, including affordability risk, which is now captured in the macroeconomic modelling, and allows the model to better capture the risks related to the impact of higher inflation and interest rates.

The scenario weightings have remained unchanged since December 2023 and they continue to be monitored and reviewed on a quarterly basis in the Executive Model Governance Committee.

	Mild upside	Base	Downside	Severe downside
Current	30%	50%	10%	10%

Cynergy Bank uses various macroeconomic variables to forecast asset movements, default rates and economic impacts, such as a house price index, commercial real estate index, unemployment forecasts and interest rates. The recalibrated macroeconomic regression model incorporates gross domestic product (GDP), unemployment, housing equity and real personal disposable income (adjusted for mortgage interest payments) as variables, enhancing its ability to estimate the impact of affordability risk, which has become more acute in the current UK macroeconomic environment.

All these macroeconomic variables are also applied in the IFRS 9 model developed for Cynergy Business Finance. The bank rate within the Cynergy Business Finance model is used to forecast interest rates for the cash flow, property, plant and machinery loans. The commercial real estate index is used to index property collateral.

Macroeconomic assumptions used for scenario modelling as at 31 December 2025[1] (and comparative data for 2024) are as follows:

2025	Scenario	2026	2027	2028	2029	2030
GDP	Mild upside	2.8	2.2	1.7	1.5	1.5
Average change year-on-year (%)	Baseline	1.4	1.5	1.5	1.5	1.6
	Downside	0.1	1.0	1.4	1.7	1.7
	Severe downside	(0.8)	0.6	1.3	1.7	1.8
Bank rate	Mild upside	4.6	4.6	3.9	3.3	3.0
Average (%)	Baseline	3.5	3.1	2.8	2.6	2.5
	Downside	2.9	1.9	1.8	1.8	1.8
	Severe downside	2.6	1.1	1.0	1.0	1.0
Unemployment rate	Mild upside	4.6	3.9	3.6	3.6	3.6
Average (%)	Baseline	5.0	4.8	4.5	4.4	4.2
	Downside	5.8	6.5	6.9	6.7	6.4
	Severe downside	6.0	7.0	7.4	7.2	6.9
House price index	Mild upside	3.2	4.9	6.5	6.1	5.0
Average change year-on-year (%)	Baseline	1.7	3.0	4.2	5.2	5.1
	Downside	(3.7)	(3.2)	(0.7)	3.3	5.5
	Severe downside	(6.2)	(6.3)	(3.8)	2.2	5.8
Commercial real estate index	Mild upside	7.8	6.4	3.1	1.0	0.5
Average change year-on-year (%)	Baseline	2.7	3.8	2.9	2.2	1.8
	Downside	(5.3)	1.5	3.9	3.9	3.4
	Severe downside	(9.3)	0.3	3.5	4.5	4.9
Housing equity	Mild upside	74.9	75.4	76.0	76.4	76.3
Average (%)	Baseline	74.6	74.7	75.2	75.7	76.1
	Downside	73.2	71.6	70.9	71.5	72.8
	Severe downside	72.4	69.9	68.3	68.7	70.3
Real personal disposable income	Mild upside	0.6	1.2	1.8	1.7	1.6
Average change year-on-year (%)	Baseline	0.3	0.7	1.3	1.4	1.5
	Downside	(0.5)	(0.3)	0.0	0.7	1.3
	Severe downside	(0.8)	(0.7)	(0.2)	0.5	1.1
Real household disposable income adjusted for mortgage interest payments	Mild upside	0.2	1.0	2.0	1.9	1.7
	Baseline	0.3	0.6	1.5	1.6	1.5
	Downside	(0.5)	(0.3)	0.2	0.9	1.4
Average change year-on-year (%)	Severe downside	(0.8)	(0.7)	0.1	0.8	1.2

[1]2025 data has been revised to include real personal disposable income (adjusted for mortgage interest payments). This variable was adopted as a primary input during the IFRS 9 model recalibration, replacing the unadjusted figure.

2024	Scenario	2025	2026	2027	2028	2029
GDP Average change year-on-year (%)	Mild upside	3.1	2.5	2.0	1.5	1.5
	Baseline	1.4	1.7	1.8	1.7	1.6
	Downside	(2.3)	0.4	1.4	1.7	1.7
	Severe downside	(4.2)	(0.5)	1.0	1.6	1.8
Bank rate Average (%)	Mild upside	5.4	4.8	3.8	3.0	3.0
	Baseline	4.2	3.3	2.8	2.5	2.5
	Downside	3.7	2.2	1.8	1.8	1.8
	Severe downside	3.4	1.4	1.0	1.0	1.0
Unemployment rate Average (%)	Mild upside	4.0	3.6	3.6	3.6	3.6
	Baseline	4.4	4.3	4.2	4.1	4.0
	Downside	5.1	6.0	6.7	6.7	6.5
	Severe downside	5.4	6.4	7.2	7.1	6.9
House price index Average change year-on-year (%)	Mild upside	3.8	2.9	4.7	4.5	4.3
	Baseline	2.2	1.2	2.3	3.6	4.5
	Downside	(3.2)	(5.0)	(2.6)	2.0	4.9
	Severe downside	(5.6)	(8.1)	(5.6)	0.9	5.2
Commercial real estate index Average change year-on-year (%)	Mild upside	7.5	5.9	3.2	1.2	0.5
	Baseline	2.2	3.3	3.0	1.9	1.3
	Downside	(5.5)	1.5	3.8	3.6	2.8
	Severe downside	(9.4)	0.2	3.8	4.5	3.9
Housing equity Average (%)	Mild upside	76.6	76.7	77.1	77.2	77.2
	Baseline	76.3	76.1	76.1	76.3	76.6
	Downside	74.9	73.2	72.0	72.4	73.5
	Severe downside	74.3	71.6	69.5	69.6	71.1
Real personal disposable income Average change year-on-year (%)	Mild upside	1.2	1.3	1.9	2.2	2.0
	Baseline	1.0	1.2	1.5	1.8	1.7
	Downside	0.2	0.3	0.1	1.0	1.4
	Severe downside	0.0	(0.1)	(0.0)	0.9	1.2
Real household disposable income adjusted for mortgage interest payments Average change year-on-year (%)	Mild upside	0.6	1.1	1.9	2.6	2.1
	Baseline	0.7	1.3	1.5	2.0	1.7
	Downside	(0.1)	0.3	0.1	1.3	1.6
	Severe downside	(0.3)	(0.1)	0.1	1.3	1.4

The following table illustrates the sensitivity of the ECL to scenario weighting. It presents the gross carrying amount and the impact on ECL if a 100% weighting were applied to each individual macroeconomic scenario.

Company 2025	Weighted £000	Mild upside £000	Baseline £000	Downside £000	Severe downside £000
Gross carrying amount					
Business	**626,163**	**-**	**-**	**-**	**-**
Property	**2,474,095**	**-**	**-**	**-**	**-**
Private	**276,393**	**-**	**-**	**-**	**-**
Cynergy Business Finance	**396,886**	**-**	**-**	**-**	**-**
ECL £000					
Business	**10,657**	**10,628**	**10,652**	**10,700**	**11,011**
Property	**9,915**	**9,365**	**9,623**	**10,737**	**11,981**
Private	**425**	**315**	**372**	**633**	**814**
Cynergy Business Finance	**4,498**	**4,365**	**4,466**	**4,709**	**4,850**
Proportion of ECLs in Stage 2					
Business	**4%**	**4%**	**4%**	**4%**	**5%**
Property	**11%**	**10%**	**11%**	**12%**	**14%**
Private	**0%**	**0%**	**0%**	**0%**	**0%**
Cynergy Business Finance	**34%**	**34%**	**34%**	**34%**	**34%**

Company 2024	Weighted £000	Mild upside £000	Baseline £000	Downside £000	Severe downside £000
Gross carrying amount					
Business	620,090	-	-	-	-
Property	2,460,186	-	-	-	-
Private	317,775				
Cynergy Business Finance	269,085	-	-	-	-
ECL £000					
Business	11,384	10,907	11,289	12,088	12,555
Property	13,465	12,791	13,221	14,588	15,578
Private	339	264	298	455	555
Cynergy Business Finance	3,685	3,609	3,670	3,807	3,864
Proportion of ECLs in Stage 2					
Business	18%	15%	17%	22%	24%
Property	13%	12%	13%	15%	16%
Private	4%	3%	3%	4%	5%
Cynergy Business Finance	8%	8%	8%	9%	9%

Post-model adjustments and management overlays

Cynergy Bank applies post-model adjustments and management overlays where model limitations or latent risks are not fully captured by the ECL models. These adjustments follow the Bank's model governance process and are approved by the Board Audit Committee.

- Amortising term loan adjustment – Applied to loans with a significant final payment to reflect the increased probability of default over the final months before expiry.
- British Business Bank schemes – Adjustments to reflect non-recoverable exposures under the government-guarantee schemes (CBILS, RLS, EFGS).
- Individual assessments – Applied to specific portfolios (e.g., CBF/CRE) to incorporate sector-specific risks and insights from credit forums on higher-risk accounts.
- SME adjustments – Adjustments to address emerging risks within the SME portfolio, including pressures on small businesses and landlords from broader economic conditions.
- Product/data/stage adjustments – Adjustments made for model or data limitations to ensure a more representative estimate of ECLs based on loan-level characteristics.

A summary of the quantitative impact of each of these adjustments is presented in the table below.

£000	Amortising Term Loan	British Business Bank Schemes	Individual Assessments	SME	Product/ Data/Stage Adjustments	Bridging Sector	Total impact
2024	630	(763)	13,500	882	-	4,070	18,319
2025	**281**	**(293)**	**21,818**	**696**	**(599)**	**-**	**21,903**

30.3 Operational risk

Operational risk is the risk of financial loss or reputational damage resulting from inadequate or failed internal processes, systems and people, or from external events. This includes risks associated with internal control breaches, fraud, errors and poor management.

Cynergy Bank operates a robust framework for identifying, tracking and analysing operational risk events. This includes monitoring events which represent a risk of loss but do not crystallise, to make sure we take proactive remedial action to prevent such events happening again. Governance and oversight are maintained through regular reporting to the relevant risk committees, so Cynergy Bank's operational resilience remains aligned with its strategic objectives.

30.4 Market risk

Market risk represents the potential for an adverse financial impact arising from fluctuations in interest rates, foreign exchange rates and other relevant financial indicators.

Cynergy Bank is primarily exposed to interest rate risk due to structural mismatches between the dates on which interest receivable on assets and interest payable on liabilities are reset to market rates, or the dates on which they mature.

To mitigate this risk, Cynergy Bank engages in hedging activities and manages repricing mismatches within strict limits. These limits are defined by the maximum potential loss of earnings and the impact on the economic value of equity under various interest rate shock scenarios. Cynergy Bank's exposure and sensitivity to interest rate movements are regularly monitored and reviewed by the Executive Assets & Liabilities Committee, which manages the overall position within the risk appetite limits established by the Board.

This summary of our interest rate gap position is categorised by the contractual repricing profiles of our assets and liabilities.

Analysis of assets and liabilities by contractual repricing

Consolidated 2025	Carrying value £000	Non-interest-bearing £000	Up to 3 months £000	3 months to 1 year £000	1 year to 5 years £000	Over 5 years £000
Financial assets:						
Cash and balance with central banks	575,031	-	575,031	-	-	-
Placements with banks	36,872	-	36,872	-	-	-
Loans and advances to customers	3,745,133	-	2,165,562	276,086	1,233,745	69,740
Investment in securities	1,080,929	-	877,236	54,575	149,118	-
Total assets	**5,437,965**	**-**	**3,654,701**	**330,661**	**1,382,863**	**69,740**
Financial liabilities						
Customer deposits	4,916,947	128,494	2,923,389	1,466,803	398,261	-
Bank deposits	85,131	-	85,131	-	-	-
Subordinated loans	49,805	-	-	-	49,805	-
Total liabilities	**5,051,883**	**128,494**	**3,008,520**	**1,466,803**	**448,066**	**-**
Interest rate derivatives	-	-	461,000	290,000	(726,000)	(25,000)
Interest rate gap	386,082	(128,494)	1,107,181	(846,142)	208,797	44,740

Analysis of assets and liabilities by contractual repricing

Company 2025	Carrying value £000	Non-interest-bearing £000	Up to 3 months £000	3 months to 1 year £000	1 year to 5 years £000	Over 5 years £000
Financial assets:						
Cash and balance with central banks	575,031	-	575,031	-	-	-
Placements with banks	23,079	-	23,079	-	-	-
Loans and advances to customers	3,352,745	-	1,912,140	274,792	1,097,573	68,240
Investment in securities	1,080,929	-	877,236	54,575	149,118	-
Intercompany receivable	385,112	-	385,112	-	-	-
Total assets	**5,416,896**	**-**	**3,772,598**	**329,367**	**1,246,691**	**68,240**
Financial liabilities						
Customer deposits	4,916,947	128,494	2,923,389	1,466,803	398,261	-
Bank deposits	85,131	-	85,131	-	-	-
Subordinated loans	49,805		-	-	49,805	-
Total liabilities	**5,051,883**	**128,494**	**3,008,520**	**1,466,803**	**448,066**	**-**
Interest rate derivatives	-	-	461,000	290,000	(726,000)	(25,000)
Interest rate gap	365,013	(128,494)	1,225,078	(847,436)	72,625	43,240

Analysis of assets and liabilities by contractual repricing

Consolidated 2024	Carrying value £000	Non-interest-bearing £000	Up to 3 months £000	3 months to 1 year £000	1 year to 5 years £000	Over 5 years £000
Financial assets:						
Cash and balance with central banks	1,014,572	-	1,014,572	-	-	-
Placements with banks	44,279	-	44,279	-	-	-
Loans and advances to customers	3,638,320	-	1,800,630	106,368	1,512,280	219,042
Investment in securities	252,914	-	252,914	-	-	-
Total assets	4,950,085	-	3,112,395	106,368	1,512,280	219,042
Financial liabilities:						
Customer deposits	4,492,026	128,792	3,108,844	891,168	363,222	-
Bank deposits	80,924	-	80,924	-	-	-
Subordinated loans	14,881	-	-	-	14,881	-
Total liabilities	4,587,831	128,792	3,189,768	891,168	378,103	-
Interest rate derivatives	-	-	1,095,000	-	(1,095,000)	-
Interest rate gap	362,254	(128,792)	1,017,627	(784,800)	39,177	219,042

Analysis of assets and liabilities by contractual repricing

Company 2024	Carrying value £000	Non-interest-bearing £000	Up to 3 months £000	3 months to 1 year £000	1 year to 5 years £000	Over 5 years £000
Financial assets:						
Cash and balance with central banks	1,014,572	-	1,014,572	-	-	-
Placements with banks	23,660	-	23,660	-	-	-
Loans and advances to customers	3,372,919	-	1,612,884	105,283	1,435,710	219,042
Investment in securities	252,914	-	252,914	-	-	-
Intercompany receivable	270,332		270,332	-	-	-
Total assets	4,934,397	-	3,174,362	105,283	1,435,710	219,042
Financial liabilities:						
Customer deposits	4,492,026	128,792	3,108,844	891,168	363,222	-
Bank deposits	80,924	-	80,924	-	-	-
Subordinated loans	14,881	-	-	-	14,881	-
Total liabilities	**4,587,831**	**128,792**	**3,189,768**	**891,168**	**378,103**	**-**
Interest rate derivatives	-	-	1,095,000	-	(1,095,000)	-
Interest rate gap	346,566	(128,792)	1,079,594	(785,885)	(37,393)	219,042

The next table illustrates the estimated annualised impact of a parallel 1.0% shift in interest rates, both upward and downward, applied to Cynergy Bank's interest-bearing assets and liabilities. This analysis is based on our internal monitoring on the reporting date and measures the potential effect on net interest income over a 12-month horizon.

These sensitivities are calculated based on our year-end position and assume an instantaneous parallel shift in all market interest rates, while keeping the balance sheet structure static. This standardised measure lets us assess interest rate risk, although it does not account for management's ability to take mitigating actions or for changes in customer behaviour that might occur in response to shifting rates.

	2025 £000	2024 £000
Increase of 1.0%	**8,456**	12,537
Decrease of 1.0%	**(9,373)**	(12,502)

30.5 Foreign currency risk

Foreign currency risk originates from mismatches between assets and liabilities denominated in foreign currencies, primarily as a result of Cynergy Bank's lending, deposit-taking and currency dealing activities. The majority of these dealings are conducted to facilitate customer transactions.

The treasury department is responsible for managing this risk within Board-approved intraday and overnight limits. To keep currency exposures within risk appetite, we typically use derivatives, such as forward foreign exchange contracts, to hedge our positions. On the balance sheet date, Cynergy Bank's net currency exposures remained low and the potential impact on profit after tax and on equity arising from reasonable fluctuations in currency exchange rates is considered immaterial to the 2025 financial statements.

Set-off

In accordance with IAS 32, financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position only when Cynergy Bank currently has a legally enforceable right to set off the recognised amounts, and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Cynergy Bank is party to several arrangements, such as master netting agreements, that provide a conditional right to set off certain financial instruments. However, where there is no current intention to settle these positions on a net or simultaneous basis, the assets and liabilities are presented on a gross basis in the financial statements.

The following table reconciles the gross amounts of financial assets and liabilities to the net amounts presented in the statement of financial position. It also illustrates the potential effect of master netting agreements, and similar arrangements that do not meet the strict criteria for offsetting under IAS 32 but provide a right of set-off in the event of default, insolvency or bankruptcy.

Consolidated	2025			2024		
	Gross amounts presented in the balance sheet £000	Offset amounts £000	Net amounts £000	Gross amounts presented in the balance sheet £000	Offset amounts £000	Net amounts £000
Financial assets						
Loans and advances to customers	**3,745,133**	**68,031**	**3,677,102**	3,638,320	71,538	3,566,782
Derivative assets	**1,843**	**1,632**	**211**	6,404	6,404	-
Other assets	**58,369**	**12,848**	**45,521**	44,405	4,810	39,595
Financial liabilities						
Customer deposits	**4,910,863**	**68,031**	**4,842,832**	4,492,026	71,538	4,420,488
Derivative liabilities	**14,563**	**14,480**	**83**	11,478	11,214	264

Company	2025			2024		
	Gross amounts presented in the balance sheet £000	Offset amounts £000	Net amounts £000	Gross amounts presented in the balance sheet £000	Offset amounts £000	Net amounts £000
Financial assets						
Loans and advances to customers	**3,352,745**	**68,031**	**3,284,714**	3,372,919	71,538	3,301,381
Derivative assets	**1,843**	**1,632**	**211**	6,404	6,404	5,764
Other assets	**58,312**	**12,848**	**45,464**	44,236	4,810	39,426
Financial liabilities						
Customer deposits	**4,910,863**	**68,031**	**4,842,832**	4,492,026	71,538	4,420,488
Derivative liabilities	**14,563**	**14,480**	**83**	11,478	11,214	264

30.6 Conduct risk

Conduct risk is the risk that Cynergy Bank's behaviours, product offerings or interactions result in unfair outcomes for its customers, leading to potential regulatory fines, redress costs and significant reputational damage. Cynergy Bank remains committed to high standards of market integrity and the fair treatment of all customers. To manage this risk, Cynergy Bank maintains a robust conduct framework that aligns with the FCA's Consumer Duty requirements.

31. Investments in subsidiaries

As at 31 December 2025, the group includes the following subsidiary companies whose results are included in the consolidated financial statements.

Name	Country of incorporation	Class of shares	Ownership (%)	Principal activity
Cynergy Business Finance Limited	United Kingdom	Ordinary	87.5	Invoice financing and asset-based lending
North Star Audit Limited[1]	United Kingdom	Ordinary	87.5	Dormant

Cynergy Bank's subsidiaries have the same registered office as Cynergy Bank, as detailed in note 1.

32. Capital management

Cynergy Bank is supervised by the Prudential Regulation Authority (PRA) as a UK authorised bank, requiring it to meet the liquidity and capital requirements set by the PRA.

Cynergy Bank uses the standardised approach for credit risk and must demonstrate to the PRA its ability to withstand liquidity and capital stresses. Cynergy Bank regularly reviews the adequacy of its capital to support both current and future activities, including during stress scenarios. Credit risk stress testing is conducted annually, with full reviews documented in the internal capital adequacy assessment process (ICAAP). This document is approved by the Board of Directors and submitted to the PRA for review in years with a supervisory review and evaluation process. The PRA evaluates the ICAAP and sets total capital requirements plus buffers, establishing the minimum capital Cynergy Bank must maintain.

Cynergy Bank manages its capital to ensure sufficient resources are available to support its plans and meet regulatory requirements, as outlined in the total capital requirements plus buffers, even during periods of stress. Cynergy Bank maintains a capital corridor above regulatory requirements. Annual plans, budgets and forecasts include projections of the capital position and requirements to make sure our capital resources remain adequate.

	Consolidated 2025 £000	Company 2025 £000	Consolidated 2024 £000	Company 2024 £000
Ordinary share capital	**202,000**	**202,000**	202,000	202,000
Retained earnings	**226,322**	**212,354**	184,557	178,997
Property revaluation reserve	**-**	**-**	505	505
Regulatory deductions (unaudited)	**(79,716)**	**(79,716)**	(65,185)	(65,126)
Total eligible tier 1 capital (CET1)	**348,606**	**334,638**	321,877	316,376
Tier 2 capital: subordinated loans	**50,000**	**50,000**	15,000	15,000
Total eligible regulatory capital	**398,606**	**384,638**	336,877	331,376

[1]North Star Audit Limited is a wholly owned subsidiary of Cynergy Business Finance. Cynergy Bank's effective interest of 87.5% is held indirectly through its 87.5% majority stake in Cynergy Business Finance.

33. Related party transactions

Cynergy Bank's ultimate controlling entity is Cynergy Capital Limited, which owns 100% of the ordinary share capital.

33.1 Directors and key management personnel

Our key management personnel, and persons connected with them, are considered to be related parties for disclosure purposes.

Key management personnel are the Directors of Cynergy Bank and those other persons having authority and responsibility for planning, directing and controlling the activities of Cynergy Bank.

Total key management compensation, including Directors, for the period is £6,526,211 (2024: £5,193,358). The next table shows key management personnel compensation excluding Directors, whose compensation is presented separately in the table after that.

Key management personnel compensation

Consolidated and company	2025 £000	2024 £000
Short-term benefits	3,618	2,984
Long-term benefits	-	-
Post-employment benefits	198	213
Termination benefits	-	20
Total compensation for key management personnel, excluding Directors	**3,816**	**3,217**

Directors' compensation

Consolidated and company	2025 £000	2024 £000
Short-term benefits	2,576	1,861
Long-term benefits	-	-
Post-employment benefits	135	115
Termination benefits	-	-
Total compensation for Directors	**2,711**	**1,976**

The total remuneration of the highest-paid Director for qualifying services to Cynergy Bank was £1,632,515 (2024: £1,210,667). The amount of pension contributions paid by the company to the pension scheme on behalf of the highest-paid Director was £100,764 (2024: £99,290). The highest-paid Director did not exercise any share options during the period. The highest-paid Director was not awarded, and did not exercise, any shares under the long-term incentive plan in respect of qualifying services. There were no payments to key management during 2025 in respect of long-term incentive plan-related awards (2024: £219,360 payments of cash settled awards under the 2019 to 2021 plan).

In January 2021, an agreement was entered into between an Executive Director and the Board of the parent company, Cynergy Capital Limited. Under that agreement, the Director is eligible to receive remuneration based on the value of the parent company. This has been estimated at £1.9m for the year ended 31 December 2025 (2024: £1.5m), and this is disclosed in the financial statements of Cynergy Capital Limited. There is no financial impact on the financial statements of Cynergy Bank and its subsidiaries. As the agreement is with a Director of Cynergy Bank, it is also disclosed in these financial statements as a related party transaction.

Cynergy Bank provides banking services to Directors and persons connected to them. A connected person is a person or corporate entity connected to a Director, such as a member of the Director's family or a company controlled by the Director.

There were related party loans outstanding at 31 December 2025 totalling £57.4m (2024: £24.9m). There were no other loan transactions during the year or balances outstanding at the year end for key management personnel.

Related party deposits totalling £1.6m were held as at 31 December 2025 (2024: £1.6m).

Other transactions with related parties

Consolidated and company	2025 £000	2024 £000
Management fees paid to Cynergy Bank's parent company	160	160
Lease payments to related party	59	51
Total	**219**	**211**

Cynergy Bank leases a property from a related party on market terms. Payments under this lease in 2025 totalled £59,280 (2024: £50,547). Outstanding balances in relation to management fees at the year end are unsecured and interest free, and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

In addition to the above, Cynergy Bank had an intercompany loan to its subsidiary Cynergy Business Finance with a balance at 31 December 2025 of £385.1m (2024: £270.7m). Interest during the year on the intercompany loan was £11.1m (2024: £8.6m). No guarantees have been given or received under this arrangement and the loan is considered to be performing with no impairment. Cynergy Bank also had no transactions during the year with North Star Audit Limited, a subsidiary and related party within the group.

34. Interests in unconsolidated structured entities

The following table summarises Cynergy Bank's interests in unconsolidated structured entities as at 31 December 2025.

Consolidated and company	2025 £000
Carrying amount of senior note (included in investments in securities)	367,630
Total assets of the structured entity (unaudited)	439,190
Maximum exposure to loss	367,630

During the year, Cynergy Bank completed its first securitisation transaction, transferring beneficial interests in a portfolio of loans and advances to a bankruptcy-remote structured entity. Cynergy Bank does not control, and therefore does not consolidate, this entity. At the date of transfer, the transferred portfolio had a gross carrying amount of £439m (less allocated expected credit loss allowance of £0.2m).

This transaction resulted in a net gain on derecognition of £3.6m. This gain was calculated as the difference between the net carrying amount of the loans derecognised and the sum of the cash consideration received from the structured entity of £85.9m and the fair value of the senior note retained at inception of £367.3m (which equalled its par value).

As a result of this transaction, Cynergy Bank retains continuing involvement in the portfolio of loans transferred through (i) its holding of the senior note issued by the structured entity, and (ii) its role as servicer of the underlying loan assets. The senior note is recognised within 'Investment in securities' on the statement of financial position. The Bank's maximum exposure to loss is limited to the carrying amount of this investment, which stands at £367.6m as at 31 December 2025. The fair value of the senior note at the reporting date is materially consistent with this carrying amount, and there are no carrying amounts of liabilities associated with this retained interest. Subsequent to initial recognition, the senior note is measured at amortised cost using its effective interest rate. No further gain or loss has been recognised subsequent to the date of transfer in respect of this continuing involvement.

Cynergy Bank has not provided, and has no current intention to provide, financial or other support to the structured entity beyond the initial setup costs and the purchase of the senior note. The Bank continues to service the underlying loans on an arm's length basis. Accordingly, no servicing asset or liability has been recognised, and no servicing fee income was recognised during the year.

The structured entity features a two-year replenishment period during which Cynergy Bank may transfer additional eligible loans to the entity on the same terms, subject to compliance with eligibility criteria. During this period, the risk profile of the retained senior note may change as the composition of the underlying portfolio evolves. The Bank actively manages this risk by monitoring the performance and credit quality of the underlying pool of loans. As at 31 December 2025, the total assets of the structured entity were £439.2m.

35. Options over non-controlling interests

Cynergy Bank plc is party to a shareholder agreement regarding its subsidiary, Cynergy Business Finance Limited (CBF). Under the terms of this agreement, Cynergy Bank holds a call option to purchase the minority shareholding held by the minority shareholders of CBF, while the minority shareholders hold a corresponding put option to require Cynergy Bank to purchase their shares.

Following losses in its first two years of operation, CBF has been profit-making since 2023. However, the entity remains reliant on funding provided by Cynergy Bank plc. Accordingly, the fair value of these options was assessed as nil at 31 December 2025 (2024: nil).

36. Restatement of prior period comparatives

Item 1: Unallocated cash receipts

During the year, the Bank identified that certain cash receipts were pending allocation to customer loans. These receipts had been classified within other liabilities, while the corresponding gross balances remained within loans and advances to customers. To more accurately reflect the substance of these transactions, a reclassification has been made to the prior year comparatives to net these balances.

Item 2: Other presentation and classification adjustments

In addition to the previous item, certain comparative amounts within the statement of profit or loss, statement of financial position, and statement of cash flows have been reclassified or disaggregated to conform to the current year's presentation. These adjustments have been made to provide more relevant information, enhance reporting granularity, or better reflect the nature of the underlying transactions and costs.

These changes relate only to presentation and classification. There is no impact on previously reported net profit, total equity, or net cash flows for the prior period. The adjustments represent either the disaggregation of previously grouped balances on the basis of materiality or the movement of items between line items to ensure a more consistent and transparent presentation.

Consolidated Statement of profit or loss (extract)	Note	Item	2024 £000	Reclassification £000	2024 (restated) £000
Interest expense calculated using the effective interest method	6	2	(191,478)	946	(190,532)
Other interest expense	6	2	(48,550)	(946)	(49,496)
Total interest expense			**(240,028)**	**-**	**(240,028)**

Company Statement of profit or loss (extract)	Note	Item	2024 £000	Reclassification £000	2024 (restated) £000
Interest expense calculated using the effective interest method	6	2	(191,437)	946	(190,491)
Other interest expense	6	2	(48,550)	(946)	(49,496)
Total interest expense			**(239,987)**	**-**	**(239,987)**

Consolidated Statement of financial position (extract)	Note	Item	2024 £000	Reclassification £000	2024 (restated) £000
Assets					
Loans and advances to customers	15	1	3,653,477	(15,157)	3,638,320
Current tax assets	16	2	-	243	243
Other assets	16	2	44,405	(243)	44,162
Liabilities					
Deferred tax liabilities	24	2	-	6,250	6,250
Other liabilities	24	1, 2	99,440	(21,407)	78,033
Total equity			**3,554,037**	**-**	**3,554,037**

Company Statement of financial position (extract)	Note	Item	2024 £000	Reclassification £000	2024 (restated) £000
Assets					
Current tax assets	16	2	-	1,471	1,471
Other assets	16	2	45,575	(1,471)	44,104
Liabilities					
Deferred tax liabilities	24	2	76,062	(6,270)	69,792
Other liabilities	24	2	-	6,270	6,270
Total equity			**76,062**	**-**	**76,062**

Consolidated Statement of cash flows (extract)	Item	2024 £000	Reclassification £000	2024 (restated) £000
Operating activities				
Loans and advances to customers	1	(90,320)	15,157	(75,163)
Interest paid on lease liabilities	2	-	(919)	(919)
Other liabilities	1, 2	8,019	(13,301)	(5,282)
Investing activities				
Redemption of asset-backed securities	2	35,836	(11,062)	24,774
Principal and interest paydowns on investment securities	2	-	11,062	11,062
Financing activities				
Capital repayment from finance lease obligations	2	(2,292)	919	(1,373)
Interest paid on subordinated loans	2	-	(1,856)	(1,856)
Net cash flows		**(48,757)**	**-**	**(48,757)**

Company Statement of cash flows (extract)	Item	2024 £000	Reclassification £000	2024 (restated) £000
Operating activities				
Interest paid on lease liabilities	2	-	(919)	(919)
Other liabilities	2	(9,362)	1,856	(7,506)
Investing activities				
Redemption of asset-backed securities	2	35,836	(11,062)	24,774
Principal and interest paydowns on asset-backed securities	2	-	11,062	11,062
Financing activities				
Capital repayment from finance lease obligations	2	(2,292)	919	(1,373)
Interest paid on subordinated loans	2	-	(1,856)	(1,856)
Net cash flows		**24,182**	**-**	**24,182**

In accordance with IAS 1, a third balance sheet as at the beginning of the preceding period is required where a restatement has a material effect on the financial position. The Bank has not presented a third balance sheet on the basis that the impact of these reclassifications at the relevant date was not considered material to the Bank's overall financial position or to the users' understanding of the financial statements.

37. Events after the reporting period

There were no events after the reporting period that require disclosure in these financial statements.

Alternative performance measures (unaudited)

Figures quoted in the strategic report are unaudited unless stated otherwise.

Reconciliation of statutory and alternative performance measures

	Consolidated 2025 £m	Consolidated 2024 £m
Statutory profit before tax	**51.6**	52.6
Amortisation, depreciation and write-offs during the year	**12.5**	9.8
Revaluation of long-term incentive plan	**(4.0)**	-
Underlying profit before tax	**60.1**	62.4

	Consolidated 2025 £bn	Consolidated 2024 £bn
	£bn	
Statutory customer lending	**3.7**	3.6
Securitised loans (derecognised for statutory purposes)	**0.4**	-
Undrawn loan commitments	**0.2**	-
Adjusted customer lending	**4.3**	3.6

Definitions

"Cynergy Bank", "the Bank", "the Group", "we", "us", and "our" refer to Cynergy Bank plc and its subsidiary undertakings, unless the context requires otherwise.

Underlying profit before tax – Reported profit before tax, adjusted to remove amortisation, depreciation and write-offs during the year, as well as the impact of long-term incentive plan revaluations.

Return on required equity – Calculated as profit after tax for the period, divided by average required equity.

Net Promoter Score – A standardised customer loyalty metric derived from the likelihood of customers to recommend the Bank's services to others on a scale of 0 to 10. The NPS score is calculated as the difference between the percentage of 'promoters' and 'detractors', expressed as a numerical value between -100 and +100.

Cynergy Bank